

**Month 11 Finance Report****Item 2****Governing Body Meeting****2 April 2020****1. Executive Summary**

<b>Key Duties</b>	<b>Year to date</b>	<b>Forecast</b>	<b>Key Issues</b>
Deliver £18.0m Surplus (CCG's Control Total) against Commissioning Revenue Resource Limit (RRL) + RCA combined	(£16.5m) Under Spend	(£18.1m) Under Spend	The surplus brought forward from 2018/19 was £18.0m. For 2019/20 the CCG was set an in-year breakeven control total by NHS England, i.e. we are required to maintain our brought forward cumulative surplus. The saving was increase in month 10 to £18.1m due to additional savings on Running Costs budgets. Whilst we are forecasting achievement of this increased surplus, we continue to manage a number of financial risks which, if not carefully managed, may impact on delivery of the control total.
a) Achieve a surplus against the Programme Allocation	(£14.4m) Under Spend	(£16.2m) Under Spend	There are a number of risks and challenges that need to be managed (see section 2).
b) Remain within Running Cost Allowance (RCA) of £12.64m.	(£2.1m) Under Spend	(£1.9m) Under Spend	At the plan stage, we agreed £1.0m of our surplus should come from the RCA. Additional savings have been identified and reported this month, which allows us to anticipate that we can increase our overall CCG forecast surplus to £1.9m.
Remain within the Cash Limit (i.e. Maximum draw down set by NHS England)	£1.3m closing balance	Breakeven	The CCG's maximum draw down for 2019/20 notified in February was £926.3m. To remain within this limit, which requires the revenue position to be brought in on plan, cash payments will need to be managed to meet this target.

**Key:**

<b>Red</b>	Significant risk of non-delivery. Additional actions need to be urgently pursued.
<b>Amber</b>	Medium risk of non-delivery requires additional management effort.
<b>Green</b>	Low risk of non-delivery – current management effort should deliver success.

## 2. Summary of the reported position

The overall position is summarised in table 1 below.

Table 1: Summary Position at 29 February 2020	Annual Budget £'000s	Year to Date Variance £'000s	Forecast Variance (+ = adverse) £'000s	Forecast Variance (+ = adverse) %
Acute Care	447,861	5,043	5,215	1.2%
Mental Health & Learning Disabilities	93,987	1,036	965	1.0%
Community	88,893	182	(11)	0.0%
Continuing Care	60,226	261	371	0.6%
Primary Care	101,058	234	20	0.0%
Prescribing	94,111	1,963	2,099	2.2%
Collaborative	11,352	(9)	33	0.3%
Other Programme	7,920	(152)	179	2.3%
Reserves including planned surplus				
Return of prior year surplus	17,021	(15,603)	(17,021)	-100.0%
Contingency reserve	1,985	(1,985)	(1,985)	-100.0%
Specific reserves (incl. ICS)	8,294	(5,403)	(6,119)	-73.8%
<b>Programme Costs</b>	<b>932,709</b>	<b>(14,433)</b>	<b>(16,254)</b>	<b>-1.7%</b>
Running Costs (RCA)	12,193	(1,182)	(867)	-7.1%
RCA reserves incl. return prior year surplus	1,173	(917)	(1,000)	-85.3%
<b>Year to date and Year end Surplus</b>	<b>946,076</b>	<b>(16,531)</b>	<b>(18,121)</b>	<b>-1.9%</b>

Figures are subject to rounding

We are reporting an overall year-to-date (YTD) surplus of £16.5m, which is in line with our plan, although this is only after the release of all £2.0m of the residual general contingency reserve and £4.9m of the specific commissioning reserves.

**It should be recognised that we are dealing with a significant number of requests to commit additional expenditure, at speed, in response to the Covid-19 emergency situation. NHS England/Improvement have issued financial guidance that states that such costs will be reimbursable subject to confirmation that costs have been approved through the appropriate CCG governance, records are maintained to support the expected audit/review of COVID costs at a future point in time, and that they are reasonable additional costs directly attributable to the COVID response arrangements. Given that we have put appropriate governance arrangements in place we do not expect that these additional costs will have an adverse impact on delivery of our planned position. Specific risks associated with different areas of spend are covered in more detail in section 3.**

As reported at M10, South Yorkshire and Bassetlaw ICS has asked all organisations to review whether they are in a position to stretch delivery of the planned financial position, in recognition that a small number of providers are likely to miss delivery of their control totals, putting achievement of the system provider sustainability funding in quarter 4 at risk. At M10, we increased our forecast surplus by £100k which we continue to be confident of delivering. As the host organisation to the ICS, there is potential for further slippage to materialise, which may impact of the reported surplus of the CCG.

Further detail of spend in different areas can be found at Appendix A (summary level) and a more detailed position by programme category is then provided in Appendix B. Appendix C provides a summary of the financial position for our main contracts with Sheffield

providers (STHFT, SCFT and SHSCT). Appendix D summarises the overall position for budgets within the scope of the BCF arrangement with Sheffield City Council. Appendix E notes additional allocations received in-year for specific programmes.

### Overall Risk Assessment

Given the unprecedented situation in relation to Covid-19 we are currently managing a range of additional risks that may take some time to play through, in addition to the financial risks previously identified. One key additional risk is the availability of capacity within the finance team to accurately monitor and record expenditure to the end of the current financial year and beyond. NHS England/Improvement has confirmed the expectation that draft Annual Accounts will be submitted broadly in line with the original timetable (with an extension of up to one month in terms of submission of the audited accounts). We have mobilised our business continuity arrangements to ensure that our business critical functions including payment of staff and suppliers and delivery of statutory functions, such as production of accounts, are maintained. Whilst, at the time of writing, we do not have any particular capacity issues in relation to staff sickness, we have contingency arrangements in place to deal with an increase in the incidence of sickness, and so at this point feel that the risk is manageable.

Whilst the contract monitoring information in relation to March activity is not currently available, it is anticipated that March activity will be significantly distorted by the Covid-19 situation. In line with guidance from NHS England/Improvement we are finalising year end agreements with all our main providers that includes an estimate for March activity based on prior months' activity. Whilst we are still working through the detail on some of these agreements, in particular in relation to Sheffield Teaching Hospitals, there is a risk that assumptions within our current forecast position regarding anticipated activity changes, eg in relation to QIPP, will not be realisable and so would add a level of financial risk. We have also clarified the position on 2019/20 payments to GP practices, specifically in relation to QoF payments (in line with national guidance) as well as payment for locally commissioned services.

The financial pressures included in the forecast position, described in more detail in section 3 below, utilise the totality of the general contingency reserve. The year to date position includes full use of the contingency at month 11 and expected slippage on specific commissioning reserves of £4.9m (full year forecast slippage of £5.6m).

### **3 Further Information on Key Budgets and related risks**

#### **Acute Hospital Activity:**

**Sheffield Teaching Hospitals (STH)** is by far the most significant contract in value terms as it is planned to account for £435m (including the MSK and Walk in Centre contracts). At month 11, we are reporting a £4.35m (1.04%) overspend for the contract overall. This is a £598k deterioration against last month's position.

Major movements within the £598k are: an increase of £191k in elective inpatient activity and a £209k increase in planned outpatient procedures, offset by a £153k reduction in planned outpatient appointments.

Critical Care has seen a further increase in activity with a £60k impact and there has also been a £78k increase in the forecast variance on palliative care nights.

As noted above, discussions in relation to agreeing a final M12 position are progressing. The current position, based on M11 contract monitoring, is summarised below. The year-end position for the contract shows a forecast 0.97% over performance with a value similar to the year to date over-performance. The table below provides more detail regarding variances in main areas of spend. There are significant overspends on some of the smaller budget areas including critical care and palliative care nights, where there have been significant in month movements too. We are continuing to investigate the cause of the cost pressure in critical care and wheelchairs, however it is proving difficult (for both us and the Trust) to identify clear and accurate reasons, particularly as activity can be variable year on year and, in the case of the wheelchairs service, action is being taken to address long waiting times.

The forecast also includes an estimate for an over-performance of £1.4m (0.7%) against the blended plus baseline and an assumed payment of £296k (20%) has been factored into the year-end position.

As only £7.3m of the £8.2m QIPP plan attributed to the STH contract is phased into the first 11 months, the delivery of the remainder will be important in delivering the financial position.

Table 2: STHFT contract position	Annual Budget (£000's)	Forecast year end (£000's)	Year end Variance (£000's)	% Variance
Blended Plus elements of the contract	£205,998	£206,294	£296	0.1%
Planned Inpatients and Outpatients	£102,049	£104,206	£2,157	2.1%
Critical Care	£9,961	£11,118	£1,157	11.6%
Palliative care nights	£3,007	£3,187	£180	6.0%
Wheelchairs	£1,973	£2,368	£395	20.0%
High Cost Drugs	£16,407	£17,129	£722	4.4%
All other areas	£96,087	£95,415	£672	-0.7%
<b>Total</b>	<b>£435,482</b>	<b>£439,717</b>	<b>£4,235</b>	<b>1.0%</b>

**Sheffield Children's (SCFT):** The forecast contract position has been agreed with Sheffield Children's and this is reflected in the reported position.

**Other NHS :** The year-end forecast has worsened by £38k, predominantly in relation to activity at Barnsley Hospital which is currently showing over-spends against Maternity pathways and Outpatients. Work is underway to investigate further.

**Non Contract Activity (NCAs):** Based on invoices received to month 11 there is a year end pressure on the budget equating to £278k which is an increase of £126k on the position reported at month 10.

**Continuing Health Care (CHC) and Funded Nursing Care (FNC):** The forecast for Adult's Continuing Healthcare has improved from the January position by £88k to a forecast overspend of £159k. Predominately this is attributable to the change in the costs of packages (c£160k) and a review of grant funded home's to the end of February. This is offset by lower than planned Section 117 package reviews (c£90k).

February saw a slight increase of 5 FNC patients (722 at the end of February vs. 717 in January) and the forecast has been re-cast to an underspend of £558k.

Children's Continuing Care for February continues in line with the trend seen year-to-date; with the year-end forecast broadly similar to the forecast underspend in January.

**Primary Care:** There is a year to date underspend on primary care budgets of £231k (£187k underspend on delegated budgets and £44k underspend on CCG additionally commissioned budgets). The forecast position is an underspend of £487k (£363k on delegated budgets and £124k on CCG additionally commissioned budgets). As reported last month, this is mainly due to non-recurrent slippage on premises developments (£512k) as well as non-recurrent slippage on other budgets. As a consequence, a recurrent deficit is being carried forward into 2020/21.

**Prescribing:** Information in relation to prescribing expenditure for the period to the end of January has now been received. Whilst this showed a slight reduction in the number of items per prescribing day and average price per item, we have maintained the same forecast as derived from December's data, on the assumption that repeat prescribing volumes are likely to rise in March in response to Covid-19.

**Collaborative Working:** Appendix A includes a separate section to report spend on our collaborative working with partners, particularly as Sheffield CCG is the host organisation for both the SY&B Integrated Care System (ICS) (incorporating the previous commissioner working together arrangements) and the Sheffield Accountable Care Partnership (ACP).

This captures, in summary level, expenditure against allocations from NHS England, which the CCG receives on behalf of the ICS.

At month 11, the ICS (including the Cancer Alliance) has confirmed funding of £13.9m including Transformation Funding of £6.9m. £11.0m is reported within the ICS budgets and the balance of £2.9m remains in ICS reserves. Additional allocation transfers have been actioned in month 11, moving funding to other CCGs within the SY&B ICS footprint. A further £1.3m will be transferred in month 12. Some further funding is expected in relation to a range of specific bids.

A breakeven position on these budgets is currently forecast. However, the ICS Director of Finance is working closely with organisations across the South Yorkshire and Bassetlaw footprint to finalise allocation of transformation funding and any slippage that can be applied in support of the overall system wide financial position. If additional slippage is identified, this is likely to increase the overall CCG surplus as a consequence. We continue to work closely with the Director of Finance to understand the final position.

**Section 75 Framework Partnership Agreement (Better Care Fund):** Appendix D shows the citywide position in relation to the Better Care Fund (BCF). The overall forecast is an overspend of £2.127m, a deterioration of £0.462m compared to the forecast at month 10. The CCG is forecasting an overspend of £1.039m against the budgets within the scope of the BCF, with overspends in relation to Independent Living Solutions (Community Equipment), and Mental Health with minor underspends against People Keeping Well in their Community, Active Support and Recovery, and Ongoing Care services. The forecast position at the Council is a £1.088m overspend which includes a forecast overspend of £0.943m against the Council Adult Social Care services, mainly in relation to support to All Age Disability (<65 years), and £1.026m relating to Mental Health alongside underspends

within Activity Support and Recovery £0.3m, Independent Living Solutions £0.3m and Capital Grants £0.2m and £0.2m across the remaining themes.

**Running Costs:** The position against the £13.3m running cost allocation is summarised in the table below. Additional slippage continues to be identified each month as we get closer to the year end, taking the total to £1.9m. This is an additional £0.9m to the £1.0m agreed at the planning stage and is primarily due to slippage on pay budgets, due to in year vacancies. This forecast additional slippage has allowed us to forecast a marginally improved forecast surplus position.

Table 3: Running Costs	Annual Budget £'000s	YTD Variance (+ = adverse) £'000s	Forecast Variance (+ = adverse) £'000s
Pay	9,829	(782)	(950)
Non Pay	3,536	(464)	52
Income	(1,172)	65	51
Running Costs Reserve	173	0	0
Running Costs Planned Surplus	1,000	(917)	(1,000)
<b>Running Cost Budget</b>	<b>13,366</b>	<b>(2,099)</b>	<b>(1,867)</b>

Figures are subject to rounding

**Additional Income:** Under the Financial Management Principles previously approved by Governing Body we are seeking to maximise additional income, over and above the CCG's core allocations, to be able to support delivery of our commissioning intentions. Given the early point in the year, there is a level of uncertainty with regards to additional funding that may be received. Appendix E details the current funding the CCG has been allocated.

**QIPP:** In summary, at month 11 we are reporting a shortfall of £1,442k against the forecast position, as summarised in Table 4 below. This represents a forecast delivery of 91% of our QIPP programme. However, the reported position includes an expectation that between M11 and M12, savings of £1,065k would be delivered. Whilst some of that is likely to continue to be delivered eg savings on running costs, others may now be at risk due to either staff not being able to continue make progress on delivering programmes. It is difficult at this point to assess the impact of this and as a result no attempt has been made to feed this into the reported position.

Table 4: QIPP savings by Portfolio area	Annual Gross Savings Plan (£'000)	Annual Gross Savings Forecast (£'000)	Annual Gross Savings Forecast Variance (£'000)	Year to Date Gross Savings Plan (£'000)	Year to Date Gross Savings Actual (£'000)	Year to Date Gross Savings Variance (£'000)
Care Outside of Hospital	(2,210)	(752)	1,458	(1,999)	(687)	1,312
Children & Young People	(113)	0	113	(97)	0	97
Elective Care	(1,894)	(1,205)	689	(1,722)	(1,079)	643
Medicines Optimisation	(4,861)	(4,930)	(69)	(4,434)	(4,640)	(206)
Mental Health	(1,532)	(1,351)	181	(1,401)	(1,237)	164
Ongoing Care	(1,980)	(2,095)	(115)	(1,823)	(1,936)	(113)
Urgent and Emergency Care	(850)	(162)	688	(758)	(162)	596
<b>Sub Total - Portfolios</b>	<b>(13,440)</b>	<b>(10,495)</b>	<b>2,945</b>	<b>(12,233)</b>	<b>(9,741)</b>	<b>2,492</b>
Other Commissioning	(800)	0	800	(734)	0	734
Running Costs	(1,000)	(1,867)	(867)	(915)	(1,711)	(796)
Other Adjustment	0	(1,436)	(1,436)	0	(1,280)	(1,280)
<b>Sub Total - Other</b>	<b>(1,800)</b>	<b>(3,303)</b>	<b>(1,503)</b>	<b>(1,649)</b>	<b>(2,991)</b>	<b>(1,342)</b>
<b>Grand Total</b>	<b>(15,240)</b>	<b>(13,798)</b>	<b>1,442</b>	<b>(13,882)</b>	<b>(12,733)</b>	<b>1,149</b>
<b>% Achievement</b>		<b>91%</b>			<b>92%</b>	

#### 4. Delivery of Cash Position

The CCG was notified of a maximum cash drawdown limit of £926.3m at month 11. The total cash used to the end of February was £843.5m against a requested cash drawdown of £749.0m, prescribing & home oxygen of £85.4m, other income of £10.2m and a brought forward balance of £149k. The cash balance at bank at the end of the month was £1.3m. A minimal cash balance at bank is planned for the year end, which will have to be closely managed.

#### 5. Better Payment Practice Code

The Better Payment Practice Code requires the CCG to pay all valid invoices by the due date or within 30 days of receipt of a valid invoice, whichever is later. A summary of the position for the 12 month period to the end of February is reported in the table below:

Measure of compliance	12 months to February-20 Number	12 months to February -20 £'000
<b>Non-NHS Payables</b>		
Total Non-NHS Trade invoices paid in the year	16,689	207,415
Total Non-NHS Trade Invoices paid within target	16,441	206,550
<b>Percentage of Non-NHS Trade invoices paid within target</b>	<b>98.51%</b>	<b>99.58%</b>
<b>NHS Payables</b>		
Total NHS Trade invoices paid in the year	3,993	631,004
Total NHS Trade invoices paid within target	3,962	630,055
<b>Percentage of NHS Trade invoices paid within target</b>	<b>99.22%</b>	<b>99.85%</b>

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