

**AGENDA ITEM NO: 13.0.**

<b>Meeting Title/Date:</b>	Governing Body - 17 March 2020		
<b>Report Title:</b>	Financial Report for the Period Ended 31 January 2020		
<b>Paper Prepared By:</b>	Gareth James	<b>Date of Paper:</b>	9 March 2020
<b>Executive Sponsor:</b>	Gareth James	<b>Responsible Manager:</b>	Michael Cleary
<b>Committees where Paper Previously Presented:</b>	Finance and Performance Committee 25 February 2020.		
<b>Background Paper(s):</b>			
<b>Summary of Report:</b>	<p>The Governing Body is asked to note the financial position at the end of January 2020 and consider the year-end reporting options included in this paper (paragraph 14).</p> <p>After ten months of the financial year the CCG is continuing to report that we are on course to deliver our control total of breakeven and, therefore, deliver our financial duties.</p> <p>The CCG has reduced the reported level of risk to nil although there remains a significant level of risk to the delivery of both the CCG's financial duties and the system control total.</p>		
<b>Recommendation(s):</b>	The Governing Body is asked to note the CCG's financial position at the end of January 2020 and consider the year-end reporting options contained at paragraph 14.		
			<b>Please Select Y/N</b>
<b>Identified Risks:</b> (Record related Assurance Framework or Risk Register reference number)	AF200. RR73.		
<b>Impact Assessment:</b> (Including Health, Equality, Diversity and Human Rights)			N
<b>Strategic Objective(s) Supported by this Paper:</b>			<b>Please Select (X)</b>
<b>Better Health</b> - improve population health and wellbeing and reduce health inequalities			X
<b>Better Care</b> - improve individual outcomes, quality and experience of care			X
<b>Delivered Sustainably</b> - create an environment for motivated, happy staff and achieve our control total			X
<b>Please Contact:</b>	Michael Cleary Extension 49289		

## **NHS MORECAMBE BAY CLINICAL COMMISSIONING GROUP (CCG)**

### **FINANCIAL POSITION FOR THE PERIOD ENDED 31 JANUARY 2020**

#### **PURPOSE**

1. The purpose of this report is to provide an update on the CCG's financial position for the period ended 31 January 2020.

#### **ACTIONS**

2. The Governing Body is asked to note the financial position at the end of January 2020 and consider the year-end reporting options included in this paper (paragraph 14).

#### **EXECUTIVE SUMMARY**

3. We continue to report a breakeven position for the year-to-date, with a forecast outturn position of financial balance, both of which are in line with the financial plans submitted to NHS England at the start of the financial year. There remains, however, significant risk to the current forecast resulting from non-delivery of 'bottom-line' efficiency savings and continued budgetary pressures; in the main against prescribing and complex care budgets.
4. Bay Health and Care Partnership has received additional funding of £2.5 million to support delivery of our joint control total made up as follows:
  - £0.7m CCG income from Lancashire and South Cumbria ICS.
  - £1.8m UHMB control total adjustment.

#### **ALLOCATIONS SUMMARY**

5. The overall CCG allocation for 2019/20 has increased to £571.747 million and is analysed at Appendix 1.
6. In the main, these allocation adjustments were anticipated and will, therefore, not impact on the financial outlook for the current financial year.

#### **MONTH 10 FINANCIAL POSITION – PROGRAMME AND RUNNING COSTS EXPENDITURE**

7. After ten months of the financial year the CCG is continuing to report that we are on course to deliver our control total of breakeven and, therefore, deliver our financial duties. In order to secure the additional funding from NHSE&I and our ICS we have reduced the level of reported risk to nil.

8. Following the list of mitigations already agreed there is a likelihood that the year-end position will be a deficit of approximately £0.7 million; made up as follows:

<u>Description</u>	£M
Previously reported likely year-end position	2.0
Additional funding from ICS	(-)0.7
Capital funding from UHMB*	(-)0.6
<b>Revised Forecast as at M10</b>	<b>0.7</b>

\*non-recurrent transfer of £600,000 from UHMB

9. It is important to note that the above revised forecast position continues to assume the following actions and/or mitigations. If these do not materialise then the likely year-end deficit will be higher:

- No payments will be made for over performance against the UHMB contract
- Additional contributions to the discharge to assess process will be capped at £1 million
- We will deliver £500,000 prescribing savings during quarter 4
- Our assessment of mental health investment for 2019/20 will be accepted by the lead provider

10. Appendix 2 details the financial position by commissioned service. Of particular note:

- a) **Acute spend with NHS providers**; we are forecasting a small under performance against NHS contracts. We continue to assume that we will not fund any over performance against the UHMB contract although the trust is indicating that activity levels would suggest an overspend in the region of £3m. Expenditure with Independent Sector providers continues to increase, reflecting the significant year to date underspend on elective services at UHMBFT.
- b) **Mental health services**; we are reporting an overall underspend position, in the main, due to the anticipated resolution of Learning Disabilities funding disputes with Cumbria County Council invoices being factored into the position.
- c) **Prescribing**; based on 8 months of prescribing data, at the end of January 2020 we are currently forecasting a year-end pressure against the prescribing budget of c£1.7m. This forecast assumes that savings in excess of £0.5m will be delivered before the end of the financial year resulting from the agreed efficiency schemes and the beginning of the repeat prescribing project.
- d) **Continuing healthcare and complex care packages**; we continue to forecast a material financial pressure against this budget (£3.5m at the end of January 2020). A joint programme to undertake all outstanding package reviews has been agreed across the whole of Lancashire and South Cumbria although it is unlikely that this will have a financial impact in the current financial year.

- e) **GP IT**; the reported forecast overspend relates, in the main, to two high cost services which had previously been funded non-recurrently. This will be rectified as part of the 2020/2021 budget setting process.
11. **Running costs**; the material underspend against our 2018/19 running cost allowance has continued during 2019/20 and it is expected that the total underspend for the year will exceed £1.5 million. As last year, this will support delivery of our QIPP programme and, therefore, our year-end control total.

## **BAY HEALTH AND CARE PARTNERS FINANCIAL POSITION (BHCP)**

12. We have been having a single financial recovery conversation with NHS England and Improvement throughout the year leading to receipt of the additional £2.5 million funding.
13. At month 10 the UHMB position has deteriorated by approximately £1 million resulting in a likely year-end variance to control total of £2.7 million. This would leave a total BHCP year-end deficit of £3.4 million.
14. As a single statutory organisation further actions could be taken to mitigate the remaining £0.7 million. However, it now seems unlikely that the likely system deficit of £3.4 million will be mitigated in full. The Governing Body is, therefore, asked to consider the following scenarios and the potential consequences of each:
- Option 1; MBCCG mitigates the remaining £0.7m and delivers financial duties and UHMB does not achieve their control total
  - Option 2; MBCCG honours the payments by results contract over performance. This would result in the CCG failing its statutory duty and UHMB delivering against control total
15. Although the exact consequences of failing the CCG's financial duties needs to be explored further, we do know that this will include qualified audit opinions, a referral to the Secretary of State and potentially no access to quality premium funding and a change to the CCG's annual rating (currently 'good'). These consequences need to be considered alongside the potential risk to receipt of planned c£7 million UHMB provider sustainability funding.
16. The Governing Body has authorised the Chief Finance Officer and Accountable Officer to initiate conversations with both the regulator and ICS about how to manage the system year-end financial position.

## **PROGRESS ON QIPP SCHEMES**

17. The CCG has an overall QIPP requirement of £16.221m for 2019/2020, for which savings areas covering a net £12.722m have been identified, leaving an unidentified total of £3.499m, as shown in Appendix 3. This is unchanged from

the position as reported at month 09, the latest review of the schemes identifying no changes in forecast delivery of expected savings.

18. Along with the shortfall against the required level of QIPP, there remain risks to delivery against a number of identified schemes, particularly those reliant on work being done as part of the Bay Health and Care Partners (BHCP) Sustainability and Financial Recovery Plan (SFRP). Although a number of schemes can demonstrate a significant impact on the level of activity referrals, this is not currently leading to a reduction in the cost of provision.
19. In addition, within the forecast QIPP achievement there are a number of high value schemes which have only just commenced and, therefore, there is a possibility that, should these schemes be delayed, the QIPP target will not be met. This could jeopardise the CCG's overall delivery of the financial plan.
20. Following the recent restructure of the CCG's governance structures, the newly established Joint Delivery Group, attended by all CCG Executives and Senior Managers, has met twice and will continue to meet on a monthly basis. This group will be responsible for overseeing the delivery of QIPP schemes.

## **SUMMARY**

21. We continue to report that we are on course to deliver our control total of financial balance as at 31 March 2020. The CCG has reduced the reported level of risk to nil although there remains a significant level of risk to the delivery of both the CCG's financial duties and the system control total.
22. The Governing Body is asked to note the financial position at the end of January 2020 and consider the year-end reporting options included in this paper (paragraph 14).

**Gareth James**  
**Chief Finance Officer**  
**March 2020**