

AGENDA ITEM NO: 10.0.

Meeting Title/Date:	Governing Body - 21 January 2020		
Report Title:	Financial Position for the Period Ended 30 November 2019		
Paper Prepared By:	Mick Cleary	Date of Paper:	January 2020
Executive Sponsor:	Gareth James	Responsible Manager:	Mick Cleary
Committees where Paper Previously Presented:	Contents of the report discussed at the Executive Committee.		
Background Paper(s):	Previous Governing Body papers, 2019/20 Financial Plan, Executive Committee papers.		
Summary of Report:	<ul style="list-style-type: none"> ➤ After 8 months of the financial year (2019/20) we continue to report breakeven, or financial balance, for both the year-to-date and the financial year-end positions and that we are, therefore, on course to deliver our financial control total agreed with NHS England and Improvement. ➤ However, our latest financial recovery submission to NHS England and Improvement reflects a potential year-end deficit of £1 million. Following submission of month 8 financial returns, the likely year-end forecast has deteriorated to approximately £2 million. We continue to work on mitigations, mostly non-recurrent, to bridge the gap before the end of March 2020. ➤ A high level financial plan has been submitted as our local response to the NHS Long Term Plan for the period 2020/21 - 2023/24. This reflects delivery of a CCG surplus in each of the 4 years to support delivery of the Bay Health and Care Partners financial improvement target of a £38 million deficit by March 2024. 		
Recommendation(s):	The Governing Body is asked to note the CCG's financial performance for the period ended 30 November 2019, the current financial forecast for the year-ended 31 March 2020 and the draft financial planning for financial years 2020/21 to 2023/24.		
			Please Select Y/N
Identified Risks: (Record related Assurance Framework or Risk Register)	AF200 RR73		

reference number)		
Impact Assessment: (Including Health, Equality, Diversity and Human Rights)		N
Strategic Objective(s) Supported by this Paper:		Please Select (X)
Better Health - improve population health and wellbeing and reduce health inequalities		X
Better Care - improve individual outcomes, quality and experience of care		X
Delivered Sustainably - create an environment for motivated, happy staff and achieve our control total		X
Please Contact:	Gareth James Chief Finance Officer	

NHS MORECAMBE BAY CLINICAL COMMISSIONING GROUP (CCG)

FINANCIAL POSITION FOR THE PERIOD ENDED 30th NOVEMBER 2019

PURPOSE

1. The purpose of this report is to update the Governing Body on the following:
 - The CCG's financial position for the period ended 30th November 2019.
 - The latest forecast financial out-turn for the year-ended 31st March 2020.
 - Progress against the 2019/20 Quality, Innovation, productivity and Prevention (QIPP) plan.
 - The impact of the NHS Long Term Plan planning process undertaken in December 2019.

ACTIONS

2. The Governing Body is asked to note the CCG's financial performance for the period ended 30th November 2019, the current financial forecast for the year-ended 31st March 2020 and the draft financial planning for financial years 2020/21 to 2023-24.

EXECUTIVE SUMMARY

3. After 8 months of the financial year (2019/20) we continue to report breakeven, or financial balance, for both the year-to-date and the financial year-end positions and that we are, therefore, on course to deliver our financial control total agreed with NHS England and Improvement.
4. However, our latest financial recovery submission to NHS England and Improvement reflects a potential year-end deficit of £1 million. Following submission of month 8 financial returns, the likely year-end forecast has deteriorated to approximately £2 million. Key budgetary pressures continue to be performance against the UHMB contract, continuing and complex care packages and primary care prescribing. We continue to work on mitigations, mostly non-recurrent, to bridge the gap before the end of March 2020.
5. A high level financial plan has been submitted as our local response to the NHS Long Term Plan for the period 2020/21 – 2023/24. This reflects delivery of a CCG surplus in each of the 4 years to support delivery of the Bay Health and Care Partners financial improvement target of a £38 million deficit by March 2024.

ALLOCATIONS SUMMARY

6. We began the financial year with a total allocation of £569.742 million including both an allocation for primary care (medical) services and a running cost allowance. After 8 months of the financial year our allocation has grown to £570.492 million. The movements in the allocation can be analysed as follows:

Description	Recurrent £'000	Non recurrent £'000	Total £'000
Start allocation:			
Programme allocation – programme	515,918	0	515,918
Programme allocation – co-commissioning	46,585	0	46,585
Running costs allocation	7,239	0	7,239
Total start allocation	569,742	0	569,742
In year allocation adjustments:			
Allocations reported in November 2019	(48)	386	339
Atrial fibrillation Q3-Q4		269	269
Adult and children’s palliative end of life care		164	164
Enhanced GPIT infrastructure and resilience		88	88
BCF support		161	161
Charge exempt overseas visitors		(623)	(623)
Winter monies		353	353
Revised total allocation	569,694	798	570,492

7. With the exception of the following 2 allocation adjustments, in-year allocation increases and decreases are planned and, therefore, will not impact on the 2019/20 financial position:

- **Charge exempt overseas visitors (reduction of £623,000);** each year NHS England and Improvement undertake an exercise to re-allocate funding between CCGs to reflect the additional costs relating to overseas visitors and devolved administrations. For a number of years this exercise has resulted in an allocation reduction for Morecambe Bay CCG. Based on previous years, we had assumed an allocation reduction in the region of £200,000. The additional c£400,000 is, therefore, a further in-year pressure.
- **Winter funding (increase of £353,000);** NHS England and Improvement have allocated additional sums across the country to provide additional capacity during the winter months. UHMB have been allocated an additional £353,000 which is passed through the CCG’s allocation.

FINANCIAL POSITION AT THE END OF NOVEMBER 2019

8. After eight months of the financial year we continue to report that we are on course to deliver our control total of breakeven and, therefore, deliver our financial duties. However, there remains a significant level of risk to both delivery of the CCG’s financial duties and the Bay Health and Care Partners control total (£60m deficit).

9. Our latest financial recovery submission to NHS England and Improvement reflects an improved CCG ‘risk-adjusted’ forecast of £1m deficit (previous reported likely year-end position of £2.51m). Delivery of the latest forecast is contingent on the following assumptions:

- Delivery of c£12.3m QIPP schemes
- Management of the UHMB contract to 19/20 plan
- Slow-down of planned investments
- Receipt of £100k quality premium
- Slippage of utilisation of digital funding into 2020/21

For clarity, if the above assumptions do not materialise then we will fall short of delivering the CCG's financial duties as at 31 March 2020.

10. The Executive Committee continues to closely monitor our financial outlook including monthly review of our forecasting assumptions and a series of financial scenarios. In addition, we are working closely with colleagues across Lancashire and South Cumbria Integrated Care System (ICS) to understand the impact of performance against the shared control total and support ICS wide reporting to NHS England and Improvement.
11. The following table highlights the latest financial forecast reported to NHS England on 6th December and reflected in reporting of the month 8 financial submission:

<u>Risks:</u>	£M	£M
In-year budgetary pressures (after 0.5% contingency)	4.0	
Mental health transfer	0.7	
Un-identified QIPP	3.9	
System D2A shortfall	1.8	10.4
<u>Mitigations:</u>		
Prescribing; delivery of planned QIPP in Q4	(-)1.0	
Complex care; reduction in year-end accrual/QIPP delivery	(-)1.0	
Slow-down of planned investments	(-)2.6	
Management of UHMB contract to plan	(-)1.0	
Non-recurrent use of allocation (GP digitalisation)	(-)1.3	
Year-end accounting measures	(-)2.0	
Other	(-)0.5	(-)9.4
Potential distance from control total		1.0

12. NHS England and Improvement continue to closely monitor system financial performance and require that further actions are taken to deliver the agreed control total. Our most recent financial recovery submission reflects a combined net risk of £3 million. We have been working with UHMB colleagues to attempt to bridge the gap further with potential further actions in quarter 4 with a combined impact of £1.1 million which, if delivered, would reduce the system year-end variance to £2 million.
13. Appendix 1 provides the in-year (month 8) and forecast financial positions across all commissioning budgets. Since the latest financial recovery submission to NHS England and Improvement (see above) the month 8 financial position was reported which reflected a further deterioration of approximately £1 million which would make the potential deficit increase to £2 million without further mitigation.
14. The following budget areas represent the most significant budget variances and, therefore, financial risk:
 - **Secondary care contracts;** Appendix 1 reflects that we are broadly on course to operate within contracted levels. However, this assumes that that the UHMB contract will break-even (see below). We continue to over-perform against independent sector provider contracts which is offset by an under-performance against the elective care part of the UHMB contract.

- **UHMB contract**; as above, we are forecasting that we will not fund the value activity greater than 2019/20 contract value and this has been communicated to the trust. However, there continues to be a large increase in urgent care element of the payment by results (pbr) contract; in-year over-performance increasing from £1.1m at the end of August to £2.7m at the end of November. This significant increase is currently being challenged.
- **Continuing healthcare and high cost packages of care**; Appendix 1 reflects a forecast pressure of £3 million which follows work to understand a range of forecast scenarios. There remains a lack of absolute clarity although we do know that the pressure relates to a material increase in average cost per package rather than increase in activity (c£3,100 to c£4,200 per month between April 2018 and October 2019). We continue to work closely with commissioning support (CSU) colleagues to fully understand the likely year-end position and our latest risk-adjusted forecast assumes a reduction (of £1 million) to a £2m over spend.
- **Primary care prescribing**; as with previous years the forecasting of prescribing is volatile during the first half of a financial year. As a result, there are significant variances between the various forecasting methodologies. Appendix 1 currently reflects a year-end pressure of c£1.5m which is net of an assumption of £1m savings in quarters 3 and 4.

RUNNING COSTS

15. We are currently forecasting an under spend against our 2019/20 running cost allowance of £1.559 million. Although material, this has been planned and is regularly reviewed to ensure a balance between efficiency to support programme, or healthcare, spend and maintaining capacity to deliver against competing priorities.

PROGRESS ON QIPP SCHEMES

16. The CCG has an overall QIPP requirement of £16.221m for 2019/2020. Throughout the year we have reported that savings with a value of £12.3m had been identified leaving a shortfall of £3.9m. This is reflected in Appendix 1 as a negative budget. As outlined in this report, delivery of the £12.3m savings is fundamental to the delivery of the forecast year-end position.
17. During recent months additional opportunities have been identified reducing the level of unidentified QIPP to £3.2m. The additional savings are yet to be deducted from CCG commissioning budgets. Appendix 2 provides details against our 19/20 QIPP target.
18. In addition to the shortfall against the required level of QIPP, there are also 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).

19. A new joint delivery group has been established providing an opportunity for directors and senior managers to understand delivery and challenge progress against the QIPP programme on a monthly basis.

NHS LONG TERM PLAN – FINANCIAL PLANNING

20. As reported to governing body in November 2019, all NHS organisations were required to provide a response to the NHS Long term plan covering the 4-year period of 2020/21 to 2023/24. All organisations were given financial improvement trajectories, or control totals, and our plans to implement the NHS Long Term plan are expected to reflect these trajectories.
21. We have received the following trajectory which would result in delivery of full NHS England ‘business rules’ (1% cumulative surplus).

NHS Morecambe Bay CCG - £m	2020/21	2021/22	2022/23	2023/24
Financial improvement trajectory (pre FRF)	3.190	5.520	2.600	0.190
Indicative FRF	-	-	-	-
Indicative financial improvement trajectory (including FRF)	3.190	5.520	2.600	0.190

22. Subject to delivery of the 2019/20 control total of financial balance, we will begin 2020/21 with a cumulative deficit (total of previous years’ performance) of £5.575 million. Delivery of the above annual financial positions would result in a cumulative surplus of £5.925 million (c1%) by March 2024.
23. During Quarter 3 there have been multiple discussions and submissions of high level financial plans. Our latest submission included the following financial trajectories:

NHS Morecambe Bay CCG - £m	2020/21	2021/22	2022/23	2023/24
Submitted surplus/(deficit) as at 3rd January 2020	4.690	6.367	8.940	11.100

24. Delivery of these in-year positions would result in a CCG cumulative surplus of £25 million which is significantly more than 1% surplus required by NHS England ‘business rules’. This has been required to support planned delivery of the combined system (CCG and UHMB) improvement trajectory of £38 million deficit by the end of year 2023/24.
25. The above submission has been undertaken to fulfil the long-term planning requirements. 2021/22 planning guidance and associated operating framework is due to be published week commencing 13th January 2020 and a more robust 2020/21 financial plan with the resulting annual budget will be brought to the governing body in March 2020.

SUMMARY

26. We continue to report that we are on course to deliver our control total of financial balance as at 31 March 2020. However, there remains a significant level of risk to our

forecast, in the main, relating to a shortfall against our QIPP plan, risks to delivery of identified QIPP schemes and in-year budgetary pressures.

27. The Governing Body is asked to note the CCG's financial performance for the period ended 30 November 2019, the current financial forecast for the year-ended 31 March 2020 and the draft financial planning for financial years 2001/21 to 2023/24.

Gareth James
Chief Finance Officer
January 2020

NHS Morecambe Bay Clinical Commissioning Group **Appendix 1**
Expenditure Comparison Statement for the period ended 30 November 2019

	Cumulative to month 08			Annual position		
	Budget	Expenditure	Variance	Budget	Forecast	Variance
Acute services						
Acute contracts - NHS						
University Hospitals of Morecambe Bay FT	153,867	153,662	(204)	230,800	230,800	0
East Lancashire Hospitals Trust	694	792	97	1,042	1,192	150
Blackpool Teaching Hospitals FT	1,544	1,548	4	2,316	2,381	65
Lancashire Teaching Hospitals FT	8,690	8,332	(357)	13,034	12,494	(540)
Royal Liverpool and Broadgreen Hospitals Trust	615	501	(114)	923	763	(160)
Pennine Acute Hospitals FT	84	82	(2)	125	145	20
Salford Royal Hospitals FT	439	481	42	659	729	70
Wrightington, Wigan and Leigh FT	2,360	1,935	(424)	3,539	2,889	(650)
Manchester University FT	2,260	1,938	(322)	3,389	2,889	(500)
Leeds Teaching Hospitals Trust	220	227	7	330	350	20
Alder Hey Hospitals FT	233	174	(59)	349	279	(70)
The Christie FT	158	365	206	237	567	330
North West Ambulance Services Trust	13,184	13,444	260	19,776	20,166	390
Yorkshire Ambulance Services Trust	154	154	0	231	231	0
North Cumbria University Hospitals Trust	556	692	136	834	1,014	180
Airedale Hospitals	284	337	53	426	486	60
Others	(3)	281	283	(3)	(18)	(15)
Sub total acute contracts - NHS	185,339	184,945	(394)	278,009	277,359	(650)
Acute contracts - other providers						
BMI Healthcare	2,229	2,983	754	3,343	4,352	1,009
Ramsay Healthcare	388	349	(39)	582	535	(47)
Spire Healthcare Ltd	110	74	(35)	164	110	(54)
Private Healthcare	217	131	(86)	325	210	(115)
Others	755	751	(3)	763	748	(14)
Sub total acute contracts - other providers	3,698	4,288	590	5,177	5,955	778
Acute - NCAs						
NCAs	2,969	3,195	226	4,220	4,520	300
Sub total NCAs	2,969	3,195	226	4,220	4,520	300
Total all acute services	192,005	192,427	422	287,406	287,834	428
Mental health services						
Mental health contracts - NHS						
Lancashire Care FT	15,150	15,134	(16)	30,433	30,433	0
Cumbria Partnership FT	11,775	11,639	(136)	11,852	11,805	(47)
Mersey Care Trust	175	158	(17)	263	263	0
Bradford District Care Trust	402	405	3	603	603	0
Northumberland, Tyne and Wear	287	335	48	715	715	0
Others	892	887	(5)	1,338	1,338	0
Sub total mental health contracts - NHS	28,680	28,557	(123)	45,203	45,156	(47)
Mental health contracts - other providers						
Lancashire County Council	1,142	1,211	69	1,713	1,870	157
Cumbria County Council	2,000	1,333	(667)	3,000	2,000	(1,000)
Other provider contracts	152	1,281	1,129	227	1,517	1,290
Other - Continuing Care	7,412	7,659	247	11,118	10,105	(1,013)
Total mental health services	10,705	11,484	779	16,058	15,492	(566)
Mental health - NCAs						
NCAs	260	364	104	260	260	0
Sub total NCAs	260	364	104	260	260	0
Total all mental health services	39,645	40,405	760	61,521	60,908	(613)
Community health services						
Community health contracts - NHS						
Lancashire Care FT	74	76	2	111	111	0
Blackpool Teaching Hospitals FT	994	987	(6)	1,491	1,491	0
Cumbria Partnership Trust	2,296	2,296	0	3,444	3,444	0
University Hospitals of Morecambe Bay FT	24,482	24,482	0	36,723	36,723	0
Airedale Hospitals	274	274	0	411	411	0
Others	730	733	3	1,095	1,122	27
Sub total community health contracts - NHS	28,849	28,848	(2)	43,274	43,301	27
Community health contracts - other providers						
British Pregnancy Advisory Service	58	65	7	87	75	(12)
Specsavers	182	182	(0)	273	257	(16)
Lancashire County Council	167	167	(0)	250	250	0
Marie Curie Cancer Care	89	90	1	134	134	0
The Stroke Association	59	67	8	89	89	0
Marie Stopes International	69	58	(11)	104	84	(20)
St John's Hospice	1,085	1,105	20	1,627	1,664	37
St Mary's Hospice	480	454	(26)	720	677	(43)
Medequip	473	486	13	709	673	(36)
Other provider contracts	1,834	1,843	9	2,751	2,794	43
Sub total community health contracts - other providers	4,497	4,516	20	6,744	6,697	(46)
Total all community health services	33,346	33,364	18	50,018	49,999	(19)
Continuing care services						
Continuing care services	19,969	22,570	2,601	29,954	32,954	3,000
Local Authority / joint services	290	90	(200)	435	435	0
Funded nursing care	4,259	4,551	291	6,389	6,826	437
Total continuing care services	24,518	27,210	2,692	36,778	40,215	3,437
Primary care services						
Prescribing	33,194	34,162	968	49,665	51,229	1,565
Enhanced services	3,676	3,209	(467)	5,514	4,711	(802)
Out of hours	4,462	4,494	32	6,693	6,769	76
Practice Transformation Support	1,076	1,076	0	2,181	2,181	0
GP IT Costs	936	1,276	339	1,405	1,905	500
Primary care - other	1,932	1,950	18	2,334	1,897	(437)
Better Care Fund	1,249	1,252	3	575	575	0
Primary Care Co-Commissioning	29,373	29,418	45	46,585	46,585	0
Total primary care services	75,899	76,837	938	114,951	115,853	902
Other programme costs						
NHS Property Services recharge	840	691	(149)	1,251	1,169	(82)
Other programme costs	6,772	7,463	692	10,187	11,396	1,210
Total other programme costs	7,612	8,154	543	11,438	12,566	1,128
Running costs						
CCG pay costs	2,454	2,214	(240)	3,681	3,431	(250)
CSU recharge	685	670	(15)	1,027	1,027	0
NHS Property Services recharge	190	190	0	285	285	0
Other non pay costs	731	707	(24)	1,097	847	(250)
Running costs reserves	785	0	(785)	1,148	51	(1,097)
Total running costs	4,845	3,781	(1,065)	7,239	5,642	(1,597)
Total	377,870	382,178	4,308	569,351	573,016	3,665
Earmarked resources						
2019/2020 committed pressures	4,308	0	(4,308)	5,068	1,403	(3,665)
2019/2020 QIPP	0	0	0	(3,927)	(3,927)	0
Total earmarked resources	4,308	0	(4,308)	1,141	(2,524)	(3,665)
Total CCG in year expenditure position	382,178	382,178	0	570,492	570,492	0
In year allocation	(382,178)	(382,178)	0	(570,492)	(570,492)	0
Net CCG position (target of breakeven agreed with NHS England)	0	0	0	0	0	0

2019/2020 original QIPP target

16,221

Scheme no.	Original identified QIPP schemes	£'000	Target to month 08 £'000	Achievement to month 08 £'000	Variance to month 08 £'000	Risk rating	Current forecast achievement	RAG rating
Q001	0.5% ICS investment monies	2,600	1,736	1,736	0	100%	2,600	G
Q002	Alfred Barrow	100	64	130	(66)	200%	200	G
Q003	Reduction of winter support budget	250	140	140	0	100%	250	G
Q004	Intradoc 24/7 contract	7	5	5	0	100%	7	G
Q006	Redundant network connections	8	5	5	0	100%	8	G
Q007	BT network contract	152	102	102	0	100%	152	G
Q009	Prescribing	2,534	1,688	1,688	0	100%	2,534	G
Q011	CHC case reviews	500	336	168	168	34%	168	A
Q012	SFRP - ICCs	514	285	57	228	100%	514	G
Q013	SFRP - respiratory	353	118	0	118	100%	353	G
Q017	SFRP - iMSK	685	456	228	228	100%	685	G
Q018	SFRP - reimagine outpatients	1,139	635	127	508	100%	1,139	G
Q019	SFRP - other	309	170	34	136	11%	34	A
Q022	Altham Meadows	750	504	288	216	57%	431	A
Q023	Evidenced based interventions	400	264	132	132	100%	400	G
Total original identified QIPP schemes		10,301	6,508	4,840	1,668		9,475	
Total unidentified QIPP schemes		2,325	0	0	0	0%	0	R
Total original QIPP target		12,626	6,508	4,840	1,668		9,475	
Additional identified QIPP schemes								
Q005	VPN service reductions	1	0	0	0	100%	1	G
Q008	Prescribing rebate schemes	127	0	73	(73)	132%	167	G
Q024	ICS Falls	118	0	50	(50)	42%	50	A
Q025	Further action on hip and knee variation	1,400	0	0	0	100%	1,400	G
Q026	Non clinical expenditure review	500	0	500	(500)	100%	500	G
Q027	Contract challenges	750	0	315	(315)	100%	750	G
Q029	Aborted patient transport journeys	39	0	4	(4)	100%	39	G
Q030	Unexplained infertility services	95	0	11	(11)	100%	95	G
Q031	IM&T PMO service withdrawal	85	0	48	(48)	100%	85	G
TBD	Repeat prescriptions	450	0	0	0	100%	450	G
Total additional identified QIPP schemes		3,595	0	1,001	(1,001)		3,537	
Grand total		16,221	6,508	5,841	667		13,012	

Total outstanding QIPP target

3,209