

| <b>Title of Meeting:</b>   | <b>Governing Body</b>   | <b>Agenda Item: 7.1</b>   |           |                |                         |               |             |  |   |                 |                         |   |   |  |  |   |                      |   |   |                                  |  |
|--|---|---|-----------|----------------|-------------------------|---------------|-------------|--|---|-----------------|-------------------------|---|---|--|--|---|----------------------|---|---|----------------------------------|--|
| <b>Date of Meeting:</b>  | <b>2 February 2018</b>  | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr style="background-color: #4F81BD; color: white;"> <th colspan="2" style="text-align: left;">Session (Tick)</th> </tr> <tr> <td style="width: 70%;"><b>Public</b></td> <td style="text-align: center;">X</td> </tr> <tr> <td><b>Private</b></td> <td></td> </tr> <tr> <td><b>Workshop</b></td> <td></td> </tr> </table> |           | Session (Tick) |                         | <b>Public</b> | X           | <b>Private</b>                             |   | <b>Workshop</b> |                         |   |   |  |  |   |                      |   |   |                                  |  |
| Session (Tick)   |   |   |           |                |                         |               |             |  |   |                 |                         |   |   |  |  |   |                      |   |   |                                  |  |
| <b>Public</b>  | X   |   |           |                |                         |               |             |  |   |                 |                         |   |   |  |  |   |                      |   |   |                                  |  |
| <b>Private</b>   |   |   |           |                |                         |               |             |  |   |                 |                         |   |   |  |  |   |                      |   |   |                                  |  |
| <b>Workshop</b>  |   |   |           |                |                         |               |             |  |   |                 |                         |   |   |  |  |   |                      |   |   |                                  |  |
| <b>Paper Title:</b>  | <b>Finance &amp; Contracting Report</b>   |   |           |                |                         |               |             |  |   |                 |                         |   |   |  |  |   |                      |   |   |                                  |  |
| <b>Responsible Governing Body Member Lead</b><br>Dilani Gamble<br>Chief Finance Officer  |   | <b>Report Author and Job Title</b><br>Dilani Gamble<br>Chief Finance Officer  |           |                |                         |               |             |  |   |                 |                         |   |   |  |  |   |                      |   |   |                                  |  |
| <b>Purpose (this paper if for)</b>   | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr style="background-color: #4F81BD; color: white;"> <th style="width: 25%;">Decision</th> <th style="width: 25%;">Discussion</th> <th style="width: 25%;">Assurance</th> <th style="width: 25%;">Information</th> </tr> <tr> <td></td> <td></td> <td style="text-align: center;">X</td> <td></td> </tr> </table> |   |           | Decision       | Discussion              | Assurance     | Information |  |   | X               |                         |   |   |  |  |   |                      |   |   |                                  |  |
|  | Decision  | Discussion  | Assurance | Information    |                         |               |             |  |   |                 |                         |   |   |  |  |   |                      |   |   |                                  |  |
|  |   | X   |           |                |                         |               |             |  |   |                 |                         |   |   |  |  |   |                      |   |   |                                  |  |
| <b>Has the report (or variation of it) been presented to another Committee / Meeting?</b><br><b>If yes, state the Committee / Meeting:</b> Finance, Performance & Commissioning Committee  |   |   |           |                |                         |               |             |  |   |                 |                         |   |   |  |  |   |                      |   |   |                                  |  |
| <b>Executive Summary</b><br>This paper summarises the CCG's reported financial position for the 2017/18 financial year based on information available to 31 December 2017.<br><br>The CCG continues to report a forecast outturn deficit of £14.064m. As previously reported this represents an in year deterioration of £7.585m from CCG's planned deficit position and incorporates the impact of the significant level of risk previously reported mainly relating to delivery of Joint Recovery Plan savings with main acute provider and increased Continuing Healthcare costs.<br><br>The CCG finance team continually undertakes a review of all CCG budgets and expenditure (oversight through Finance, Performance & Commissioning committee) with updates given to NHSE on a monthly basis.<br><br>There still remains a level of residual risk to the CCG in delivering this revised position, quantified at £3.5m. £0.5m of this risk relates to the national impact of prescribing drug costs and at this stage remains an unmitigated risk. Mitigating actions to address the residual risk of £3m are at implementation stage and scheme details and assurance against delivery are contained within the Transformation and Delivery Report (Item 6.3). |   |   |           |                |                         |               |             |  |   |                 |                         |   |   |  |  |   |                      |   |   |                                  |  |
| <b>Recommendations</b><br>The Governing Body is asked to: <ul style="list-style-type: none"> <li>• Accept the Finance &amp; Contracting update for 2017/18</li> <li>• Note that there are risks to delivery of the financial position in 2017/18 which will be monitored &amp; managed through the CCG's FPCC.</li> </ul>  |   |   |           |                |                         |               |             |  |   |                 |                         |   |   |  |  |   |                      |   |   |                                  |  |
| <b>Monitoring</b><br>The Governing Body will receive regular update reports on the finance and contract position at each meeting. The Finance, Performance & Commissioning Committee is responsible for the detailed monthly monitoring of delivery of the CCG's financial plan.   |   |   |           |                |                         |               |             |  |   |                 |                         |   |   |  |  |   |                      |   |   |                                  |  |
| <b>CCGs Strategic Objectives supported by this paper</b> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr style="background-color: #4F81BD; color: white;"> <th style="width: 5%;"></th> <th style="width: 80%;">CCG Strategic Objective</th> <th style="width: 15%; text-align: center;">X</th> </tr> <tr> <td style="text-align: center;">1</td> <td>Quality, Safety and Continuous Improvement</td> <td style="text-align: center;">X</td> </tr> <tr> <td style="text-align: center;">2</td> <td>Better Value Healthcare</td> <td style="text-align: center;">X</td> </tr> <tr> <td style="text-align: center;">3</td> <td>Well Governed and Adaptable Organisation</td> <td></td> </tr> <tr> <td style="text-align: center;">4</td> <td>Health and Wellbeing</td> <td style="text-align: center;">X</td> </tr> <tr> <td style="text-align: center;">5</td> <td>Active and Meaningful Engagement</td> <td></td> </tr> </table>  |   |   |           |                | CCG Strategic Objective | X             | 1           | Quality, Safety and Continuous Improvement | X | 2               | Better Value Healthcare | X | 3 | Well Governed and Adaptable Organisation |  | 4 | Health and Wellbeing | X | 5 | Active and Meaningful Engagement |  |
|  | CCG Strategic Objective   | X   |           |                |                         |               |             |  |   |                 |                         |   |   |  |  |   |                      |   |   |                                  |  |
| 1  | Quality, Safety and Continuous Improvement  | X   |           |                |                         |               |             |  |   |                 |                         |   |   |  |  |   |                      |   |   |                                  |  |
| 2  | Better Value Healthcare   | X   |           |                |                         |               |             |  |   |                 |                         |   |   |  |  |   |                      |   |   |                                  |  |
| 3  | Well Governed and Adaptable Organisation  |   |           |                |                         |               |             |  |   |                 |                         |   |   |  |  |   |                      |   |   |                                  |  |
| 4  | Health and Wellbeing  | X   |           |                |                         |               |             |  |   |                 |                         |   |   |  |  |   |                      |   |   |                                  |  |
| 5  | Active and Meaningful Engagement  |   |           |                |                         |               |             |  |   |                 |                         |   |   |  |  |   |                      |   |   |                                  |  |

**CCG Values underpinned in this paper**

| CCG Values |                               | X |
|------------|-------------------------------|---|
| 1          | Respect and Dignity           |   |
| 2          | Commitment to Quality of Care | X |
| 3          | Compassion                    |   |
| 4          | Improving Lives               | X |
| 5          | Working Together for Patients | X |
| 6          | Everyone Counts               | X |

**Does this paper provide evidence of assurance against the Governing Body Assurance Framework?**

|     |   |    |  |
|-----|---|----|--|
| YES | X | NO |  |
|-----|---|----|--|

**If yes, please indicate which principle risk and outline**

| Principle Risk No | Principle Risk Outline  |
|-------------------|---|
| 2-1               | The scale of QIPP required to support delivery of the Financial Recovery Plan has increased and this could impact on capacity and opportunity to develop and implement achievable service change.                     |
| 2-3               | The CCG financial plan for 2017/18 will not be delivered resulting in deterioration in the in-year financial position and longer term financial sustainability.   |
| 5-1               | Relationships and the expectations of a range of stakeholders and partners or NHS regulators will impact on the CCGs ability to work effectively or engage to maintain a sustainable health economy for local people. |

|  |   |
|--|---|
| <b>Any statutory / regulatory / legal / NHS Constitution implications</b>    | All statutory financial targets are required to be approved by the Governing Body.  |
| <b>Management of Conflicts of Interest</b>                                   | No conflicts of interest have been identified prior to the meeting.   |
| <b>Communication / Public and Patient Engagement</b>                         | Not applicable.   |
| <b>Financial / resource implications</b>                                     | Implications are clear within the report.   |
| <b>Outcome of Impact Assessments completed (e.g. Quality IA or Equality)</b> | The CCG is committed to fulfilling its duty under the Equalities Act 2010 and to ensure its commissioned services are non-discriminatory. This report is intended to support delivery of our duty to have a continuing impact on equality and diversity. The CCG will work with providers, communities of interest and service users to ensure that any issues relating to equality of service within this report have been identified and addressed. |

**Dilani Gamble**  
**Chief Finance Officer**

**NHS Harrogate & Rural District Clinical Commissioning Group**  
**Finance & Contracting Report**  
**Period Ended 31 December 2017**

**Achievement of Financial Duties / Plans**

Based on information received up to 31st December 2017, financial performance targets for 2017/18 are projected to achieve the following:

|  | Performance Assessment |
|--|------------------------|
| Operate within Financial Plan          | Red                    |
| Operate within Running Cost Allocation | Green                  |
| Not exceed cash limit                  | Amber                  |
| Underlying position                    | Red                    |

**Financial Performance / Forecast**

|  | Year to Date (£000's) |                |              | Full Year (£000's) |                 |              |       |
|--|-----------------------|----------------|--------------|--------------------|-----------------|--------------|-------|
|  | Budget                | Spend          | Variance     | Budget             | FoT             | Variance     |       |
| Acute & Ambulance Services                       | 84,101                | 90,799         | 6,698        | 112,135            | 121,077         | 8,942        | Red   |
| Community Services                               | 8,201                 | 8,638          | 437          | 10,935             | 11,517          | 582          | Red   |
| Mental Health Services                           | 13,361                | 13,372         | 11           | 17,814             | 17,829          | 15           | Green |
| Continuing Health Care Services                  | 12,752                | 13,817         | 1,064        | 17,003             | 18,422          | 1,419        | Red   |
| Prescribing                                      | 19,660                | 19,495         | (165)        | 26,213             | 25,993          | (220)        | Green |
| Primary Care                                     | 2,156                 | 2,332          | 176          | 2,875              | 3,110           | 235          | Red   |
| Primary Care - Co-Commissioning                  | 15,545                | 15,616         | 71           | 20,726             | 20,821          | 95           | Green |
| Other Contracted Services                        | 1,250                 | 1,250          | 0            | 1,667              | 1,667           | -            | Green |
| Running Costs                                    | 2,536                 | 2,536          | (0)          | 3,382              | 3,382           | -            | Green |
| 0.5% CQUIN Reserve                               | 403                   | 403            | (0)          | 538                | 538             | -            | Green |
| Better Care Fund/New Care Models                 | 5,123                 | 5,610          | 488          | 6,830              | 7,480           | 650          | Red   |
| Contingency & Earmarked Funds                    | 3,177                 | 86             | (3,091)      | 5,207              | 1,074           | (4,133)      | Green |
| <b>Total Expenditure</b>                         | <b>168,265</b>        | <b>173,955</b> | <b>5,689</b> | <b>225,325</b>     | <b>232,910</b>  | <b>7,585</b> |       |
| <b>Resource Allocation from NHSE</b>             |                       |                |              |                    | <b>218,846</b>  |              |       |
| <b>Overspend</b>                                 |                       |                |              |                    | <b>(14,064)</b> |              |       |
| <b>Deficit Brought Forward from 2016/17</b>      |                       |                |              |                    | <b>(5,781)</b>  |              |       |
| <b>Planned Deficit for 2017/18</b>               |                       |                |              |                    | <b>(14,064)</b> |              |       |
| <b>Deficit Carried Forward at end of 2017/18</b> |                       |                |              |                    | <b>(19,845)</b> |              |       |

## Summary

This paper summarises the CCG's reported financial position for the 2017/18 financial year based on information available to 31 December 2017.

The CCG continues to report a forecast outturn deficit of £14.064m. As previously reported this represents an in year deterioration of £7.585m from CCG's planned deficit position and incorporates the impact of the significant level of risk previously reported mainly relating to delivery of Joint Recovery Plan savings with main acute provider and increased Continuing Healthcare costs.

The CCG finance team continually undertakes a review of all CCG budgets and expenditure (oversight through Finance, Performance & Commissioning committee) with updates given to NHSE on a monthly basis.

There still remains a level of residual risk to the CCG in delivering this revised position, quantified at £3.5m. £0.5m of this risk relates to the national impact of prescribing drug costs and at this stage

remains an unmitigated risk. Mitigating actions to address the residual risk of £3m are at implementation stage and scheme details and assurance against delivery are contained within the Transformation and Delivery Report (Item 6.3).

## **Finance and Contracting – Key Messages:**

### Acute Services

The position for acute contracts below is based on 8 months activity information (7 months freeze/final and 1 month flex/initial):

- Harrogate and District NHS Foundation Trust - The CCG is currently forecasting an overspend of £7.1m on this contract budget for 2017/18. This is following recognition that the majority of the Joint Recovery Plan (as signed up to within the Heads of Terms to the contract) will not be delivered in 2017/18 and incorporating the impact of agreement on the month 6 contract alignment exercise. In addition, whilst referrals to the trust have reduced in the last two months, the financial impact of the early increase in referrals (first 6 months) is included in the assessment of the overall forecast outturn position.
- York Teaching NHS Foundation Trust – The CCG is forecasting a small overspend on this contract for 2017/18.
- Leeds Teaching NHS Trust - The CCG is forecasting an overspend of £0.4m on this contract for 2017/18.
- South Tees Hospitals NHS Foundation Trust - The CCG is forecasting a small underspend of £0.2m on this contract for 2017/18.
- BMI Duchy Hospital – The CCG is forecasting an underspend of £0.3m on this contract for 2017/18. This reflects the impact of a year on year reduction in referrals.
- Non Contract activity costs continue to be a risk for the CCG, currently forecasting an overspend of £0.4m against budget. Processes are in place to ensure appropriate validation is undertaken in a timely manner to mitigate impact to the CCG.

### Community Services

- Harrogate and District NHS Foundation Trust – The 2017/18 contract is still awaiting sign off pending agreement of associate commissioner splits to the contract. Whilst this contract is managed on a block basis, there are financial risks associated with the Out of Hours element of the contract where costs are likely to exceed contract value. Initial work with the Trust to reduce costs within this service have not been progressed and the financial impact of this in 2017/18 has been considered as part of the overall review of the CCG's financial position. Service pressures within the community care team element of the contract has been recognised and discussed at Contract Management Board (CMB). Joint work to understand and address the pressures has commenced and CMB will have oversight of this work stream.

### Mental Health Services

- Tees, Esk & Wear Valley Foundation Trust – This contract is being managed as a block contract. In the context of the challenging financial position, joint work is being undertaken to fully understand how the requirements of the five year forward view for mental health can be delivered through new ways of working within affordable resources.
- Out of Contract Budget - Plans are being progressed to realise savings against the original target of at least a 2% savings against the out of contract/out of area expenditure.

### Continuing Healthcare & Funded Nursing Care

The CCG is currently forecasting a significant overspend against budget based on information available to date. QIPP/efficiency plans are being developed and implemented to mitigate further

risks to this position. In addition, processes around approving packages of care, timeliness of reviews and the financial reporting of this is being reviewed and refined. A full financial stocktake will be undertaken as part of the month 10 reporting cycle to understand the impact of improvements made and to ensure that financial reporting in this area continues to be robust.

Prescribing

Based on forecast information made available through the PMD authority, review of existing savings schemes and impact of price changes, the CCG is currently forecasting a small underspend against budget for 2017/18.

Running Costs

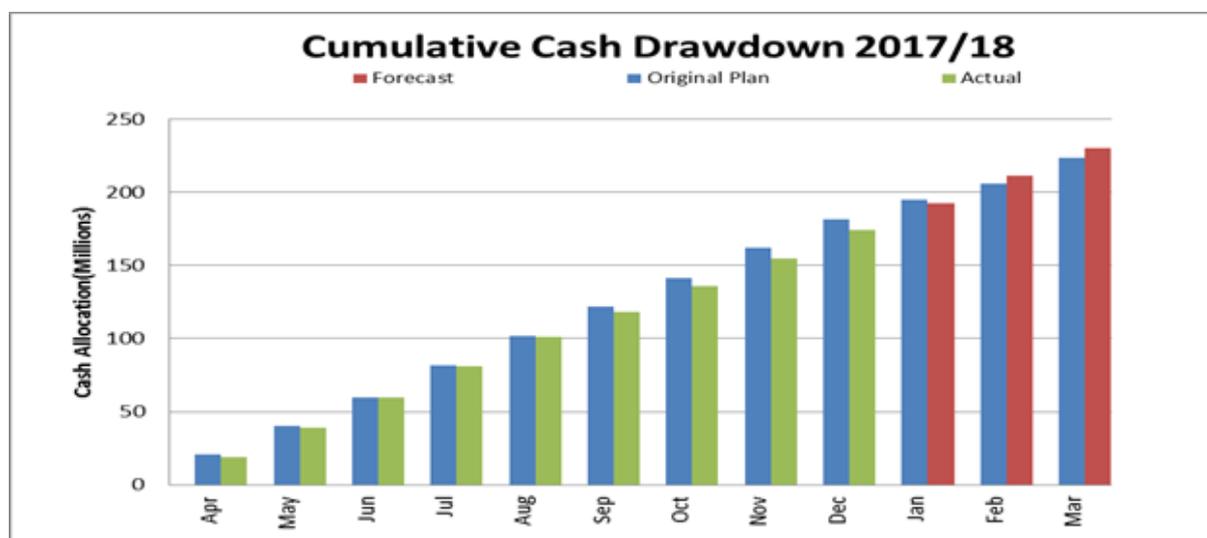
The CCG is currently forecasting a breakeven position. As part of the planning process for 2018/19, further work will need to take place with Directorates/budget holders to ensure that expenditure remains within recurrent allocation.

**Other Financial Information**

Cash

The table below shows both the planned (blue), actual (green) and forecast (red) position for the CCG’s cumulative cash drawdown.

The current annual cash plan matches the CCG’s maximum cash drawdown allowance, currently £224.931m. The forecast, which takes into account expectations on debtors and creditors, highlights a shortfall of £13m. NHSE continue to expect CCGs to operate within their cash resource allocation at this stage in the financial year. The CCG has flagged up the additional cash requirement as part of the national month 9 accounts exercise and expect to be notified of any additional cash allocation following completion of this exercise. There remains a risk that if additional cash to support revised forecast outturn is not available to the CCG, payments will need to be prioritised in the last two months of the financial year.



The CCG continues to meet the national requirement to ensure there is less than 1.25% of its cash drawdown in its closing monthly cash balance.

Better Payment Practice Code

The CCG continues to be monitored against BPPC. The CCG is above the 95% target by volume and value as highlighted in the table below.

## Period ended 31st December 2017

| BPPC - Consolidated Summary 2017/18 |               |                       |                             |          |                     |                             |                 |
|-------------------------------------|---------------|-----------------------|-----------------------------|----------|---------------------|-----------------------------|-----------------|
| BPPC Paid Period                    | Supplier Type | Invoices Paid to date | Invoices Paid within target | % Passed | Amount Paid to date | Amount Paid (within target) | % Amount Passed |
| Apr-Mar-18                          | NHS           | 1,938                 | 1,897                       | 97.88%   | 127,621,820         | 123,169,022                 | 96.51%          |
| Apr-Mar-18                          | NON-NHS       | 2,084                 | 2,073                       | 99.47%   | 29,888,788          | 29,939,329                  | 100.17%         |
| Apr-Mar-18                          | COMBINED      | 4,022                 | 3,970                       | 98.71%   | 157,510,607         | 153,108,351                 | 97.21%          |

### Debtors

The CCG debtors stand at £285K as at 31 December 2017, £138K of this debt is over 90days old.

### Balance Sheet

The CCG's balance sheet is included in this report for information.

|   | Dec-17<br>(£000's) | Nov-17<br>(£000's) | Movement<br>(£000's) |
|---|--------------------|--------------------|----------------------|
| <b>Assets:</b>                            |                    |                    |                      |
| Cash at Bank & In Hand                    | 42                 | 30                 | 12                   |
| Pre-payments (Maternity Pathway)          | 384                | 384                | (0)                  |
| Debtors                                   | 288                | 385                | (97)                 |
| Accrued Income                            | 280                | 244                | 36                   |
| Other                                     | 2                  | 5                  | (3)                  |
| <b>Total Assets</b>                       | <b>995</b>         | <b>1,048</b>       | <b>(53)</b>          |
| <b>Liabilities:</b>                       |                    |                    |                      |
| Creditors - NHS                           | 1,632              | 1,659              | (28)                 |
| - Non NHS                                 | 1,050              | 872                | 178                  |
| - Other                                   | -                  | -                  | -                    |
| Accrued Expenditure - NHS                 | 4,985              | 3,389              | 1,596                |
| - Non NHS                                 | 3,528              | 5,131              | (1,603)              |
| - Other                                   | -                  | -                  | -                    |
| Payroll Deductions - Inland Revenue (CCG) | 62                 | 64                 | (1)                  |
| - Pension (CCG)                           | 43                 | 44                 | (1)                  |
| - Pension (GPs)                           | 196                | 213                | (16)                 |
| - Other                                   | (40)               | -                  | (40)                 |
| Other (CHC Provision accrual)             | 17                 | 40                 | (23)                 |
| <b>Total Liabilities</b>                  | <b>11,473</b>      | <b>11,412</b>      | <b>62</b>            |
| <b>Cash Drawdown</b>                      |                    |                    |                      |
| CCG Drawdown                              | 158,429            | 141,002            | 17,427               |
| Prescriptions Drawdown                    | 15,884             | 14,062             | 1,822                |
| Opening Balances                          | (10,877)           | (10,877)           | -                    |
| <b>Total Recharges</b>                    | <b>163,436</b>     | <b>144,187</b>     | <b>19,249</b>        |
| <b>BALANCE SHEET TOTAL</b>                | <b>173,914</b>     | <b>154,550</b>     | <b>19,364</b>        |
| Net Expenditure Position                  | 173,915            | 154,550            | 19,364               |
| <b>Difference</b>                         | <b>0</b>           | <b>-</b>           | <b>0</b>             |