

Financial Review 2013/14

Context

Wandsworth CCG was created from 1st April 2013 and has completed its first year by successfully achieving its financial targets. At the time of writing the CCG is submitting its first set of audited accounts and is expected to have an 'unqualified opinion'. Whilst it would appear to have been a successful year there have been a number of challenges.

Appendix A sets out the detail of the challenges faced by the CCG and what is clear is that many of the issues were out of the CCGs control. Most were formed as a consequence of the 2012 Health and Social Care Act. Such unintended consequences resulted in significant resources (human and financial) being diverted from the CCGs core business.

Going forward it is expected that most of the issues set out in Appendix A would not be repeated in 2014/15 however it is clear that there remains a level of risk that needs to be managed to achieve the same degree of success.

Recommendation

FRC is asked to note the contents of the report whilst approving the set of accounts for 2013/14.

Appendix A

	Area	Issue	2013/14 Impact	Actions Taken	Future Impact and Actions
1	South London Commissioning Support Unit (SLCSU)	This was the first year of CCGs working with the SLCSU which provides a range of functions including the Finance function. During the year CCGs have been evaluating the effectiveness of the service provided and future models.	Some services have worked better than others and issues have been raised about the cost effectiveness.	A review has been completed of the SLCSU for the CCGs in South London. WCCG will be assessing its options based on the review and recommending whether services should be bought, shared across CCGs or brought in house.	Review will be completed in the first half of 2014/15 and will impact the Running cost target for CCGs which will reduce by 10% in 2015/16.
2	Integrated Single Financial Environment (ISFE)	2013/14 saw the introduction of a single financial ledger used by all CCGs in England. The ISFE system proved to be difficult to use by CCGs as it has limited functionality.	Budget holders found it difficult to interpret financial information due to the limited analysis available. The CCG operated a series of functions outside the ledger function – not best practice	Letter was sent to external and internal auditors highlight the risk. London CFOs collectively signed a letter expressing their concerns to NHS England (no response received to date) Raised at Audit Chairs meeting with NHSE	Whilst the limitations of the ISFE have been recognised nationally no action has been taken as yet 'Off ledger' work will continue in 2014/15 in order to provide meaningful analysis for budget holders. The Audit Committee have expressed their concern that to date no response has been received from NHSE, the CCG will continue to pursue this in 2014/15
3	Data Validation	The restriction on CCGs to be able to review patient identifiable data was not clear from 1 st April. As a result it soon became clear	Whilst CCGs were able to retrospective challenge acute data the delay had a financial impact on delivery of savings. A	WCCG became an Accredited Safe Haven (ASH) which it will need to maintain in order to operate effectively. This allows the CCG to	A change in the legislation is expected but as yet the situation remains the same. CCG will need to continually review its status as

		that CCGs would be unable to analyse key data. Information such as risk stratification, delivery of QIPP, acute activity challenges were all impacted.	potential solution was only developed in the second half of the year and required resources. Guidance throughout the period was limited	review data but it has required additional resources, which was not planned.	an ASH in order to operate effectively.
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4	Specialist Commissioning	From 2013/14 NHSE took on the responsibility of commissioning specialist services. At the start of the year many contracts had incorrect values and in some cases included services commissioned by the local authority. Despite an initial resource adjustment to CCG allocations it was clear that further adjustments were required. NHSE (London) gave assurances that the adjustments would be cost neutral which was not to be the case.	Following lengthy discussions and several adjustments to CCG allocations during the year it was agreed that one final adjustment would be made accepting that it would not be cost neutral for all. As a result WCCG was put in a position where it had little option other than to agree a £731k recurrent loss of resources to ensure the rest of London was able to secure a level of funding.	The financial loss for 2013/14 was recovered through the SWL risk pool, however the impact is recurrent.	Taking this forward the CCG plan has been adjusted accordingly and no further adjustments are anticipated. It should be noted that the national specialised commissioning forecast deficit is significant for 14/15 and may not be resolved for some years, this may have implications for CCGs. The CCG is also assessing the impact of taking on co-commissioning with NHSE.
5	Allocations	Throughout the year the CCG received several notifications of changes to its revenue resource allocation. Not all were planned. In addition the formula for CCG allocations going forward was revised with notification given in December 2013	Managing a changing resource limit was challenging throughout the year, however overall the CCG was able to deliver its financial targets. The consultation regarding the future of CCG allocation formula had no impact in 2013/14	WCCG wrote to NHSE regarding the potential impact of changes to the national allocation formula. WCCG was notified that it would receive the lowest possible growth funding for 2014/15 and 2015/16. Plans were adjusted accordingly.	Due to the limited growth WCCG now faces its largest QIPP challenge and a reducing allocation. There may be a risk of adjusting the pace of change across London CCGs which would negatively impact WCCG

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6	Legacy Provisions	<p>Wandsworth PCT made a provision for Continued Health Care (CHC) retrospective claims in line with national guidance. As CCGs began on 1st April it was made clear that they would not inherit PCT debts or liabilities. By January 2014 NHSE indicated that CCGs needed to provide for the provision made by PCTs in its 2014/15 plan. This represents two accounting entries for one transaction.</p>	<p>No impact for 2013/14 other than having to create some headroom into 2014/15 to support the charge. Plans submitted show a reserve set aside for the legacy provision (c£1.5m) which has been created at the expense of other investment opportunities</p>	<p>Discussed at London CFOs and is currently being taken up by NHSE and the Treasury. At this stage no change is planned and so CCGs will continue to hold a reserve for retrospective CHC claims.</p>	<p>If there is a change that releases the PCT provision that would allow WCCG to retain its reserve. However it is likely that CCGs will be required to hold the reserve to mitigate against any claims made against the PCT.</p>
7	Better Care Fund	<p>The 2013 Comprehensive Spending Review saw the Chancellor announce the creation of the Better Care Fund (BCF) which brings together Health and Social Care funds to improve population outcomes. WCCG has directed resources to support the development of the programme which will have a material impact on CCGs and providers in 2015/16</p>	<p>Whilst there was limited financial impact in 2013/14 the work required to set up the BCF has required significant input from senior colleagues in Health and Social Care. Plans are still in progress and will be assessed by NHSE.</p>	<p>Initial joint plans have been submitted and will be assessed. They have been agreed and shared with all parties including acute and community providers.</p>	<p>By 2015/16 it is expected that the BCF will have c£21m of funds which would be sourced from acute contract savings, CCG QIPP, CCG committed contracts and committed Social Care Grants. There is a large risk associated with the delivery of the BCF given the parties involved and the amount of resources allocated</p>

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8	Surplus treatment	WCCG had reported it was on track to deliver its financial target throughout the year and by Month 9 it was clear that the reserve set aside for Winter Pressures was no longer required. Following discussions with NHSE (London) WCCG increased its surplus by £1.5m on the basis it would receive the full amount back in 2014/15. As yet NHSE have yet to confirm whether CCGs will be allowed to draw down their previous year surplus.	Surplus increase by £1.5m was approved by NHSE and built into CCG 2014/1 plans.	Raised at NHSE (London) Assurance meetings that the CCG is expecting to draw down its surplus in order to meet the investment plan for the Out of Hospital programme.	We have no assurance at this stage that the draw down facility is available in 2015/16, this planned draw down was contained within our OOH plan and was signed off by the board. Our operating plan for 2014/15 , which was approved by NHSE contains the assumption regarding the draw down in 2014/15. However, if draw down is not allowed the CCG needs to consider a contingency plan and process of escalation. Guidance should be available before June 2014
9	NHS Property Services	Wandsworth PCT made a provision for onerous leases as required which was then transferred to the Department of Health. Unfortunately NHS Property Services (NHSPS) attempted to recover the lease charge from the new CCG.	A charge of was created by NHSPS against the CCG for a lease it did not hold and was accounted for by Wandsworth PCT. After several discussions NHSPS agreed to withdraw the charge and no costs were incurred by the CCG.	Correspondence was on going between NHSPS and WCCG however the issue was only raised in the final quarter of the year.	Further guidance is expected relating to the workings of NHSPS as it is unclear what level of risk sits with CCGs. The recovery of rent and void costs are expected to dominate discussions during 2014/15