

The CCG's financial story 2014-15

Background

Bedfordshire Clinical Commissioning Group (BCCG) has faced many challenges since it was formed on 1 April 2013 as a clinically-led organisation buying and improving healthcare for the population of Bedfordshire. Not least of these is the financial situation in which it now finds itself.

The second half of 2014/15 saw a deteriorating financial position resulting in BCCG incurring a £43.2m deficit as at 31 March 2015. This has been a slowly unfolding story as it became clear that the deficit was both far larger and more complex than originally believed. Most significantly, it emerged during the year that not all of this deficit could be attributed to 2014/15 and the surplus BCCG previously reported for 2013/14 did not properly recognise or take account of all costs incurred during our first financial year. In addition, it became clear that over the past two years the CCG has run an underlying deficit and has been consistently spending in excess of planned budgets.

As a result BCCG has restated its accounts 2013/14 by £14.1m and is now recording a deficit for 2013/14 of £12.7m and a deficit for 2014/15 of £30.5m. As outlined below, the reasons for BCCG's deficit are both external and internal. They include rising demand for healthcare and the legacy of a healthcare system with significant financial challenges, alongside delays on BCCG's part in implementing service improvements and inadequate data underpinning the CCG's planning and governance.

Whatever the causes, BCCG's financial position is unacceptable within NHS legislation, given the CCG's statutory duty to live within its means. As such, it has resulted in whole scale changes to the senior leadership, a 'no-stone unturned' approach to financial recovery and a commitment across the organisation to put Bedfordshire CCG back into financial balance as quickly as possible.

So what went wrong for BCCG?

In May 2014, the Governing Body signed off a budget for the 2014/15 financial year. Despite a difficult first year, the CCG reported a small surplus of £1.4m and set a budget that would deliver a surplus of £0.7m for 2014/15. A plan was agreed that would require delivery of £12.3m financial savings. This assumed that the CCG would deliver strong performance management of its contracts and that uncommitted funds set aside for reserves and contingencies of £11.2m would be unused and available to support the underlying position.

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The first signs of a serious financial problem started to emerge as early as July 2014. Although reports to the Governing Body showed that financial performance was in line with the plan, the appendices supporting the month three report (July 2014) showed that a planned £4m repayment of funds to CCGs in Hertfordshire had been deferred until 2015/16, indicating that the underlying position had deteriorated. The appendices also identified a 'worst case' financial outturn of £7m deficit, although this was not mentioned in the report narrative, which indicated the likely outcome would be breakeven.

At the October 2014 meeting of the Governing Body, the finance report showed a year to date surplus of £1.6m for the five months ending August. However, this report also referred to concerns about 'emerging risks' that had been identified, totalling £5.5m from a variety of clinical areas.

The October Governing Body report signalled a 'deep dive' into the CCG's finances and at the November meeting the Governing Body received a report highlighting, for the first time, an in-month deficit of £1.1m, although the forecast for the year was still showing a surplus of £4.7m.

By December, the position had significantly deteriorated with a year-to-date deficit of £10.3m and a forecast year-end deficit of £25m being reported. By the end of December, this had risen to £28.8m. This figure further deteriorated over the remaining few months of the financial year and it became clear that around £14.1m of the growing deficit related to costs incurred in the previous financial year. Lack of rigour in our monthly financial reporting and management errors of judgement at year end meant these costs were not identified earlier. As a result there were inadequate cut off procedures which meant the CCG did not account for some liabilities that related to the 2013/14 financial year. There were also contract challenges with our providers that were outstanding at the end of 2013/14, which BCCG had wrongly assumed would go in its favour.

Other factors incurred during 2013/14, have also driven this year's financial deficit. Some stem from external pressures, while others were firmly rooted within the CCG. They included:

- delays in implementing planned improvements to clinical services and the knock-on effect of failed saving plans
- rising demand for hospital services, NHS funded domiciliary care packages (continuing healthcare) and out of area mental health services
- the legacy of a health system with significant financial challenges – the majority of local trusts and CCGs are also in financial deficit and a number of services are regarded as clinically fragile
- weaknesses in the availability, quality and use of performance information to underpin organisational decision making
- lack of robust governance processes and financial controls
- insufficient data to underpin performance governance and strategic planning
- poor financial awareness, planning management and forecasting.

To correct the record of these events, the decision has been made to restate the accounts for the previous financial year (2013/14) to ensure income and costs are correctly treated in the year in which they were incurred.

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Restating the accounts has shifted the reported £1.4m surplus in 2013/14 to a deficit of £12.7m. This has reduced the 2014/15 deficit to £30.5m but the deficit accumulated over the two years remains unaltered at £43.2m.

As a result the accounts will record performance as follows:

	2013/14	2014/15
	£m	£m
In-year position – surplus	-1.4	
– deficit		44.6
Correcting adjustment	14.1	-14.1
Restated position	12.7	30.5

A review of financial governance and controls by the CCG's auditors also identified a series of weaknesses in the CCG's systems, processes and reporting around the following:

- disclosure of financial assumptions, risks and mitigations to the Governing Body, Finance Committee and Audit Committee
- resolution of contract disputes and accounting to satisfy financial risks and mitigations
- invoice receipt, processing and approvals
- use of financial, contract and performance data to forecast spend, accruals and commitments
- ownership of budgets, spending and commitments by contract and service managers
- assessment and accounting for the recoverability of debts.

What have we done to put things right.

The urgent task is now to re-focus and re-energise the organisation, and for BCCG to develop and implement commissioning plans for improvement on behalf of its patients and local partners, at a pace that is faster than everyone else.

With the support of NHS England, the Governing Body has taken key actions to strengthen the leadership, governance and performance of the organisation. They include:

- developing financial plans that balance adherence with NHS Constitutional Standards with the urgent and statutory requirement to achieve both in-year and sustainable financial balance
- developing the capacity and capability of BCCG staff to respond to this challenging agenda in both the short term and on a sustainable long-term basis
- rebuilding the basic systems of data capture, analysis, forecasting, reporting and control; specifically within the finance and contracting teams
- strengthening governance processes within the CCG to assure progress and implementation of all aspects of this plan, and then to manage within all statutory duties on a sustainable basis without external support.

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Key actions have included:

- the appointment of a new executive management team (EMT) led by an interim accountable officer and chief finance officer
- a review of the effectiveness of the Governing Body Finance Committee and appointment of an additional non-executive director with extensive financial expertise
- a strengthened Governing Body with the appointment of a new Finance Committee Chair
- a robust financial plan, which is being developed for 2015/16 with NHS England to ensure proposals are deliverable and to test the scope for accelerating the CCG's return to recurrent financial balance
- monthly Finance Committee meetings to review progress in implementing the plan, challenge the EMT and provide assurance to the Governing Body that the plans are being delivered as agreed
- expert support from the NHS South, Central and West Commissioning Support Unit which will provide improved business information and support contract performance management.

The future

On 20 May 2015, NHS England recognised the seriousness of our financial position by issuing us with what are called 'directions'. These largely formalise our current relationship: they oblige us to co-operate with NHS England in delivering our improvement plans and give NHS England a central role in appointing a permanent accountable officer for BCCG.

While the scale of the task facing BCCG may be significant, there is a clear commitment from staff, GPs and partners to work together to tackle the deficit and stabilise the organisation. BCCG has much to be proud of with regard to clinical effectiveness: our challenge is to ensure that our financial decision making has the same rigour.