

Primary Care Co-commissioning Committee

22 June 2016

Details	Part 1	✓	Part 2		Agenda Item No.	2.3
Title of Paper:	Primary Care Delegated Commissioning: Finance due diligence update.					
Board Member:	Mike Woodhead, Interim Chief Finance Officer					
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Presenter:	Mike Woodhead, Interim Chief Finance Officer					
Please indicate:	For Decision		For Information	X	For Discussion	

Executive Summary

Summary	<p>From the 1st April 2016 NHS Bury CCG became responsible for a further £25.524M (9.1% of 16-17 CCG budgets) of Primary Medical Care annual budgets under a formal Delegated Agreement and Memorandum of Understanding with NHS England.</p> <p>The Finance team have undertaken a programme of work to develop an understanding of the risks within and around the budgets transferred and to ensure a smooth transition of payment flows, developing effective processes and control mechanisms. Much of this work is now complete and clear responsibilities and processes are now in operation.</p> <p>Detailed plans have been reviewed and analysis undertaken. However, comparable data prior to 2015-16 was not available and assurance concerning the adequacy of the budgets transferred to support services cannot be fully confirmed at this stage.</p> <p>There are particular concerns surrounding budgets for Estates and Facilities and ad-hoc payments. There is also a potential risk concerning prior year liabilities which remain the responsibility of NHS England. Processes are in place to recharge these costs to NHS E but obtaining assurance around this area is difficult. However, work is on-going with detailed transactional analysis possible through the CCG ledger.</p>					
Risk	High		Medium	X	Low	
	<p>Risks have been identified relating to inability to receive sufficient assurance that the budgets transferred from NHS England to the CCG for Medical primary care delegated commissioning are adequate to support the service.</p> <p>A potential risk concerning payment of prior year charges by the CCG, where these are the responsibility of NHS England is also highlighted.</p>					
Recommendations	<p>The Committee are asked to</p> <ul style="list-style-type: none"> note the limitations which have been experienced in attempting to perform comprehensive due diligence in this area to acknowledge progress made to date to recognise the remaining uncertainty and potential risk surrounding the adequacy of the budget transferred to support service delivery note that further internal audit work particularly focussing on prior year liabilities would be welcomed in this area to provide assurance on cut-off procedures in NHS England. 					

Strategic themes

Deliver improvement in outcomes for patients	
Deliver service improvement through system redesign in priority areas	

Develop NHS Bury CCG and Primary Care capability as commissioners and leaders			X
Deliver through the Health and Wellbeing Board improved population health and reduction in inequalities			
Deliver the CCG element of QUIPP through effective system management and working with partners and stakeholders and ensuring a culture with focus on quality, fostering innovation, improving health outcomes and reducing inequalities.			
Equality Impact Assessed?		Supports NHS Bury CCG Governance arrangements	X

Primary Care Delegated Commissioning: Finance due diligence update.

1. Introduction and background

From the 1st April 2016 NHS Bury CCG became responsible for a further £25.524M of Primary Medical Care annual budgets under a formal Delegated Agreement and Memorandum of Understanding with NHS England (See Appendix A). The 'new' budgets represent 9.1% of the CCG's total budget allocation in 2016-17. NHS England legally retain residual liability for the performance of primary medical care, and the administration of payments and list management.

Towards the end of 2015 and throughout 2016 work has been undertaken by the Finance team to develop an understanding of the risks within and around the budgets transferred. Priority has also been given to ensuring a smooth transition of payment flows, developing effective processes across NHS England, GM shared services and the CCG. Clear progress in this work has been, at times, difficult to achieve, primarily as a result of delays in receiving clear and timely guidance from NHS England. These issues are now largely resolved and have been supported through engagement with other CCG's and attendance at monthly GM Primary Care Finance meetings, led by NHS England, which continue to be held.

2. Financial Risk

The major financial concern around the change in responsibilities surrounds assurance that the budgets transferred are sufficient to meet the operational needs of the service. Locality reports from 15-16 have been provided and reviewed in connection with the detailed 16-17 budget setting files provided by NHS England. Information prior to 15-16 could not be obtained in a format which would support a useful comprehensive review. This continues to be an area of concern although some assurance has been given by NHS England that, at least for 2016-17, pressures arising from delegated medical primary care services may be moderated. In future years this will not be the case. The budget for 2016-17 has been developed by NHS England with the final iteration based on 2015-16 month 11 forecast outturn. This has been amended (by NHS E) to reflect other known items with workings fully documented at a detailed level in the plans provided. Detailed review of monthly figures will be undertaken to ensure any potential issues are identified as early as possible and escalated appropriately. The NHS England finance team continue to produce monthly performance reports for the CCG.

The nature of the arrangements in place means that no assets or liabilities from prior years should transfer to the CCG as part of the change. As no debtors or creditors have been transferred a significant risk and administrative workload has been reduced with detailed due diligence prior to transfer not required in this area. Processes have now been formally agreed for the CCG to 'charge back' to NHS England any payments made to GP's or Suppliers in 16-17 which relate to prior years. Whilst the NHS England Finance team are administering this, the CCG Finance team will continue to monitor this area through review and periodic random sampling of payments charged to the CCG.

Cash management responsibility lies with the CCG and GM Shared Services. However, NHS England produced a detailed monthly cash-flow forecast; based on the 2016-17 budget profile; to inform our requirements. Currently this is not presenting any significant problems but will continue to be managed through current cash management arrangements.

3. Processes and Responsibilities

Whilst a substantial amount of direct operational budget was transferred to the CCG, additional resource has not been provided to support new finance or commissioning responsibilities. As a result, in the short term the CCG have requested that NHS England continue to administer as much of the finance service as possible, whilst ensuring approval processes conform to current CCG SFI's and that adequate controls are in place. These arrangements can be changed at any time in the future but are currently in line with most other GM CCG arrangements.

The NHS England finance central team remain responsible for processing of transactions and performance reporting. Monthly performance reports are provided by NHS England by working day 4 to support CCG month end reporting timescales. The NHS E team are able to prepare journals on the CCG ledger but journal approval is retained by CCG finance staff. This access to the CCG ledger enables transactions to be posted at the most detailed possible level which facilitates in-depth interrogation and drill down by practice across expenditure type. Budgetary control and reporting responsibility sits with the CCG and separate dedicated cost centres have been set up so that the delegated commissioning budgets can be isolated from existing primary care budgets e.g. LES schemes.

Work has focussed on ensuring a 'seamless' transition for GP's and Suppliers. New Supplier accounts and ledger code combinations were set up on the CCG ledger before transfer date to reduce the risk of delays to payments. As discussed above cash management responsibility lies with the CCG but is operationally managed together with GM shared services. Payment dates have been reviewed for the year to ensure current payments continue to be made on the same dates as before the transfer. A small number of direct supplier invoices for services such as clinical waste are now received directly by the CCG and are processed in the same way as any other CCG supplier invoice. Pension payments are made by the CCG finance team based on monthly schedules produced by NHS England.

4. Issues, Risks and Next Steps

Many of the issues and risks initially identified have now been addressed. Work has been completed across the CCG, NHS E and GMCSU to ensure that responsibilities have been agreed, systems set up and processes put in place in order that finance services supporting the delegated commissioning arrangements for medical primary care function appropriately. Reports are now being produced by both NHS England and CCG finance and detailed ledger transaction analysis can be performed.

In spite of the work completed to date there are still areas of uncertainty and concern remaining. Most of these concerns now relate to obtaining a satisfactory level of confidence that the budgets transferred are sufficient to deliver the service, particularly in relation to estates and facilities and the more ad-hoc areas of expenditure e.g. Locum cover etc. Detailed reviews of actual expenditure will be undertaken on a monthly basis to identify any potential issues as soon as possible and monthly meetings with the new budget manager responsible for Primary Care will commence once she is in post, later this month.

Continued work is required to ensure that the CCG are not charged for any prior year expenditure and internal audit support may be useful in providing some assurance around this area.

The work completed so far in finance has been limited to a small group of individuals it is important that processes are now documented and knowledge shared. It is also acknowledged that a better understanding of GP contract arrangements is required within finance to ensure any payments made are in line with formal contractual agreements. CCG finance relationships with commissioning colleagues also need to be developed to support this once the re-structure is complete.

5. Recommendations

The Committee are asked to note the limitations which have been experienced in attempting to perform comprehensive due diligence in this area, to acknowledge progress made to date and to recognise the remaining uncertainty and potential risk surrounding the adequacy of the budget transferred to support service delivery. The Committee is also asked to note that further internal audit work particularly focussing on prior year liabilities would be welcomed in this area to provide assurance on cut-off procedures in NHS England.

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APPENDIX A: Summary of Budgets 16-17 with 15-16 Budget and Actual expenditure, for comparison.

NHS Bury CCG: Primary Care Delegated Budgets

	2015 -16 Annual budget £'000	2015-16 Outturn £'000	Total 2016- 17 Plan £'000
General Practice - GMS	8,512	8,544	9,138
General Practice - PMS	5,594	5,668	6,112
General Practice - APMS	1,504	1,505	1,546
QOF	2,546	2,546	2,571
Enhanced Services	1,579	1,253	1,129
Premises Cost Reimbursements & Property Services & CH Partnerships	4,228	4,191	4,405
Other Premises Costs	158	155	160
Dispensing/Prescribing Drs	148	153	156
Other GP Services	570	599	455
Primary Care Investments			-149
Total NHS Bury CCG	24,840	24,614	25,524

0.5% Contingency	128
1% Non-recurrent	255

