

Report to the NHS Somerset Clinical Commissioning Group on 28 January 2021

Title: Financial Report 2020/21 1 April 2020 – 30 November 2020	Enclosure H
--	------------------------

Version Number / Status:	1
Executive Lead	Alison Henly, Director of Finance, Performance and Contracting
Clinical Lead:	N/A
Author:	Jacqui Damant, Associate Director of Finance

Summary and Purpose of Paper

The enclosed paper provides an update summarising the current and forecast financial position for 1 April to 30 November 2020.

This report sets out the overall financial position for the Somerset Clinical Commissioning Group as at 30 November 2020 and provides an analysis of financial performance across the following areas:

- Summary Financial Position
- Financial Framework
- Cash and payments
- Corporate Capital

Recommendations and next steps

The Somerset Clinical Commissioning Group is asked to approve the report of the financial position.

Impact Assessments – key issues identified

Equality	Financial decisions are made with due regard to eliminate discrimination, harassment and victimisation, to advance equality of opportunity and to foster good relations between people who share a relevant protected characteristic (as cited in under the Equality Act 2010) and those who do not share in it.
Quality	Financial decisions are made to deliver with regard to the best possible value for service users.
Privacy	No issues identified.

Engagement	No issues identified.			
Financial / Resource	The Somerset Clinical Commissioning Group has a current confirmed budget of £980,913,000 for the 2020/21 financial year.			
Governance or Legal	The financial report details any constitutional standards required to be met by the Clinical Commissioning Group.			
Risk Description	The Somerset Clinical Commissioning Group must ensure it delivers the planned financial target.			
Risk Rating	Consequence	Likelihood	RAG Rating	GBAF Ref
	4	2	8	202

SOMERSET CLINICAL COMMISSIONING GROUP

FINANCE REPORT TO THE GOVERNING BODY

AS AT 30 NOVEMBER 2020

1 INTRODUCTION

- 1.1 The purpose of this report is to update the Governing Body on the Clinical Commissioning Group's (CCG) financial performance for the financial year 2020/21 as at 30 November 2020.
- 1.2 Financial reporting would, under normal circumstances, be based on budgets as set out in the Operational Financial Plan for the year, as agreed with NHS England and NHS Improvement. Indicative funding allocations for 2020/21 were issued to CCGs in January 2020 and a draft plan, based on these indicative allocations, was submitted to NHS England and NHS Improvement by the Clinical Commissioning Group on 5 March 2020.
- 1.3 Since submission of the draft plan, and in response to the Covid-19 pandemic, a letter was issued on 17 March 2020 by Sir Simon Stevens, NHS Chief Executive, and Amanda Pritchard, NHS Chief Operating Officer which set out 'Next Steps on NHS Response to Covid-19'. These guidelines fundamentally changed financial arrangements for NHS commissioners and providers for 2020/21 and suspended work on the annual planning process. Some of these new national arrangements materially changed the expenditure profile of the Clinical Commissioning Group, including:
- the move of major independent sector hospital contracting away from CCGs to NHS England
 - NHS provider payments being re-set based on historic spend
 - the cessation of billing for Non-Contracted Activity (NCAs) by NHS providers
 - the suspension of efficiency expectations within inflationary uplifts
 - the potential deferment of transformation plans (where they cannot be progressed due to Covid-19)
 - the expectation that most planned investments will be temporarily set aside, with the exception of progression of Mental Health Investment programmes.
- 1.4 Under normal circumstances budget monitoring and reporting would be for a full financial year, against an annual financial plan and in line with national performance management frameworks. In these unprecedented times we implemented financial arrangements for Covid-19 that were set for an initial period of four months and which were subsequently extended by national direction for a further two months to 30 September 2020.

- 1.5 Guidance regarding the financial management of Clinical Commissioning Groups, for the period from 1 April to 31 July 2020, was issued from NHS England and NHS Improvement on 15 May 2020. As mentioned in paragraph 1.4 above, this guidance was subsequently extended for a further two months to 30 September 2020, as outlined in the Phase 3 Covid-19 response letter released on 31 July 2020. This guidance recognised the revised financial regime and service changes referred to in paragraph 1.3 above and the impact this has on CCG financial positions and affordability against previously notified indicative allocations.
- 1.6 This required a revised approach to the financial management of CCGs during this time and these revisions can be summarised as follows:
- during the period 1 April to 30 September 2020 CCGs were expected to breakeven on an in-year basis
 - to achieve this, CCG allocations were non-recurrently adjusted for M1 to M6
 - in general, initial indicative CCG allocations were higher than national expenditure modelling, therefore CCG allocations were non-recurrently adjusted ('prospective adjustment') to reflect expected monthly expenditure. The calculation of expected monthly expenditure considers the impacts of the temporary financial regime – including:
 - block payment arrangements with NHS Trusts and Foundation Trusts ('NHS Trusts'); and
 - national contracting of acute services from independent sector
 - CCGs were monitored against the adjusted allocation position. Actual expenditure was reviewed on a monthly basis and a retrospective non-recurrent adjustment actioned for reasonable variances between actual expenditure and the expected monthly expenditure
 - each CCG received an output that set out their revised allocations based on a calculation of their projected monthly expenditure for the period 1 April to 30 September 2020
 - CCGs were requested to set budgets for the six-month period 1 April to 30 September which were within the non-recurrently adjusted allocation position
- 1.7 For the second half of the financial year STPs and ICSs have been issued with fixed funding envelopes. These funding envelopes comprise;
- CCG allocations and, at system level, sufficient top-up funding to bring the system to a breakeven position, using an updated version of the methodology applied in the month 1-6 financial framework.
 - Additional growth funding based on 2020/21 anticipated CCG allocation growth rates.
 - Additional non-recurrent funding for the additional costs of Covid-19, distributed on a fair share basis.
- 1.8 Systems submitted financial plans demonstrating how they would achieve a breakeven position by the end of the year. Final system level plans

were submitted on 20 October 2020. Individual organisations within each system were required to submit more detailed financial plans, consistent with the system financial plan returns, and these were submitted on 22 October 2020. Whilst systems will be expected to breakeven, organisations within them will be permitted by mutual agreement across their system to deliver surplus and deficit positions. These plans have informed individual organisational budgets for the remainder of the financial year.

- 1.9 CCGs have now received resource allocations to cover the full financial year, reflecting the funding envelopes agreed for months 7 to 12 of 2020/21, and therefore the reported position as at month 8 shows a full year funding allocation. This includes the release of System Development Funds (SDF) made available in addition to the fixed funding envelope and includes funding for national transformation programmes for Primary Care, Mental Health and Digital development.

2 FINANCE REPORT

Forecast Outturn

- 2.1 As noted in the introduction to this report, the CCG is expected to break-even for the period 1 April to 30 September 2020. A final retrospective resource limit adjustment was made available in November 2020, which fully funded the costs for the period April to September, enabling the CCG to achieve a break-even position to 30 September and the figures in this report reflect this position.
- 2.2 The CCG, as part of the ICS, was issued with a resource limit covering the period October to March 2021 in September. Plans have been submitted to NHS England and subsequently budgets were agreed by the Finance and Performance Committee in October for the period October 2020 to March 2021 and these have been reflected in this report. The plans are based on delivering a financial break-even position for the October to March 2021 period, which will subsequently mean break-even for the full 2020/21 financial year.

Revenue Resource Limit

- 2.3 The CCG has now received revenue resource for the full 2020/21 financial year. The current confirmed revenue resource limit is £980.913m, which includes core CCG programme funding of £889.22m, delegated primary care commissioning funding of £81.359m and a running cost allocation of £10.334m.
- 2.4 Table 1 below shows the breakdown of resources available to the CCG for the 2020/21 financial year, as at 30 November 2020. This includes a retrospective allocation adjustment of £14.855m for the period April to September 2020 to reimburse expenditure incurred in response to the Covid-19 pandemic. A further allocation increase of £11.192m has been made available to recognise additional non-Covid related variances to budget reported for the cumulative period from April to September 2020.

2.5 Additional system development funds (SDF) and funding for a number of other initiatives have been received during months 7 and 8. These additional resource allocations are detailed in Table 1 below.

Table 1: 2020/21 Revenue Resource Limit as at 30 November 2020.

	2020/21 £'000
Programme Costs	
Initial Allocations	809,887
<i>(including growth funding of):</i>	36,249
Recurrent Adjustments:	
* recurrent 2019/20 from NHS England	(149)
* Primary Care Improving Access funding	3,302
* Tariff inflation adjustments	585
Non Recurrent Allocations :	
* Prospective 6 months Programme Non-Recurrent Adjustment	(8,834)
* Retrospective allocation for Covid-19 costs months 1 to 6	14,855
* Retrospective Top-up Allocation for Non Covid-19 months 1 to 6	11,192
* CCG months 7 to 12 funding adjustment to model breakeven	(9,332)
* System Covid funding months 7 to 12	20,729
* System top up funding months 7 to 12	33,446
* System growth funding months 7 to 12	7,425
* UEC 111 Finance Support	50
* UEC 111 Winter Funds	75
* Integrating Pharmacy & Medicine Optimisation into STPs and ICSs	10
* Flash Glucose Offer to Patients with Learning Disability	14
* Health System Led Investment Funding for Somerset NHS FT	43
* Perinatal Mental Health	150
* Mental Health Winter Pressures	197
* National Diabetes Prevention Programme	50
* Outpatient Transformation	75
* GP Nursing 10 Point Plan 2020/21 funding	10
* Digital - Primary Care DPFC 20/21	535
* Scaling Up Innovation - Digital Transformation	102
* System leadership preparation funding	153
* Enhanced Occupational Health & Wellbeing Pilots	600
* Mental Health Resilience Hubs	159
* Children's & Young People's Palliative and End of Life Care Match Funding	29
* Developing joint commissioning arrangements	67
* Health Equality Partnerships programme	65
System Development Funds (SDF):	
* Continual Glucose Monitoring (CGM)	17
* Tobacco Early Implementer Sites	7
* System infrastructure	198
* NHS111 First	192
* Diabetes Treatment and Care	149
* Mental Health Individual Placement Support (IPS)	44
* CYP Mental Health 0-18	29
* CYP Mental Health Green Paper	473
* Primary Care - Online consultation software systems	138
* Primary Care - Practice resilience programme	74
* Primary Care - Networks: development and support	404
* Primary Care - Reception and clerical training	92
* Primary Care - Workforce: retained doctors (system allocations)	107
* Primary Care - Workforce: Training Hubs	112
* Adult Mental Health - Integrated Community Teams	1,364
* Adult Mental Health - Suicide Prevention & Bereavement	90
* Care, Education and Treatment Reviews (CETR) - LD & Autism	240

Adjusted Programme Allocation	889,220
Primary Care Co-Commissioning	
Delegated budget	79,895
(including growth funding of):	3,866
Non Recurrent Allocations:	
* Prospective 6 months delegated Non-Recurrent Adjustment	(584)
* Primary Care Covid-19 Support Fund	1,429
* Impact and Investment Fund	230
* Care Homes Premium	294
* Increase in practice funding	95
Adjusted Primary Care Co-Commissioning Allocation	81,359
Running Costs	10,456
Non Recurrent Allocations:	
* Prospective 6 months Running Cost Non-Recurrent Adjustment	(122)
Adjusted Running Cost Allocation	10,334
Total In Year Allocation	980,913

Financial Performance Highlights and Exceptions

2.6 Table 2 below shows the forecast end of year financial position against key budget reporting lines for 2020/21, based on financial resource and data available as at 30 November 2020. The budget reporting format reflects funding allocations across care categories as specified in the funding model provided by NHS England and reflects the format in which the financial position is now reported to NHS England on a monthly basis. Budgets across care categories reflect the retrospective top up funding allocations received for cost pressures emerging across the April to September reporting period, but will still show variances in respect of costs incurred during October and November, particularly in relation to the Hospital Discharge Programme, for which national reimbursement funds are still anticipated.

Table 2: 2020/21 Analysis of Forecast Expenditure as at 30 November 2020.

Expenditure	Annual Budget £'000	Forecast Expenditure £'000	Forecast Variance £'000	Previous reported Variance £'000	Variance Change
Acute Services	479,792	480,582	790	560	Deterioration
Mental Health Services	75,097	74,974	(123)	162	Improvement
Community Health Services	89,031	88,883	(148)	335	Improvement
Continuing Care Services	53,381	53,381	0	30	Improvement
Primary Care Prescribing	89,902	89,272	(630)	541	Improvement
Other Primary Care Services	25,349	25,349	0	280	Improvement
Primary Care Delegated Budgets	82,289	82,289	0	281	Improvement
Other Programme Services	54,055	54,046	(9)	325	Improvement
Corporate Running Costs	10,334	10,454	120	20	Deterioration
COVID-19 Response	21,683	23,209	1,526	2,729	Improvement
Total Expenditure	980,913	982,439	1,526	5,263	Improvement

Note: movement is assessed against the last reported position

Key:

Improved forecast position compared to previous month	Improvement
Static forecast position compared to previous month – favourable variance	Static
Static forecast position compared to previous month – adverse variance	Static

- 2.7 Expenditure assumptions have been made based on the current block payment arrangements with NHS providers. Variances are reported where additional data has been made available identifying potential cost pressures or financial benefits. Forecasts are continually reviewed and refined as more information becomes available.
- 2.8 Table 2 above demonstrates an overall forecast cost pressure of £1.526m as at 30 November 2020. This reported variance to budget represents cost pressures for the October and November period for which additional reimbursement funding is anticipated. This mainly represents costs in respect of the Hospital Discharge Programme, as detailed in the narrative below. On receipt of these reimbursement funds the CCG is anticipating a break even position against its financial resource for the financial year, as indicated in paragraph 2.2 above. Other variances to plan have emerged as at month 8, but these are expected to be fully mitigated across budgets. These variances are highlighted below.

- **Acute Services**

Acute services expenditure still includes a level of non-contractual commitment with private sector and devolved administration NHS providers during 2020/21, despite the cessation of billing for Non-Contracted Activity (NCAs) by other NHS providers under the current financial arrangements. The level of this remaining NCA activity was underestimated within plans for months 7 to 12 and is now forecast to be £305k over budget. The majority of NCA expenditure with the private sector is with New Medical Systems Ltd for Ophthalmology activity. Expenditure with devolved administration providers tends to be more irregular.

The forecast cost pressure in respect of acute services also includes expenditure in relation to the further roll out of the Maternity Transformation Programme in Somerset. Provision was not made in plans to allow for the additional costs associated with this.

- **Mental Health Services**

Forecast expenditure for Mental Health services includes an assumption that additional investment into Mental Health services will continue as planned across the financial year. There remains a national expectation that the Mental Health Investment Standard will still be achieved for 2020/21.

The forecast under commitment against budget relates to the cessation of block payments to Avon and Wiltshire Mental Health Partnership NHS Trust from October. This was due to an increase in the de-minimis level for block payments to out of County providers for the latter half of the financial year.

- **Community Health Services**

The forecast under-commitment against community health services budgets includes an updated forecast underspend in respect of the pooled budget with Somerset County Council for community equipment services.

- **Primary Care Prescribing**

A forecast underspend of £630k is reported in respect of GP prescribing costs as at 30 November 2020. All GP prescribing cost pressures for months 1 to 6 were fully reimbursed through the retrospective top-up process and the continuation of these costs was reflected within financial plans for the latter half of the year. However, there has since been an update to the anticipated cost associated with Category M drug price increases. Recent intelligence suggests that this cost pressure should reduce from October and this has now been reflected within the forecast.

An under commitment against plan is also anticipated in respect of community pharmacist costs.

Forecast expenditure levels will be reviewed as further GP prescribing data becomes available.

- **Primary Care Co-Commissioning**

Resource allocations for delegated Primary Care budgets were initially below the anticipated funding allocation that was notified in March 2020 on agreement of the new GP contract. Forecast expenditure commitments are anticipated at the full expected budget value, including an increase in cost commitments driven by new schemes introduced in the new GP contract. Retrospective top-up funding and an additional resource allocation have now been released to the CCG which takes funding levels up to the full expected budget value and has enabled a forecast break even position against budget for the year.

- **Running Costs**

The CCG received a total £120k reduction to its running costs allocation for the 1 April to 30 September 2020 period. The CCG has recovered these funds through the retrospective top-up process, however this has been issued as a programme budget allocation rather than running costs. The running cost allocation therefore remains £120k below expected levels and the reported forecast overspend reflects this. This is offset by a corresponding benefit within other programme services.

- **COVID-19 Response**

The reported variance in respect of Covid-19 related costs represents outstanding retrospective funding claims for October and November 2020. This mainly relates to costs incurred in respect of the Hospital Discharge Programme. Provision has been made within system funding envelopes for Covid-19 related costs from 1 October 2020 for the remainder of the financial year, with the exception of hospital discharge programmes which will be reimbursed on an actual cost basis.

- Hospital discharge programmes - The Government has put in place two schemes in which CCGs together with Local Authorities will commission discharge services for patients discharged since 19 March 2020:
 - * Scheme 1 – funds patients discharged from 19 March to 31 August inclusive. Those patients discharged under the first scheme remain funded by the first scheme until they have the appropriate post-discharge assessment (such as a CHC assessment). This scheme will also fund the costs of additional CHC assessment staff per guidance issued on the resumption of CHC assessment processes.
 - * Scheme 2 – funds patients discharged from 1 September 2020. Those discharged under the second scheme will only be funded by the scheme for up to six weeks after their discharge.

Recurring Underlying Financial Position

- 2.9 The finance team continue to monitor the recurrent impact of any cost pressures and/or financial benefits in order to understand the underlying financial status of the CCG moving into the latter part of this financial year and into 2021/22. Work is ongoing to produce financial modelling for the period post 30 September 2020 and in preparation for the commencement of financial planning for 2021/22.

Quality, Innovation, Productivity and Prevention (QIPP)

- 2.10 As mentioned in section 1.3 of this report, expectations for the delivery of efficiency savings were suspended for the 1 April to 30 September 2020 reporting period. Planning for the latter half of the financial year includes an expectation that a level of efficiency savings will be delivered in year in relation to Continuing Healthcare, GP Prescribing and CCG running costs.

Cash

- 2.11 The CCG is required to manage its cash to minimum levels by the end of the financial year, however during the year the level will vary. The forecast and actual end of month cash book balances are shown in Table 3 below.

Table 3: Cash Book Balances

Month end	Actual Cash Book Balance £'000	Forecast Cash Book Balance £'000
April 2020	5,111	955
May 2020	8,279	916
June 2020	5,771	873
July 2020	3,141	854
August 2020	4,231	868
September 2020	6,092	830
October 2020	1,843	827
November 2020	429	923

The CCG continues to review cash requirements during what has been a difficult and unpredictable period due to the Covid-19 crisis and the changes in financial regime that this has directed. We continue to ensure that we hold sufficient cash levels to enable prompt payment of all invoices, ensuring that providers are supported with their cash flow during this period. The month end cash balances reflect that a high level of additional cash requested has not necessarily been required in month, but cash levels are now being managed back down to a more routine level.

Better Payment Practice Code (BPPC)

- 2.12 The CCG is required, as part of its administrative duty, to pay 95% of all creditors within 30 days of receipt of goods or valid invoice. Table 4 below shows the cumulative position for April 2020 to November 2020. Performance exceeds the target of 95% and reflects the request made nationally to facilitate cash flow for providers during the Covid-19 crisis period.

Table 4: Better Payment Practice Code Performance

NON NHS PAYABLES	Number	£'000
Total Non-NHS trade invoices paid in the year	6,511	88,200
Total Non-NHS trade invoices paid within target	6,511	88,200
Percentage of Non-NHS trade invoices paid within target	100.00%	100.00%

NHS PAYABLES	Number	£'000
Total NHS invoices paid in the year	1,007	457,428
Total NHS invoices paid within target	1,006	457,427
Percentage of NHS invoices paid within target	99.90%	100.00%

Corporate Capital

- 2.13 Table 5 below sets out the current position regarding corporate capital schemes, allocation and progress made in 2020/21.
- 2.14 Once agreement on schemes is received from NHS England, progress on programme areas can commence.

Table 5: 2020/21 Corporate Capital Plan

Capital Scheme	Allocation	Progress
CCG Corporate Capital IM&T Refresh	The CCG submitted a plan for a £70,000 corporate capital allocation and this funding was confirmed and received during July 2020.	This capital funding is being utilised to update, maintain and improve existing corporate IT hardware. The funding application was approved on 15 June 2020 and the resource was released during July 2020.

3 CONCLUSION

- 3.1 The Governing Body is asked to note the financial report as at 30 November 2020.