

Report to the NHS Somerset Clinical Commissioning Group on 30 July 2020

Title: Financial Report 2020/21 1 April 2020 – 30 June 2020	Enclosure G
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Summary and Purpose of Paper

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

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

- Summary Financial Position
- Financial Framework
- QIPP

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 £300,535,000 for April to July 2020.			
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	4	16	SO2

SOMERSET CLINICAL COMMISSIONING GROUP

FINANCE REPORT TO THE GOVERNING BODY

AS AT 30 JUNE 2020

1 INTRODUCTION

- 1.1 The purpose of this report is to update the Governing Body on the Clinical Commissioning Group's financial performance for the financial year 2020/21 as at 30 June 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 or on a draft plan where this has not yet been agreed. 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 5th March 2020.
- 1.3 Since submission of the draft plan, and in response to the current 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 further work on the annual planning process until further notice. Some of these new national arrangements materially change 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 set aside, although the position on the progression of Mental Health Investment has not yet been clarified.
- 1.4 Under normal circumstances budget monitoring and reporting would be for a full financial year, in line with national performance management frameworks. In these unprecedented times, we are implementing financial arrangements for COVID-19 that are set for an initial period of four months with an expectation that this period may be extended by national direction if the circumstances require it. They are, therefore, currently in place for an indeterminate period of the 2020/21 financial year. In addition, it is clear that it will not be a straightforward return to previous plans whenever these current financial arrangements cease.

- 1.5 Guidance regarding the financial management of Clinical Commissioning Groups, for the period from 1st April to 31st July 2020 only, was issued from NHS England and NHS Improvement on 15th May 2020. This guidance recognises the current revised financial regime and service changes referred to in paragraph 1.3 above and the impact this will have on CCG financial positions and affordability against previously notified indicative allocations.
- 1.6 This has 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 31 July 2020 CCGs are expected to breakeven on an in-year basis
 - to achieve this, CCG allocations have been non-recurrently adjusted for M1 to M4
 - in general, initial indicative CCG allocations are higher than national expenditure modelling, therefore CCG allocations have been 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 will be monitored against the adjusted allocation position. Actual expenditure will be reviewed on a monthly basis and a retrospective non-recurrent adjustment will be actioned for reasonable variances between actual expenditure and the expected monthly expenditure
 - this approach mirrors the system currently in place for NHS Trusts
 - each CCG has received an output that sets out their revised allocations based on a calculation of their projected monthly expenditure for the period 1 April to 31 July 2020
 - CCGs have been requested to set budgets for the four-month period 1 April to 31 July which are within the non-recurrently adjusted allocation position
- 1.7 In view of this guidance, and in the absence of any further guidance regarding the CCG financial regime post 31 July 2020, current financial reporting is on the basis of the first four months of the financial year only, rather than a budget position that reflects a final year end forecast financial outcome. Once extended arrangements are determined at a national level and specific guidance is released, budgetary periods can be rolled on through the year, taking account of emerging clarifications and developments.

2 FINANCE REPORT

Forecast Outturn

- 2.1 As noted in the introduction to this report, the Clinical Commissioning Group is expected to breakeven for the period 1 April to 31 July 2020.

- 2.2 In line with guidance issued in May 2020 regarding the new financial management and reporting arrangements for Clinical Commissioning Groups, the CCG has recently submitted expenditure details to NHS England for the period to 30 June 2020. These figures will be reviewed and monitored against the adjusted allocation position and a retrospective non-recurrent adjustment will be actioned for the variance between actual expenditure and the allocated resource. Over the following weeks these figures will be subject to a more thorough assurance process by NHS England and any resulting resource adjustments will be notified prior to general ledger close for the following month.

Revenue Resource Limit

- 2.3 The revenue resource limit for the period 1 April to 31 July 2020 is £300.535m, which includes core Clinical Commissioning Group programme funding of £270.889m, delegated primary care commissioning funding of £26.242m and a running cost allocation of £3.404m.
- 2.4 Table 1 below shows the breakdown of resources available to the Clinical Commissioning Group for the period 1 April to 31 July 2020. A retrospective allocation adjustment of £5.57m was made during month 3 to reimburse expenditure incurred during April and May 2020 in response to the COVID-19 pandemic. A further allocation adjustment is anticipated to recognise additional non-COVID related variances reported for April and May 2020 and it is now expected that this will be incorporated into the allocation adjustments made at month 4, based on the cumulative position as at 30 June 2020.

Table 1: 1 April to 31 July 2020 Revenue Resource Limit

	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 :	
* Transfer 8 months Programme Allocation to central reserve	(542,417)
* Prospective 4 months Programme Non-Recurrent Adjustment	(5,889)
* Retrospective allocation for COVID-19 costs months 1 and 2	5,570
Adjusted Programme Allocation	270,889
Primary Care	
Delegated budget	79,895
<i>(including growth funding of):</i>	3,866
Non Recurrent Allocations:	
* Transfer 8 months Programme Allocation to central reserve	(53,263)
* Prospective 4 months Programme Non-Recurrent Adjustment	(390)
Adjusted Primary Care Allocation	26,242
Running Costs	10,456
Non Recurrent Allocations:	
* Transfer 8 months Programme Allocation to central reserve	(6,971)
* Prospective 4 months Programme Non-Recurrent Adjustment	(81)
Adjusted Running Cost Allocation	3,404
Total In Year Allocation	300,535

Financial Performance Highlights and Exceptions

2.5 Table 2 below shows the forecast financial position against key budget reporting lines for the period 1 April to 31 July 2020, based on data available as at June 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.

Table 2: 1 April to 31 July 2020 Analysis of Expenditure

Expenditure	M1 to M4 Budget £'000	M1 to M4 Forecast Expenditure £'000	Variance £'000	Previous reported Variance £'000	Variance Change
Acute Services	144,966	145,344	378	288	Deterioration
Mental Health Services	24,450	24,544	94	219	Improvement
Community Health Services	30,484	29,692	(792)	(859)	Deterioration
Continuing Care Services	17,438	18,284	846	846	Static
Primary Care Prescribing	27,389	30,221	2,832	2,767	Deterioration
Other Primary Care Services	7,700	7,741	41	(264)	Deterioration
Primary Care Delegated Budgets	26,242	26,953	711	711	Static
Other Programme Services	12,892	15,322	2,430	2,383	Deterioration
Corporate Running Costs	3,404	3,284	(120)	(120)	Static
COVID-19 Response	5,570	5,570	0	0	Static
Total Expenditure	300,535	306,955	6,420	5,971	Deterioration

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
Deteriorated forecast position compared to previous month	Deterioration

- 2.6 Expenditure assumptions to date have been made based on the current block payments to NHS providers and on original planned expenditure levels with other providers. Variances have been reported where additional data has been made available identifying potential cost pressures or financial benefits. Forecasts will be reviewed and refined over the coming months.
- 2.7 Table 2 above demonstrates a forecast cost pressure of £6.42m for the period 1 April to 31 July 2020, as included in the financial position recently reported to NHS England. It should be noted that the expenditure reported in Table 2 includes costs incurred in relation to the COVID-19 response during April and May 2020, for which retrospective funding has now been received by the Clinical Commissioning Group. The reported forecast financial position assumes that COVID-19 related costs incurred during June 2020 will also be fully funded retrospectively, subject to review and approval by NHS England. Specific elements of the financial position to be highlighted at this stage in the financial year include:

- **NHS Provider Expenditure**

Payments to NHS bodies for the period 1 April to 31 July 2020 are being made on a block value basis and funding allocations have been issued to reflect this. Therefore there will be a zero variance against NHS provider budgets during this period. However, there are variances reported against individual expenditure categories reported in Table 2 above which net to an overall zero value.

- **Mental Health Services**

Forecast expenditure includes an assumption that additional investment into Mental Health services will continue as originally planned across the financial year. Further clarification is still required with regard to national expectations around achievement of the Mental Health Investment Standard for 2020/21.

- **Continuing Care and Funded Nursing Care**

The reported forecast position includes a backdated payment of approximately £1.3m in relation to an increase in Funded Nursing Care fees, announced on 30 April 2020 and backdated with effect from 1 April 2019.

This has been offset by an anticipated reduction in CHC fast track patient costs, due to revised funding arrangements during the COVID-19 pandemic.

- **Primary Care Prescribing**

A £2,832k overspend is anticipated in respect of GP Prescribing costs for the 1 April to 31 July 2020 period. This is due to cost pressures which include:

- a £1,300k cost pressure due to costs in excess of anticipated levels for March 2020. Further analysis of prescribing data has indicated that this could be due to the stockpiling of prescribed drugs in the early stages of the COVID-19 pandemic, with a particular increase in prescribing levels for respiratory drugs and anti-depressants
- a £706k funding shortfall due to the growth/inflation uplift assumed in the resource allocation model, which was less than anticipated in the CCG's planning assumptions
- a forecast £300k cost pressure due to Category M drug price increases, announced with effect from June 2020
- a £467k cost pressure anticipated due to a recommended switch from Warfarin prescribing to Direct-acting oral anticoagulants (DOACs)
- a forecast £60k cost pressure in respect of national recharging for unallocated prescription charges. This forecast is based on actual recharges for April 2020 and will be reviewed as further data becomes available

- **Other Primary Care Services**

A financial benefit was reported at month 2 against the funding resource allocated for other primary care services. This position did not include the ongoing cost of GP Forward View projects, for which the Clinical Commissioning Group has historically received non recurrent funding support from NHS England. Forecast cost commitments for these projects have now been included within the reported financial position as at June 2020, which has taken the budget for other primary care services to a small overspend position.

- **Primary Care Co-Commissioning**

The reported variance represents a £711k reduction in the resource allocation for delegated Primary Care budgets for the 1 April to 31 July 2020 period when compared to the funding allocation notified in March after agreement of the new GP contract. Forecast expenditure commitments are still anticipated at planned levels, including an increase in cost commitments driven by new schemes introduced in the new GP contract.

- **Other Programme Services**

The anticipated over commitment reported in respect of Other Programme services includes;

- the cost impact of the Better Care Fund funding uplift for 2020/21 which was not factored into the resource allocation modelling for the 1 April to 31 July 2020 period
- cost pressures driven by non-recurrent benefits received in 2019/20, which were not factored into the resource allocation modelling for the 1 April to 31 July 2020 period

- **Running Costs**

The CCG has received an £80k reduction to its running costs allocation for the 1 April to 31 July 2020 period, which has been offset by anticipated staff vacancy savings.

As mentioned in section 2.2 above, expenditure commitments will be reviewed by NHS England and a retrospective non-recurrent adjustment will be actioned for the variance between actual expenditure and the allocated resource. Over the coming weeks these figures will be subject to a thorough assurance process by NHS England and any resulting resource adjustments will be notified prior to general ledger close for next month.

Recurring Underlying Financial Position

- 2.8 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 Clinical Commissioning Group moving into the latter part of this financial year and into 2021/22. Work is currently underway to produce financial modelling for the COVID-19 recovery phase post 31 July 2020, although further guidance is anticipated from NHS England and NHS Improvement regarding funding arrangements going forwards.

Quality, Innovation, Productivity and Prevention (QIPP)

- 2.9 As mentioned in section 1.3 of this report, expectations for the delivery of efficiency savings has been suspended for the 1 April to 31 July 2020 reporting period.

Cash

- 2.10 The Clinical Commissioning Group 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

The Clinical Commissioning Group requested additional cash during April to June 2020 to ensure that all invoices could be paid and that all providers were supported with their cash flow during this period. The month end cash balances reflect that a high level of the additional cash requested was not actually required.

Better Payment Practice Code (BPPC)

- 2.11 The Clinical Commissioning Group 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 May 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	2,684	35,934
Total Non-NHS trade invoices paid within target	2,684	35,934
Percentage of Non-NHS trade invoices paid within target	100.0%	100.0%
NHS PAYABLES	Number	£'000
Total NHS invoices paid in the year	691	196,968
Total NHS invoices paid within target	688	196,966
Percentage of NHS invoices paid within target	99.57%	100.0%

Corporate Capital

- 2.12 Clarity over capital funding and spending plans will evolve as the year progresses. Table 5 below sets out the current position regarding capital schemes, allocation and progress made in 2020/21.
- 2.13 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 has submitted a plan for a £70,000 capital allocation. This funding has not yet been allocated as at 30 June 2020.	The CCG has submitted a plan for a capital allocation of £70,000 for 2020/21. This will be used to update, maintain and improve existing IT hardware. This funding application was approved on 15 th June 2020 and release of the resource allocation is pending.

3 CONCLUSION

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