

Report to the NHS Somerset Clinical Commissioning Group on 25 November 2021

Title: Financial Report 2021/22 1 April 2021 – 30 September 2021	Enclosure J
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Summary and Purpose of Paper

The enclosed paper provides an update summarising the financial position for H1 2021/22 as at 30 September 2021.

This report sets out the overall financial position for the Somerset Clinical Commissioning Group as at 30 September 2021 and provides an analysis of financial performance across the following areas:

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

The report also provides an overview of the Somerset health system financial position.

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 confirmed revenue budget of £550,739,000 for H1 of the 2021/22 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 SEPTEMBER 2021

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 2021/22 as at 30th September 2021.
- 1.2 Effective partnership working across systems is at the heart of achieving national strategic goals for 2021/22 and into the future and the financial framework arrangements continue to support a system-based approach to funding and planning for 2021/22. The Government has agreed an overall financial settlement for the NHS for the first half of the year (H1) which is based on the H2 2020/21 funding envelopes and includes a continuation of the system top-up and COVID-19 fixed allocation arrangements. System funding envelopes also incorporate the following;
- additional funding for known pressures and key policy priorities (including inflation, primary care and mental health services).
 - an increased efficiency requirement through the second quarter.
 - continued block payment arrangements for relationships between the CCG and NHS providers. Signed contracts between NHS commissioners and NHS providers are not required for the H1 2021/22 period.
- 1.3 Some services will continue to be funded outside of system funding envelopes for H1, including;
- specialised high-cost drugs and devices.
 - some specific COVID-19 services (i.e. testing, vaccination, Hospital Discharge Programme (HDP)).
 - non-clinical services contracted by NHS England and NHS Improvement that are transacted via invoicing.
 - allocations of national system development funding (SDF).
 - elective recovery funding.
- 1.4 While national priorities continued to be developed for the full financial year, systems were required to develop fully triangulated plans across activity, workforce and finance for the first half of the year (H1). System financial plans were submitted in draft on 6th May 2021, with updated final financial plans submitted on 15th June 2021. The Somerset system submitted a balanced financial plan for this period. These plans form the basis on which the CCG's budgets have been determined for H1. Activity, workforce and narrative plans were submitted on 3rd June 2021.
- 1.5 Current financial reporting is therefore on the basis of the first six months of the financial year only (H1). System financial settlements for months 7-12 (H2) were announced on 30th September 2021, along with guidance regarding planning for this period. When system financial plans have been developed and agreed for the H2 period budgets will be rolled on through the

full financial year. Draft system financial plans for H2 were submitted on 21st October 2021, with full final activity, performance, workforce and system finance plans due for submission on 18th November 2021.

2 SOMERSET CLINICAL COMMISSIONING GROUP FINANCE REPORT

Forecast Outturn

- 2.1 CCG budgets have been determined by the System level financial plans submitted to NHS England for the H1 2021/22 period. These budgets were presented to and agreed by the Finance and Performance Committee in May 2021. The H1 plans were based on delivering a financial break-even position for the period and the reported outturn position as at 30th September 2021 reflects that we have delivered a balanced financial position according to plan.

Revenue Resource Limit

- 2.2 The revenue resource limit for the period 1 April to 30 September 2021 is confirmed as £550.739m, which includes Clinical Commissioning Group programme funding of £500.85m, delegated primary care commissioning funding of £44.661m and a running cost allocation of £5.228m.
- 2.3 Table 1 below shows the breakdown of resources available to the Clinical Commissioning Group for the period 1 April to 30 September 2021. This resource includes retrospective funding allocations received to reimburse expenditure incurred outside of the allocated funding envelope. This includes cost commitments related to elective activity recovery, the Hospital Discharge Programme and Covid-19 vaccine inequalities.

Table 1: 1 April to 30 September 2021 Revenue Resource Limit

	2021/22 £'000
Programme Costs	
Core Allocation	410,514
Non-Recurrent Allocations included at plan:	
* Top Up	36,833
* Covid-19	22,365
* Growth	7,490
Out of Envelope Cost Reimbursement:	
* Elective Recovery Funds	10,764
* Hospital Discharge Programme	2,882
* Covid-19 vaccine inequalities	20
System Development Funds (SDF):	
* Primary Care SDF – GPFV Baseline	430
* Primary Care SDF - Demand led	642
* Mental Health SDF	1,643
* Mental Health Spending Review	1,330
* Ageing Well SDF	1,525
* LD & Autism SDF	137
* Maternity SDF	216
* Emergency & Elective Care SDF: 111 First	115
* System Transformation SDF: ICS Implementation	99
* Diabetes SDF	94
Additional in year Non-Recurrent Allocations:	
* CYP - Clinical & Management Leadership & Asthma Improvements	214

* CYP - Autism Diagnostic Waiting Times	16
* LDA Community Respite Care (CYP)	14
* LDA Clinical Champions ICS	6
* Autism Sensory Environments	123
* Community Diagnostic Hub implementation and revenue funding	933
* Imaging Network - Host Trust - Somerset Foundation Trust	400
* Blood pressure @home - Trailblazer funding	33
* Outpatient Transformation System Allocation 21/22	100
* Diabetes - Implementation funding	48
* UEC Summer preparedness / Pathways upgrade	20
* NHS 111 - capacity and home working support	247
* Long Covid Assessment Clinics	200
* Long Covid Paediatric funding	14
* Covid vaccination programme	100
* CVD-R Respiratory - Pulmonary rehabilitation system allocation	82
* CVD-R Long Covid - Clinic expansion system funding	249
* ICS Development funding	71
* ICS Primary Care CVD Clinical Champions	24
* Primary Care Capital grants	504
* Enhanced/Inclusive Health and Wellbeing	229
* Tobacco dependence treatment allocation	48
* Palliative and End of Life Care match funding	20
* Hybrid Closed Loop (YDH)	6
* Spirometry Training	14
* IPC Training	36
Adjusted Programme Allocation	500,850
Primary Care Co-Commissioning	
Delegated budget	43,184
Non-Recurrent Allocations:	
Primary Care SDF - Covid support	1,187
Primary Care for Long Covid	290
Adjusted Primary Care Co-Commissioning Allocation	44,661
Running Costs	5,228
Total H1 In Year Allocation	550,739

- 2.4 Additional System Development Funding (SDF), Spending Review funding, and funding allocations for a range of specific in-year initiatives, available non-recurrently outside of funding envelopes, have been released to the CCG. These additional resource allocations are detailed in Table 1 above.

Financial Performance Highlights and Exceptions

- 2.5 Table 2 below shows the financial position against key budget reporting lines for the period 1 April to 30 September 2021. 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 reported to NHS England on a monthly basis.

Table 2: 1 April to 30 September 2021 Analysis of Expenditure

Expenditure	H1 Budget £'000	H1 Expenditure £'000	H1 Variance £'000	Previous Reported Variance £'000	Variance Change
Acute Services	290,149	289,280	(869)	(362)	Improvement
Mental Health Services	43,766	44,054	288	259	Deterioration
Community Health Services	47,066	47,188	122	(40)	Deterioration
Continuing Care Services	27,600	25,800	(1,800)	(1,800)	Static
Primary Care Prescribing	45,817	45,427	(390)	(390)	Static
Other Primary Care Services	14,372	14,282	(90)	(90)	Static
Primary Care Delegated Budgets	44,661	44,661	0	0	Static
Other Programme Services	29,178	32,067	2,889	2,590	Deterioration
Corporate Running Costs	5,228	5,078	(150)	(150)	Static
COVID-19 costs outside of Funding Envelope	2,902	5,864	2,962	2,962	Static
Total Expenditure	550,739	553,701	2,962	2,979	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
Deteriorated forecast position compared to previous month	Deterioration

2.6 Table 2 above demonstrates a current cost pressure of £2.962m for the period 1 April to 30 September 2021. This cost pressure specifically represents COVID-19 related costs which are due to be reimbursed from funding that sits outside of the CCG's current allocated resource. To date the CCG has received reimbursement for £2.902m of these costs, with a further forecast funding requirement of £2.962m for COVID-19 related expenditure associated with the Hospital Discharge Programme (HDP) and patient engagement and communication costs incurred by the CCG to address COVID-19 vaccination inequalities.

2.7 An overall financial break-even position is anticipated against plan for H1 2021/22. This is with the exception of COVID-19 related costs, as mentioned in section 2.6 above, which will be reimbursed from funding that sits outside of the CCG's allocated resource. Variances against planned budgets have occurred across expenditure categories, however any cost pressures have been fully mitigated across total budgets. Key variances are outlined below.

2.8 Specific elements of the financial position to be highlighted for the current reported period include:

- **NHS Provider Expenditure**

Payments to NHS bodies for the period 1 April to 30 September 2021 have been made on a block value basis and budgets have been allocated to reflect this. We are therefore not reporting any variance against NHS provider budgets during this period.

- **Acute Services**

Acute services expenditure still includes a level of non-contractual commitment with private sector and devolved administration NHS providers during 2021/22, despite the continued cessation of billing for Non-Contracted Activity (NCA) by other NHS providers under the current financial arrangements. The level of this remaining NCA activity is below the planned budget for H1 of the financial year.

Activity with independent sector providers has also been below planned levels during the H1 period.

The reported financial position for Acute Services includes a commitment with South Western Ambulance Service NHS Foundation Trust to provide additional financial support in recognition of the significant additional costs being incurred by the Trust during a period of exceptionally high levels of demand. It has been agreed with all commissioners across the South West to provide this additional resource.

- **Mental Health Services**

An over-commitment against planned budget is reported for mental health services, mainly associated with the cost of S117 aftercare services for patients discharged from hospital. This is a shared cost between health and social care and the number of cases for which health services provide a funding contribution continues to rise. A review is underway to ensure robust procedures are in place to monitor and manage these costs.

An over-commitment is also reported against planned budgets for mental health non-contracted activity. This is a relatively small budget and activity levels can be unpredictable.

These cost pressures have been offset by an under commitment against mental health investment funds for 2021/22, driven by a delayed implementation of the service development programme whilst new staff posts are recruited.

- **Community Health Services**

An over commitment against planned budgets is reported for community based health services, which represents a deterioration from the forecast position reported at month 5. This recognises an ongoing review by HMRC regarding the ability of the CCG to reclaim VAT on the wheelchair services contract delivered by Millbrook Healthcare. The latest advice from HMRC suggests that the VAT charged on this contract should not be reclaimable by the CCG and therefore we are now accruing on the basis that the VAT will need to be paid. Budgets for H1 did not allow for the VAT element of the contract charges. The HMRC review has not yet been concluded, but it was thought prudent to account for this cost.

- **Continuing Care Services**

Activity across all areas of CHC provision, including funded nursing care, has been lower during the April to September period than anticipated within the financial plan. During the peak of the Covid pandemic CHC assessments were paused for a period, however having resumed assessments and cleared any backlog of referrals, caseload numbers have not reached the levels seen prior to the onset of the pandemic. This is particularly the case with end of life fast track cases. Processes for the referral, assessment and review of CHC end of life cases has been improved across the Somerset system and this will have an impact on caseload numbers.

The Covid-19 hospital discharge programme (HDP) has undoubtedly had an impact on CHC activity, leading to fewer referrals presenting for CHC assessment and with a period of patient care being funded through this programme before presenting for CHC assessment. An under-commitment of £1.8m against planned budget is reported for H1.

- **Primary Care Prescribing**

Category M drug prices have fluctuated across the first half of the financial year, with a national rise in prices from 1 April 2021 and a subsequent decrease in prices from 1 July 2021. The under-commitment of £390k against planned budgets for primary care prescribing reflects the estimated net impact of these price changes for the H1 period.

- **Other Programme Services**

The financial position reported for Other Programme Services includes an overcommitment against planned budgets for non-emergency patient transport services. This is due to an increase in the number of patient journeys required due to Covid restrictions on the number of patients able to be conveyed per vehicle and also reflects an increase in the use of taxis because of the impact of Covid on the availability of voluntary drivers.

An overcommitment is also reported in respect of the Learning Disabilities pooled budget with Somerset County Council. Latest reports from the Local Authority demonstrate a forecast cost pressure, of which the CCG contributes 25% under the pooled budget arrangement.

- **Corporate Running Costs**

CCG running costs are below budget for H1. This mainly represents an under commitment against budget allocated to non-pay related costs, with savings being driven by the current home working arrangements for the majority of CCG staff.

- **COVID-19 costs outside of Funding Envelope**

As mentioned in section 2.6 above, expenditure commitments for specific COVID-19 related costs that are funded outside of allocated funding envelopes will be reviewed by NHS England and a retrospective non-recurrent funding adjustment will be actioned to reimburse these costs. These out of envelope COVID-19 costs are reported at £5.864m in total for H1 and to date the CCG has received reimbursement funding of £2.902m to recognise this commitment.

Risks to Delivery of the Financial Plan

- 2.9 All known and quantifiable cost pressures and mitigations will be reported as overspends or underspends against the appropriate budgets within the financial outturn position within this report.
- 2.10 A number of potential risks were identified during the H1 planning process, including;
- Elective care recovery costs – assuming these may not be fully funded through national elective care recovery programme funds if gateway requirements were not met.
 - Transforming Care placement costs and other complex care case costs – these cases are low in number but have a very high associated cost.
- 2.11 Any financial risks that crystallised throughout the H1 period have been fully mitigated within the available funding envelope.

Quality, Innovation, Productivity and Prevention (QIPP)

- 2.12 Due to the COVID-19 pandemic, expectations for the delivery of efficiency savings were suspended for the greater part of 2020/21. However, as mentioned in section 1.2 of this report, there is an increased efficiency requirement incorporated into financial plans for H1 of 2021/22, particularly through the second quarter of the financial year.
- 2.13 The planned Clinical Commissioning Group QIPP target for H1 2021/22 was £1.138m.
- 2.14 Table 3 below summarises the H1 QIPP plans for the Clinical Commissioning Group.

Table 3: H1 2021/22 QIPP Plans

Description	£'000
Acute Services	315
GP Prescribing	375
Continuing Healthcare	360
Corporate Services efficiencies	6
Other Programme efficiencies	82
TOTAL QIPP	1,138

Areas where projected savings have not achieved planned levels will be reported through variations within the financial performance 'Highlights and exceptions' section above. The reported position for H1 reflects that required QIPP savings for H1 have been delivered.

Cash

- 2.15 The Clinical Commissioning Group is required to manage its cash to minimum levels by the end of the financial year. Throughout the year the level of cash held will vary. The forecast and actual end of month cash book balances to date are shown in Table 4 below.

Table 4: Cash Book Balances

Month end	Actual Cash Book Balance £'000	Forecast Cash Book Balance £'000
April 2021	2,248	1,067
May 2021	1,115	1,015
June 2021	2,905	1,037
July 2021	857	967
August 2021	1,005	1,006
September 2021	1,161	1,002

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 whilst we continue to experience the impact of COVID-19.

Better Payment Practice Code (BPPC)

- 2.16 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 5 below shows the cumulative position for April 2021 to September 2021. Performance exceeds the target of 95%.

Table 5: Better Payment Practice Code Performance

NON-NHS PAYABLES	Number	£'000
Total Non-NHS trade invoices paid in the year	4,431	76,978
Total Non-NHS trade invoices paid within target	4,431	76,978
Percentage of Non-NHS trade invoices paid within target	100.0%	100.0%
NHS PAYABLES	Number	£'000
Total NHS invoices paid in the year	304	351,305
Total NHS invoices paid within target	304	351,305
Percentage of NHS invoices paid within target	100.0%	100.0%

Corporate Capital

- 2.17 Table 6 below sets out the current position regarding capital schemes, allocation and progress made in 2021/22.

Table 6: 2021/22 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 released to the CCG during June 2021.	The CCG submitted a plan for a corporate capital allocation of £70,000 for 2021/22. This will be used to update, maintain and improve existing IT hardware. This funding application has been approved and was released to the CCG during June 2021.

3 Somerset Integrated Care System (ICS) Financial Position

System Overview

- 3.1 The Somerset ICS is reporting a balanced financial position against its funding envelope for the H1 period of 2021/22.

Table 7: ICS Financial Performance against H1 Plans

Organisation	Month 6 Outturn (H1)		
	Planned Control Total £'000	Actual achievement against Control Total £'000	Variance £'000
Somerset CCG	0	0	0
Somerset FT	0	0	0
Yeovil District Hospital FT	0	0	0
Somerset ICS	0	0	0

- 3.2 The Somerset ICS received additional resource of £9.3m outside of allocated H1 funding envelopes for COVID-19 related expenditure (COVID-19 vaccination programme £5.4m and testing £3.9m). In addition, and as mentioned in section 2.7 above, the CCG is also anticipating further funding of £2.9m for costs incurred during H1 for the Hospital Discharge Programme. This is in addition to the £2.9m already received, giving a total forecast cost for the Hospital Discharge Programme of £5.8m for H1.

Recurring Underlying Financial Position

- 3.3 The Somerset system finance teams 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 and the Somerset system as we progress through 2021/22. This work is integral to the financial modelling undertaken for the 2021/22 financial planning process and is being reviewed as part of the financial plans currently being developed for the H2 period.
- 3.4 The current estimated Somerset system underlying financial position is demonstrated in Table 8 below. These figures have been estimated based on a range of assumptions including allocated funding sources, the ongoing cost impact of COVID-19, the recurrent impact of identified CIP and QIPP savings plans, any benefits realisation from service developments and a number of other factors.

Table 8: Estimated Somerset System Underlying Financial Position

	£'000
Estimated 2020/21 ULP	103,138
Total Estimated Sources of Funds	(65,963)
Total Growth Commitments	29,594
Total Cost Pressures	13,914
CIP / QIPP savings (65% delivery of recurrent CIP)	(13,635)
Total Other Investments	5,575
Revised Recurrent Position	72,622
Additional Business Case Requirement	10,698
Estimated 2021/22 Position	83,320

4 CONCLUSION

- 4.1 The Governing Body is asked to note the financial report as at 30th September 2021.