

Report to the NHS Somerset Clinical Commissioning Group on 24 September 2020

Title: Financial Report 2020/21 1 April 2020 – 31 July 2020	Enclosure J
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Version Number / Status:	1
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Summary and Purpose of Paper

The enclosed paper provides an update summarising the current and forecast financial position for April to July 2020/21.

This report sets out the overall financial position for the Somerset Clinical Commissioning Group as at 31 July 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 £308,549,000 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 31 JULY 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 31 July 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 5 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 have implemented financial arrangements for Covid-19 that were set for an initial period of four months, with an expectation that this period would be extended by national direction if the circumstances required it. Budgets and current financial reporting are therefore only in place for this initial four month

period of the 2020/21 financial year rather than reflecting a full year forecast financial outcome.

- 1.5 Guidance regarding the financial management of Clinical Commissioning Groups, for the period from 1 April to 31 July 2020 only, was issued from NHS England and NHS Improvement on 15 May 2020. This guidance recognised 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 were 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 Further guidance for financial arrangements leading up to the autumn period were outlined in the Phase 3 Covid-19 response letter released on 31 July 2020. This guidance confirmed that, in order to support restoration and enable collaborative working, the current financial arrangements for CCGs would be extended to cover August and September 2020. The intention is then to move towards a revised financial framework for the latter part of 2020/21, once this has been finalised with Government.

- 1.8 Resource allocations for August and September were confirmed on 19 August 2020 and are consistent with the level of funding allocated for the April to July period. Updated budgets will be input into the ledger for the close of the month 5 reporting period.

2 FINANCE REPORT

Forecast Outturn

- 2.1 As noted in the introduction to this report, the CCG 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 31 July 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 confirmed revenue resource limit for the period 1 April to 31 July 2020 is £308.549m, which includes core CCG programme funding of £278.903m, 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 CCG for the period 1 April to 31 July 2020. A retrospective allocation adjustment of £2.624m was made during month 4 to reimburse expenditure incurred during June 2020 in response to the Covid-19 pandemic. A further allocation adjustment of £5.39m was made available to recognise additional non-Covid related variances to budget reported for the cumulative period from April to June 2020.
- 2.5 At the point of writing the report, we were still waiting for confirmation of funding for both Covid and non-Covid related items for month 4, which has subsequently been received in line with the variances highlighted in this report, enabling the CCG to achieve a break-even position for months 1 – 4. This report summarises the month 4 Covid and non-Covid spend items claimed through the national retrospective process.

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>	<i>36,249</i>
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 to 3	8,194
* Retrospective Top-up Allocation for Non Covid Months 1 to 3	5,390
Adjusted Programme Allocation	278,903
Primary Care	
Delegated budget	79,895
<i>(including growth funding of):</i>	<i>3,866</i>
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	308,549

Financial Performance Highlights and Exceptions

2.6 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 July 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 also now reflect the retrospective top up funding allocations received for cost pressures emerging across the April to June reporting period.

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
Acute Services	145,249	145,423	174	378
Mental Health Services	24,520	24,582	62	94
Community Health Services	29,889	29,640	(249)	(792)
Continuing Care Services	18,398	18,265	(133)	846
Primary Care Prescribing	29,764	30,842	1,078	2,832
Other Primary Care Services	7,730	7,741	11	41
Primary Care Delegated Budgets	26,775	26,953	178	711
Other Programme Services	14,715	16,250	1,535	2,430
Corporate Running Costs	3,315	3,485	170	(120)
COVID-19 Response	8,194	11,048	2,854	0
Total Expenditure	308,549	314,229	5,680	6,420

- 2.7 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 are continually reviewed and refined as more information becomes available.
- 2.8 Table 2 above demonstrates a forecast cost pressure of £5.68m as at 31 July 2020, as included in the financial position recently reported to NHS England. Since retrospective top up funding has now been received for Covid-19 related and other cost pressures identified during the April to June financial period, the variance to budget reported in Table 2 represents costs pressures for the July period only, plus any additional movements in forecast expenditure identified since June 2020 reporting. The reported variance to budget of £5.68m represents Covid-19 related costs of £2.854m plus other cost pressures equating to £2.826m. Specific elements of the financial position to be highlighted 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 across the individual expenditure categories reported in Table 2 above which net to an overall zero value in respect of NHS providers.

- **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.

- **Continuing Care (CHC) and Funded Nursing Care (FNC)**

The reported forecast position now reflects that retrospective top up funding has been received to offset a backdated payment of approximately £1.3m in relation to an increase in Funded Nursing Care fees made retrospectively with effect from 1 April 2019.

The current reported underspend against CHC and FNC budgets represents a forecast reduction in CHC fast track patient costs, due to revised funding arrangements during the Covid-19 pandemic. This is partially offset by a cost pressure driven by an additional increase in FNC fees applied from 1 April 2020.

- **Primary Care Prescribing**

An overspend of £1,078k is reported in respect of GP Prescribing costs as at 31 July 2020. This represents a forecast increase in costs since the position reported in June 2020 and is based on prescribing expenditure levels reported for the first two months of this financial year. This forecast will include:

- a particular increase in prescribing levels for respiratory drugs and anti-depressants
- a 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 cost pressure due to Category M drug price increases, announced with effect from June 2020
- a cost pressure driven by a recommended switch from Warfarin prescribing to Direct-acting oral anticoagulants (DOACs)
- a forecast cost pressure in respect of national recharging for unallocated prescription charges

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

- **Primary Care Co-Commissioning**

The reported variance represents a 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
- anticipated costs for a number of digital development schemes to support Covid-19 ways of working across the South West

- **Running Costs**

The CCG received an £80k reduction to its running costs allocation for the 1 April to 31 July 2020 period and a further reduction in resource was made during the retrospective reconciliation process for the April to June period, due to reported staff vacancy savings. After a subsequent review of running costs it is now anticipated that these vacancy savings will need to be reinvested into new posts within the CCG administrative structure. As a result we are seeking recovery of these funds through the July retrospective top up process.

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 current 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

- 2.9 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 Covid-19 recovery phase post 30 September 2020, although further guidance is anticipated from NHS England and NHS Improvement regarding system funding envelopes for this period.

Quality, Innovation, Productivity and Prevention (QIPP)

- 2.10 As mentioned in section 1.3 of this report, expectations for the delivery of efficiency savings has been suspended for the 1 April to 30 September 2020 reporting period.

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

The CCG has requested additional cash on a monthly basis during the Covid-19 crisis 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 has not necessarily been required.

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 July 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	3,621	48,458
Total Non-NHS trade invoices paid within target	3,621	48,458
Percentage of Non-NHS trade invoices paid within target	100.0%	100.0%
NHS PAYABLES	Number	£'000
Total NHS invoices paid in the year	794	246,483
Total NHS invoices paid within target	793	246,481
Percentage of NHS invoices paid within target	99.87%	100.0%

Corporate Capital

- 2.13 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.
- 2.14 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 will be used 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 approve the financial report as at July 2020.