

Report to the NHS Somerset Clinical Commissioning Group on 22 July 2021

Title: Financial Report 2021/22 1 April 2021 – 31 May 2021	Enclosure K
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Summary and Purpose of Paper

The enclosed paper provides an update summarising the current and forecast financial position for H1 2021/22 as at 31 May 2021.

This report sets out the overall financial position for the Somerset Clinical Commissioning Group as at 31 May 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 current confirmed revenue budget of £532,173,000 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 31 MAY 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 31 May 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 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 The financial settlement for months 7-12 will be agreed once there is greater certainty around the circumstances facing the NHS going into the second half of the year.
- 1.5 While national priorities continue to be developed for the full financial year, systems have been 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.

- 1.6 Current financial reporting is therefore on the basis of the first six months of the financial year only (H1). Once extended arrangements are determined at a national level and specific guidance is released, budgetary periods will be rolled on through the year.

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 and have been reflected within this report. The H1 plans were based on delivering a financial break-even position for the period and the forecast outturn position as at 31st May 2021 reflects that we are anticipated to deliver a financial position according to plan.

Revenue Resource Limit

- 2.2 The revenue resource limit for the period 1 April to 30 September 2021 is currently £532.173m, which includes Clinical Commissioning Group programme funding of £483.761m, delegated primary care commissioning funding of £43.184m 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.

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

	2021/22 £'000
Programme Costs	
Core Allocation	410,514
Non Recurrent Allocations:	
* Top Up	36,833
* Covid-19	22,365
* Growth	7,490
System Development Funds (SDF):	
* Primary Care SDF	1,423
* Mental Health SDF	1,643
* Mental Health Spending Review	1,330
* Ageing Well SDF	1,525
* LD & Autism SDF	143
* Maternity SDF	216
* Emergency & Elective Care SDF: 111 First	86
* System Transformation SDF: ICS Implementation	99
* Diabetes SDF	94
Adjusted Programme Allocation	483,761
Primary Care	
Delegated budget	43,184
Running Costs	5,228
Total H1 In Year Allocation	532,173

- 2.4 Additional System Development Funding (SDF) and Spending Review funding has been received during month 2. These additional resource allocations are detailed in Table 1 above.

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 30 September 2021, based on data available as at May 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 Forecast Expenditure £'000	H1 Forecast Variance £'000
Acute Services	274,529	274,529	0
Mental Health Services	44,470	44,470	0
Community Health Services	51,641	51,641	0
Continuing Care Services	27,600	27,600	0
Primary Care Prescribing	45,564	45,564	0
Other Primary Care Services	12,468	12,468	0
Primary Care Delegated Budgets	43,184	43,184	0
Other Programme Services	27,489	27,489	0
Corporate Running Costs	5,228	5,228	0
COVID-19 costs outside of Funding Envelope	0	5,864	5,864
Total Expenditure	532,173	538,037	5,864

- 2.6 Financial performance information available to the end of May provides only a limited basis from which to produce robust forecasts. Expenditure assumptions to date have been made based on the current block payments to NHS providers and on planned expenditure levels with other providers. A financial break-even position is currently forecast against plan. This is with the exception of specific COVID-19 related costs which are anticipated to be reimbursed from funding that sits outside of the CCG's allocated resource. Forecasts will be reviewed and refined over the coming months.
- 2.7 Table 2 above demonstrates a forecast cost pressure of £5.864m for the period 1 April to 30 September 2021, as included in the financial position recently reported to NHS England. This specifically relates to COVID-19 costs which are anticipated to be reimbursed from funding that sits outside of the CCG's current allocated resource. These commitments include costs associated with the Hospital Discharge Programme (HDP) and costs incurred by the CCG to address COVID-19 vaccine inequalities.
- 2.8 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 30 September 2021 are being made on a block value basis and budgets have been allocated to reflect this. Therefore there will be no expected variance against NHS provider budgets during this period.
- **COVID-19 costs outside of Funding Envelope**
- As mentioned in section 2.7 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.

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 have been identified during the planning and financial monitoring process, but at this stage in the financial year have not been substantiated and have therefore not been reflected within the reported financial position. These risks include the following;
- Elective care recovery costs – assuming these may not be fully funded through national elective care recovery programme funds if gateway requirements are not met.
 - Costs associated with S117 aftercare cases – there is a rising number of approved cases requiring funding contributions from the health sector.
 - 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 It is currently anticipated that any risks that crystallise throughout H1 will be 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 is £1.138m.
- 2.14 Table 3 below summarises the current 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 are not achieving planned levels will be reported through variations within the financial performance 'Highlights and exceptions' section above.

Cash

- 2.15 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 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

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 May 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	1,519	27,526
Total Non-NHS trade invoices paid within target	1,519	27,526
Percentage of Non-NHS trade invoices paid within target	100.0%	100.0%
NHS PAYABLES	Number	£'000
Total NHS invoices paid in the year	110	120,539
Total NHS invoices paid within target	110	120,539
Percentage of NHS invoices paid within target	100.0%	100.0%

Corporate Capital

- 2.17 Clarity over capital funding and spending plans will evolve as the year progresses. Table 6 below sets out the current position regarding capital schemes, allocation and progress made in 2021/22.
- 2.18 Once agreement on schemes is received from NHS England, progress on programme areas can commence.

Table 6: 2021/22 Corporate Capital Plan

Capital Scheme	Allocation	Progress
CCG Corporate Capital IM&T Refresh	The CCG has submitted a plan for a £70,000 corporate capital allocation. This funding has not yet been allocated as at 31 May 2021.	The CCG has 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 release of the resource allocation is pending.

3 SOMESET INTEGRATED CARE SYSTEM (ICS) FINANCIAL POSITION

System Overview

- 3.1 As at month 2 the Somerset ICS is reporting a favourable variance to plan of £139,000 year to date. This variance to plan sits with Yeovil District Hospital NHS Foundation Trust. The H1 forecast financial position for the ICS is anticipated to be breakeven against a balanced plan.

Table 7: ICS Financial Performance against H1 Plans

Organisation	YTD Month 2			H1 Forecast		
	Plan £'000	Actual £'000	Variance £'000	Plan £'000	Actual £'000	Variance £'000
Somerset CCG	0	0	0	0	0	0
Somerset FT	349	349	0	0	0	0
Yeovil District Hospital FT	(145)	(6)	139	0	0	0
Somerset ICS	204	343	139	0	0	0

- 3.2 The Somerset ICS is estimated to require an additional £10.1m COVID-19 related funding outside of the allocated H1 funding envelope in relation to the COVID-19 vaccination programme (£6.1m) and testing (£4.0m). In addition, and as mentioned in section 2.7 above, the CCG is also anticipating further funding of £5.9m in H1 for costs related to the Hospital Discharge Programme.

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.

- 3.4 The current estimated Somerset system underlying financial position is demonstrated in Table 8 below. These figures have been estimated based on a number 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 Approve the financial report as at 31 May 2021.