

Report to the NHS Somerset Clinical Commissioning Group on 26 November 2020

Title: Financial Report 2020/21 1 April 2020 – 30 September 2020	Enclosure H
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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 September 2020/21.

This report sets out the overall financial position for the Somerset Clinical Commissioning Group as at 30 September 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 £464,201,000 for April to September 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	2	8	202

SOMERSET CLINICAL COMMISSIONING GROUP

FINANCE REPORT TO THE GOVERNING BODY

AS AT 30 SEPTEMBER 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 September 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 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, 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, 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 and which were subsequently extended by national direction for a further two months to 30 September 2020. Funding allocations have now been received for the remainder of the financial year, which has

support budgets and financial reporting to be put in place for final six month period of the 2020/21 financial year.

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 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 30 September 2020 CCGs are expected to breakeven on an in-year basis
- to achieve this, CCG allocations have been non-recurrently adjusted for M1 to M6
- 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 30 September 2020
- CCGs have been requested to set budgets for the six-month period 1 April to 30 September which are 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 have submitted financial plans demonstrating how they will 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 been used to inform individual organisational budgets for the remainder of the financial year.

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 30 September 2020.
- 2.2 In line with national guidance regarding the new financial management and reporting arrangements for Clinical Commissioning Groups, the CCG has submitted expenditure details to NHS England for the period to 30 September 2020. These figures are subject to a thorough assurance process by NHS England and are reviewed and monitored against the adjusted allocation position. Any resulting retrospective resource adjustments for the variance between actual expenditure and the allocated resource are then notified prior to general ledger close for the following month. A retrospective resource adjustment has been made available to Somerset CCG to fully reimburse any variances to budget for the period to 31 August 2020, therefore enabling the CCG to achieve a break-even position for this period. Retrospective resource adjustments for September 2020 are still undergoing review by NHSE/I and may not be confirmed until the end of November 2020. The figures provided in this report represent the forecast financial position prior to confirmation and receipt of this final month of retrospective funding.

Revenue Resource Limit

- 2.3 The current confirmed revenue resource limit for the period 1 April to 30 September 2020 is £464.201m, which includes core CCG programme funding of £419.732m, delegated primary care commissioning funding of £39.363m and a running cost allocation of £5.106m.
- 2.4 Table 1 below shows the breakdown of resources available to the CCG for the period 1 April to 30 September 2020, as at 30 September 2020. This includes a retrospective allocation adjustment of £12.799m for the period April to August 2020 to reimburse expenditure incurred in response to the Covid-19 pandemic. A further allocation increase of £8.955m has been made available to recognise additional non-Covid related variances to budget reported for the cumulative period from April to August 2020.

Table 1: 1 April to 30 September 2020 Revenue Resource Limit as at 30 September 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 :	
* Transfer 8 months Programme Allocation to central reserve	(542,417)
* Prospective 4 months Programme Non-Recurrent Adjustment	(5,889)
* Transfer 2 months Programme Allocation from central reserve	135,604
* Prospective 2 months Programme Non-Recurrent Adjustment	(2,945)
* Retrospective allocation for Covid-19 costs months 1 to 5	12,799
* Retrospective Top-up Allocation for Non Covid-19 Months 1 to 5	8,955
Adjusted Programme Allocation	419,732
Primary Care	
Delegated budget	79,895
<i>(including growth funding of):</i>	3,866
Non Recurrent Allocations:	
* Transfer 8 months delegated allocation to central reserve	(53,263)
* Prospective 4 months delegated Non-Recurrent Adjustment	(390)
* Transfer 2 months delegated allocation from central reserve	13,316
* Prospective 2 months delegated Non-Recurrent Adjustment	(195)
Adjusted Primary Care Allocation	39,363
Running Costs	10,456
Non Recurrent Allocations:	
* Transfer 8 months Running Cost Allocation to central reserve	(6,971)
* Prospective 4 months Running Cost Non-Recurrent Adjustment	(81)
* Transfer 2 months Running Cost Allocation from central reserve	1,743
* Prospective 2 months Running Cost Non-Recurrent Adjustment	(41)
Adjusted Running Cost Allocation	5,106
Total In Year Allocation	464,201

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 2020, based on data available as at 30 September 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 August reporting period.

Table 2: 1 April to 30 September 2020 Analysis of Forecast Expenditure as at 30 September 2020.

Expenditure	M1 to M6 Budget £'000	M1 to M6 Forecast Expenditure £'000	Variance £'000	Previous reported Variance £'000
Acute Services	218,073	218,558	485	336
Mental Health Services	36,823	36,985	162	29
Community Health Services	44,310	44,645	335	(238)
Continuing Care Services	27,014	27,044	30	60
Primary Care Prescribing	45,078	45,619	541	1,083
Other Primary Care Services	11,631	11,671	40	20
Primary Care Delegated Budgets	40,252	40,430	178	356
Other Programme Services	23,013	23,411	398	695
Corporate Running Costs	5,208	5,228	20	41
COVID-19 Response	12,799	14,901	2,102	2,797
Total Expenditure	464,201	468,492	4,291	5,179

- 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 are continually reviewed and refined as more information becomes available.
- 2.7 Table 2 above demonstrates a forecast cost pressure of £4.291m as at 30 September 2020. Since retrospective top up funding has now been received for Covid-19 related and other cost pressures identified during the April to August financial period, the variance to budget reported in Table 2 represents costs pressures for the September period only. The reported forecast variance to budget of £4.291m represents forecast Covid-19 related costs of £2.102m plus other cost pressures equating to £2.189m. Specific elements of the financial position to be highlighted include:

- **NHS Provider Expenditure**

Payments to NHS bodies for the period 1 April to 30 September 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.

- **Acute Services**

Acute services expenditure still includes a level of non-contractual commitment with private sector 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 current reported overspend against CHC and FNC budgets represents a cost pressure driven by an increase in FNC fees applied from 1 April 2020. This has been offset by a forecast reduction in CHC fast track patient costs due to revised funding arrangements during the Covid-19 pandemic.

- **Primary Care Prescribing**

A forecast overspend of £541k is reported in respect of GP Prescribing costs for September 2020. This forecast is based on prescribing expenditure data reported for the first four months of this financial year and includes:

- a particular increase in prescribing levels and costs 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 30 September 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 30 September 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 30 September 2020 period

- **Running Costs**

The CCG received a total £122k reduction to its running costs allocation for the 1 April to 30 September 2020 period, which pro-rated equates to £20k for the September 2020 period. As a result we are seeking recovery of these funds through the 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 are anticipated to be notified prior to the end of November 2020.

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 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)

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

Cash

- 2.10 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

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)

- 2.11 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 September 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	4,939	66,526
Total Non-NHS trade invoices paid within target	4,939	66,526
Percentage of Non-NHS trade invoices paid within target	100.0%	100.0%
NHS PAYABLES	Number	£'000
Total NHS invoices paid in the year	897	343,778
Total NHS invoices paid within target	896	343,778
Percentage of NHS invoices paid within target	99.89%	100.0%

Corporate Capital

- 2.12 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 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 note the financial report as at 30 September 2020.