

**Report to the NHS Somerset Clinical Commissioning Group on 23 September 2021**

<b>Title: Financial Report 2021/22 1 April 2021 – 31 July 2021</b>	<b>Enclosure I</b>
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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 H1 2021/22 as at 31 July 2021.

This report sets out the overall financial position for the Somerset Clinical Commissioning Group as at 31 July 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**

<b>Equality</b>	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.
<b>Quality</b>	Financial decisions are made to deliver with regard to the best possible value for service users.

<b>Privacy</b>	No issues identified.			
<b>Engagement</b>	No issues identified.			
<b>Financial / Resource</b>	The Somerset Clinical Commissioning Group has a current confirmed revenue budget of £546,317,000 for H1 of the 2021/22 financial year.			
<b>Governance or Legal</b>	The financial report details any constitutional standards required to be met by the Clinical Commissioning Group.			
<b>Risk Description</b>	The Somerset Clinical Commissioning Group must ensure it delivers the planned financial target.			
<b>Risk Rating</b>	Consequence	Likelihood	RAG Rating	GBAF Ref
	4	2	8	202

# SOMERSET CLINICAL COMMISSIONING GROUP

## FINANCE REPORT TO THE GOVERNING BODY

AS AT 31 JULY 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 July 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 (ie. 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 It is currently anticipated that system financial settlements for months 7-12 (H2) will be announced mid-September along with guidance regarding planning for this period.

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 6 May 2021, with updated final financial plans submitted on 15 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 3 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. The H1 plans were based on delivering a financial break-even position for the period and the forecast outturn position as at 31 July 2021 reflects that we are anticipated to deliver 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 currently £546.317m, which includes Clinical Commissioning Group programme funding of £496.718m, delegated primary care commissioning funding of £44.371m and a running cost allocation of £5.228m.
- 2.3 Table 1 below shows the breakdown of resources currently available to the Clinical Commissioning Group for the period 1 April to 30 September 2021. This resource includes retrospective funding allocations received during July 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**

	<b>2021/22 £'000</b>
<b>Programme Costs</b>	
Core Allocation	410,514
<b>Non-Recurrent Allocations included at plan:</b>	
* Top Up	36,833
* Covid-19	22,365
* Growth	7,490
<b>Out of Envelope Cost Reimbursement:</b>	
* Elective Recovery Funds (April and 90% May)	7,639
* Hospital Discharge Programme	2,882
* Covid-19 vaccine inequalities	20
<b>System Development Funds (SDF):</b>	
* Primary Care SDF – GPFV Baseline	430
* Primary Care SDF - Demand led	412
* 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	115
* System Transformation SDF: ICS Implementation	99
* Diabetes SDF	94
<b>Additional in year Non-Recurrent Allocations:</b>	
* CYP - Clinical & Management Leadership & Asthma Improvements	214
* CYP - Autism Diagnostic Waiting Times	16
* CYP - Community Respite Care	14
* Community Diagnostic Hub implementation and revenue funding	933
* Imaging Network - Host Trust - Somerset Foundation Trust	400
* Blood pressure @home - Trailblazer funding	33
* UEC Summer preparedness / Pathways upgrade	20
* Long COVID Assessment Clinics	200
* CVD-R Respiratory - Pulmonary rehabilitation system allocation	82
* CVD-R Long Covid - Clinic expansion system funding	249
* Clinical Champions ICS	6
* 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
<b>Adjusted Programme Allocation</b>	<b>496,718</b>
<b>Primary Care Co-Commissioning</b>	
Delegated budget	43,184
<b>Non-Recurrent Allocations:</b>	
Primary Care SDF - Covid support	1,187
<b>Adjusted Primary Care Co-Commissioning Allocation</b>	<b>44,371</b>
<b>Running Costs</b>	<b>5,228</b>
<b>Total H1 In Year Allocation</b>	<b>546,317</b>

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 forecast financial position against key budget reporting lines for the period 1 April to 30 September 2021, based on data available as at 31 July 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	Previous Reported Variance £'000	Variance Change
Acute Services	285,515	285,109	(406)	(406)	Static
Mental Health Services	43,766	43,962	196	566	Improvement
Community Health Services	46,967	46,908	(59)	(59)	Static
Continuing Care Services	27,600	26,400	(1,200)	(900)	Improvement
Primary Care Prescribing	45,564	45,174	(390)	(390)	Static
Other Primary Care Services	13,004	12,954	(50)	0	Improvement
Primary Care Delegated Budgets	44,371	44,371	0	0	Static
Other Programme Services	31,400	33,847	2,447	1,189	Deterioration
Corporate Running Costs	5,228	5,078	(150)	0	Improvement
COVID-19 costs outside of Funding Envelope	2,902	5,864	2,962	5,864	Improvement
<b>Total Expenditure</b>	<b>546,317</b>	<b>549,667</b>	<b>3,350</b>	<b>5,864</b>	<b>Improvement</b>

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 An overall financial break-even position is currently anticipated against plan. This is with the exception of specific Covid-19 related and elective activity recovery costs 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. These variances are outlined below. Forecasts will be reviewed and refined over the coming months.

2.7 Table 2 above demonstrates a forecast cost pressure of £3.35m for the period 1 April to 30 September 2021. This specifically represents Covid-19 related and elective activity recovery 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. In addition to this, funding of £0.388m is currently anticipated by the CCG to reimburse costs incurred for activity carried out by private sector providers in respect of the elective activity recovery programme.

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. We are therefore not expecting 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 currently anticipated to be below the planned budget for H1 of the financial year.

- **Mental Health Services**

An over-commitment against planned budget is currently anticipated for mental health services, 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 currently underway to ensure robust procedures are in place to monitor and manage these costs.

This cost pressure has been offset by a forecast 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.

- **Continuing Care Services**

Activity across all areas of CHC provision, including funded nursing care, has been lower during the April to July period than anticipated within the financial plan. An under-commitment of £1.2m against planned budget is reported for this period and this will be reviewed as activity data becomes available for the remainder of H1.

The Covid-19 hospital discharge programme (HDP) has undoubtedly had an impact on CHC activity, which has led to fewer referrals presenting for CHC assessment and with a period of patient care being funded through this programme before presenting for CHC assessment.

- **Primary Care Prescribing**

Category M drug prices are due to fluctuate 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 forecast under-commitment of £390k against planned budgets for primary care prescribing reflects the estimated net impact of these prices changes for the H1 period.

- **Corporate Running Costs**

CCG running costs are forecast to be 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 2.7 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. These out of envelope Covid-19 costs are forecast to be £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 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:

- Elective care recovery costs – assuming these may not be fully funded through national elective care recovery programme funds if gateway requirements are 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 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**

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

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. 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**

<b>Month end</b>	<b>Actual Cash Book Balance £'000</b>	<b>Forecast Cash Book Balance £'000</b>
April 2021	2,248	1,067
May 2021	1,115	1,015
June 2021	2,905	1,037
July 2021	857	967

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 July 2021. Performance exceeds the target of 95%.

**Table 5: Better Payment Practice Code Performance**

<b>NON-NHS PAYABLES</b>	<b>Number</b>	<b>£'000</b>
Total Non-NHS trade invoices paid in the year	2,976	51,095
Total Non-NHS trade invoices paid within target	2,976	51,095
Percentage of Non-NHS trade invoices paid within target	100.0%	100.0%
<b>NHS PAYABLES</b>	<b>Number</b>	<b>£'000</b>
Total NHS invoices paid in the year	196	236,199
Total NHS invoices paid within target	196	236,199
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**

<b>Capital Scheme</b>	<b>Allocation</b>	<b>Progress</b>
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 As at month 4 the Somerset ICS is reporting a small favourable variance to plan of £5,000 year to date. This variance to plan sits with Yeovil District Hospital NHS Foundation Trust and reflects the profiling of actual income and expenditure against planned budgets year to date. The overall H1 forecast financial position for the ICS is anticipated to be breakeven against a balanced plan.

**Table 7: ICS Financial Performance against H1 Plans**

<b>Organisation</b>	<b>YTD Month 4</b>			<b>H1 Forecast</b>		
	<b>Plan £'000</b>	<b>Actual £'000</b>	<b>Variance £'000</b>	<b>Plan £'000</b>	<b>Actual £'000</b>	<b>Variance £'000</b>
Somerset CCG	0	0	0	0	0	0
Somerset FT	104	104	0	0	0	0
Yeovil District Hospital FT	(137)	(132)	5	0	0	0
<b>Somerset ICS</b>	<b>(33)</b>	<b>(28)</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>

3.2 The Somerset ICS is estimated to require an additional £9.8m Covid-19 related funding outside of the allocated H1 funding envelope in relation to the Covid-19 vaccination programme (£5.9m) and testing (£3.9m). This is a revised estimate from the £7.7m forecast presented last month. In addition, and as mentioned in section 2.7 above, the CCG is also anticipating further funding of £2.9m in H1 for costs related to 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.

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**

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

## **4 CONCLUSION**

4.1 The Governing Body is asked to note the financial report as at 31 July 2021.