

Report to the NHS Somerset Clinical Commissioning Group on 31 March 2022

Title: Financial Report 2021/22 1 April 2021 – 31 January 2022	Enclosure N
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Summary and Purpose of Paper

The enclosed paper provides an update summarising the financial position for the 2021/22 financial year as at 31 January 2022.

This report sets out the overall financial position for the Somerset Clinical Commissioning Group as at 31 January 2022 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 £1,122,854,000 for the 2021/22 financial year as at 31 January 2022.			
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
	3	2	6	202

SOMERSET CLINICAL COMMISSIONING GROUP

FINANCE REPORT TO THE GOVERNING BODY

AS AT 31 JANUARY 2022

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 January 2022.
- 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 agreed an overall financial settlement for the NHS for the first half of the year (H1) which was based on H2 2020/21 funding envelopes and included a continuation of the system top-up and COVID-19 fixed allocation arrangements. Funding arrangements for the H2 period of 2021/22 are broadly consistent with a continuation of the H1 financial framework with adjustments for inflation, efficiency requirements and policy priorities.
- 1.3 Throughout the second half of the financial year there remains a continued focus on restoration and recovery of services, with additional funding available to support this, and recovering finances back to a sustainable footing. H2 funding envelopes include an increased efficiency requirement from H1, and this will continue to increase into 2022/23.
- 1.4 System funding envelopes for 2021/22 incorporate the following;
- additional funding for known pressures and key policy priorities (including inflation, primary care and mental health services).
 - an increased efficiency requirement compared to 2020/21.
 - continued block payment arrangements for relationships between the CCG and NHS providers. Signed contracts between NHS commissioners and NHS providers are not required for 2021/22.
- 1.5 Some services continue to be funded outside of system funding envelopes for both H1 and H2 2021/22, 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.
- 1.6 Fully triangulated financial plans were developed separately for the H1 and H2 period of 2021/22. System financial plans for H1 were submitted in their final form during June 2021 and for H2 were submitted on 18th November 2021. The Somerset system submitted balanced financial plans for both

periods. These plans form the basis on which the CCG's budgets have been determined for 2021/22.

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 & H2 2021/22 periods. These budgets were presented to and agreed by the Finance and Performance Committee in May 2021 and November 2021 respectively. The plans were based on delivering a financial break-even position for the financial year and the reported outturn position as at 31st January 2022 reflects that the CCG is forecast to deliver a balanced financial position according to plan.

Revenue Resource Limit

- 2.2 The current confirmed CCG revenue resource limit for 2021/22 is reported as £1,122.854m, which includes allocated programme funding of £1,021.386m, delegated primary care commissioning funding of £90.378m and a running cost allocation of £11.09m.
- 2.3 Table 1 below shows the breakdown of resources available to the Clinical Commissioning Group for the 2021/22 financial year, as at 31st January 2022. 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: 2021/22 Revenue Resource Limit as at 31 January 2022

	2021/22 £'000
Programme Costs	
Core Allocation	832,117
Non-Recurrent Allocations included at plan:	
* Top Up	71,218
* Covid-19	43,674
* Growth	17,826
Out of Envelope Cost Reimbursement:	
* Elective Recovery Funds	13,231
* Elective Plus funding	10,400
* Hospital Discharge Programme	5,764
* Covid-19 vaccine inequalities	100
System Development Funds (SDF):	
* Primary Care SDF – GPFV Baseline	858
* Primary Care SDF - PCN Leadership & Management	403
* Primary Care SDF - Demand led	1,226
* Mental Health SDF	3,067
* Mental Health: COVID: Mental health support for staff hubs	330
* Mental Health Spending Review	2,919
* Ageing Well SDF	3,101
* LD & Autism SDF	492
* CVD, Respiratory & Stroke SDF	376
* Maternity SDF	432
* Prevention SDF - Tobacco dependence treatment allocation	176

* Emergency & Elective Care SDF	1,149
* System Transformation SDF: ICS Implementation & Development	303
* CYP SDF - Clinical & Management Leadership & Asthma Improvements	214
* Diabetes SDF	209
* IT & Tech SDF - Blood pressure @home trailblazer funding	33
* Outpatients SDF - Outpatient Video Consultation Software System Allocations	100
* Nursing SDF - IPC Training	36
* SCN SDF - Long Covid Assessment Clinics	200
* People SDF - Enhanced/Inclusive Health and Wellbeing	229
* Diagnostics Programme SDF - Community Diagnostic Hub implementation and revenue funding	3,840
Additional in year Non-Recurrent Allocations:	
* Diabetes - Implementation funding	192
* Diabetes Recovery Fund	143
* Long Covid Paediatric funding	14
* Covid vaccination programme	200
* Primary Care Capital grants	504
* Learning Disabilities and Autism	123
* Palliative and End of Life Care match funding	20
* Winter pressures	170
* Cervical Screening Programme - audit funding for practices	2
* Volunteering Services Fund - SFT and YDH	50
* Embedding the VCSE in ICSs Partnership Programme	35
* Healthcare science & Endoscopy lead	21
* Specialist Weight Management: Tier 3 and/or Tier 4 services	47
* ICS Health Inequalities Funding	17
* People Plan Exemplars	146
* Community MH supervision funding	16
* Clinical Care Prof leadership	29
* Ageing Well falls response	55
* Infection Prevention & Control funding	10
* Operational capacity	1,609
* Winter Access security funding	50
* Cardiac Rehabilitation funds	34
* Discharge Funding	2,600
* Shared Care Records Programme	328
* Supporting People at Home	337
* UTF DA Seed Funding	500
* Covid / Winter	45
* Armed Forces OOH	21
* Low Calorie Diet project	35
* Respiratory - PCN Champion	5
* HSCN funding	5
Adjusted Programme Allocation	1,021,386
Primary Care Co-Commissioning	
Delegated budget	86,368
Non-Recurrent Allocations:	
Primary Care SDF - Covid support	1,187
Primary Care for Long Covid	290
Primary Care Winter Access funding	1,581
Investment and Impact Fund part 2	949
Cervical Screening Audit - CCAS - Phase 1.1	1
Medical Exemption Reviews (MARs) Covid Exemption Assessments	2
Adjusted Primary Care Co-Commissioning Allocation	90,378

Running Costs	10,456
Non-Recurrent Allocations:	
6.3% pension uplift	634
Adjusted Running Cost Allocation	11,090
Total In Year Allocation	1,122,854

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 in year. These additional resource allocations are detailed in Table 1 above.

Financial Performance Highlights and Exceptions

2.5 Table 2 below shows the 2021/22 forecast financial position against key budget reporting lines based on financial resource and data available as at 31st January 2022. 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: 2021/22 Analysis of Expenditure as at 31 January 2022

Expenditure	Annual Budget £'000	Forecast Expenditure £'000	Forecast Variance £'000	Previous Reported Variance £'000	Variance Change
Acute Services	575,741	575,556	(185)	(758)	Deterioration
Mental Health Services	90,374	91,795	1,421	1,095	Deterioration
Community Health Services	92,961	93,200	239	158	Deterioration
Continuing Care Services	53,400	49,600	(3,800)	(3,800)	Static
Primary Care Prescribing	91,117	88,401	(2,716)	(1,016)	Improvement
Other Primary Care Services	26,431	25,394	(1,037)	(637)	Improvement
Primary Care Delegated Budgets	90,378	90,378	0	0	Static
Other Programme Services	85,498	91,776	6,278	5,258	Deterioration
Corporate Running Costs	11,090	10,890	(200)	(300)	Deterioration
COVID-19 costs outside of Funding Envelope	5,864	11,922	6,058	6,058	Static
Total Expenditure	1,122,854	1,128,912	6,058	6,058	Static

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 forecast break-even position against resource for the financial year, with the exception of COVID-19 related costs which are due to be reimbursed outside of the allocated funding envelope.

2.7 Variances against planned budgets are reported across expenditure categories where data has been made available identifying potential cost pressures or financial benefits. With the exception of costs which are due to be reimbursed outside of the allocated funding envelope, the forecast position reported in Table 2 reflects that any cost pressures have been fully mitigated across total budgets. Forecasts are continually reviewed and refined as more information becomes available. Key variances across expenditure categories are outlined below.

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

- **NHS Provider Expenditure**

Payments to NHS bodies for 2021/22 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 for the financial year.

- **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 the financial year to date.

Activity with independent sector providers is also below planned levels for the period to month 10.

These under-commitments against planned budgets are partially offset by an increased forecast cost pressure related to children's complex care cases. The number of cases for which the CCG provides financial support continues to grow, with a 45% increase in the number of cases since the end of 2020/21. The forecast cost pressure has increased from the position reported at month 9.

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. The forecast cost pressure has increased from the position reported at month 9. Processes are under review to ensure robust procedures are in place to monitor and manage these costs.

A forecast under-commitment is now reported against planned budgets for mental health non-contracted activity. This has changed from the position at month 9, where a cost pressure was reported. This is a relatively small budget and activity levels can be unpredictable, however this movement in the position is due to the incorrect identification of a patient as a mental health related case.

An under commitment against mental health investment funds is forecast for 2021/22, driven by a delayed implementation of the service development programme whilst new staff posts were recruited.

- **Community Health Services**

An over-commitment against budget is reported for community-based health services. This has mainly been driven by an accrued commitment to recognise 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 the VAT charges on this basis. Planned budgets 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.

The cost pressure reported against community health services budgets has increased from the position reported at month 9 due to the transfer of commissioning responsibility from NHSEI for a high-cost Neurological placement at Cygnet Health Care.

- **Continuing Care Services**

Activity across all areas of CHC provision, including funded nursing care, has been lower year to date than anticipated within financial plans. 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 £3.8m against planned budget is currently forecast for the 2021/22 financial year.

- **Primary Care Prescribing**

Category M drug prices have fluctuated across the financial year, with a national rise in prices from April 2021 and subsequent decreases in prices from July 2021. The under-commitment against planned budgets for primary care prescribing includes the forecast net impact of these price changes for the financial year. Prescribing cost data available to date indicates that primary care prescribing costs are further below planned budgets than previously anticipated and therefore forecasts have been updated to reflect this latest data.

- **Other Primary Care Services**

A forecast under-commitment against planned budgets is anticipated for other Primary Care services. This is across a range of budgets, with an increased underspend reported against GP Local Enhanced Services budgets. The ability to deliver some of these services will have been affected by Covid restrictions.

- **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.

Other Programme Services also includes cost commitments related to S256 service agreements in place with Somerset County Council. These agreements cover a range of services, including mental health, domiciliary care provision and other out of hospital care services to strengthen joined up care pathways between health and social care and maximise health outcomes for the population of Somerset.

- **Corporate Running Costs**

CCG running costs are currently forecast to be below budget for 2021/22. 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 most 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 are reviewed by NHS England and a retrospective non-recurrent funding adjustment actioned to reimburse these costs. These out of envelope COVID-19 costs are reported at £5.864 in total for H1 and the CCG has been allocated resource to fully fund this commitment. Further costs totalling £6.058m are forecast for H2, with costs of £3.954m committed for months 7 to 10, for which reimbursement is still anticipated.

Risks to Delivery of the Financial Plan

- 2.9 All known and quantifiable cost pressures and mitigations are reported as overspends or underspends against the appropriate budgets within the financial outturn position within this report.

- 2.10 Any financial risks that crystallise throughout the financial year are anticipated to be fully mitigated within the available funding envelope.

Quality, Innovation, Productivity and Prevention (QIPP)

- 2.11 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 1.4 of this report, there is an increased efficiency requirement incorporated into financial plans for 2021/22, particularly through the H2 period of the financial year.
- 2.12 The planned Clinical Commissioning Group QIPP target for 2021/22 is £3.53m. This is profiled between H1 at £1.138m and H2 at £2.392m.
- 2.13 Table 3 below summarises the 2021/22 QIPP plans for the Clinical Commissioning Group.

Table 3: 2021/22 QIPP Plans

Description	£'000
Acute Services	1,743
GP Prescribing	750
Continuing Healthcare	720
Corporate Services efficiencies	13
Other Programme efficiencies	304
TOTAL QIPP	3,530

These savings plans are built into planned budget allocations across care categories. 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 forecast position reflects that required QIPP savings for 2021/22 are anticipated to be delivered.

Cash

- 2.14 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
October 2021	1,933	1,076
November 2021	548	1,122
December 2021	305	1,207
January 2022	192	1,330

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.

Better Payment Practice Code (BPPC)

- 2.15 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 January 2022. 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	7,755	164,807
Total Non-NHS trade invoices paid within target	7,755	164,807
Percentage of Non-NHS trade invoices paid within target	100.0%	100.0%
NHS PAYABLES	Number	£'000
Total NHS invoices paid in the year	533	604,670
Total NHS invoices paid within target	533	604,670
Percentage of NHS invoices paid within target	100.0%	100.0%

Corporate Capital

- 2.16 Table 6 below sets out the current position regarding corporate capital allocations and expenditure plans for 2021/22.

Table 6: 2021/22 Corporate Capital Plan

Capital Scheme	Allocation	Application
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.	This capital allocation will be used to update, maintain and improve existing IT hardware.

3 Somerset Integrated Care System (ICS) Financial Position

System Overview

- 3.1 The Somerset ICS is forecasting a balanced financial position against its funding envelope for 2021/22.

Table 7: ICS Financial Performance against 2021/22 Plans

Organisation	Month 10 Year to Date			Forecast Outturn		
	Planned Control Total £'000	Actual achievement against Control Total £'000	Variance £'000	Planned Control Total £'000	Forecast achievement against Control Total £'000	Variance £'000
Somerset CCG	0	0	0	0	0	0
Somerset NHS FT	123	123	0	0	0	0
Yeovil District Hospital NHS FT	684	686	2	0	0	0
Somerset ICS	807	809	2	0	0	0

- 3.2 The Somerset ICS is anticipating total additional resource of £18.0m outside of allocated funding envelopes for COVID-19 related expenditure (COVID-19 vaccination programme £9.3m and testing £8.7m). In addition, and as mentioned in section 2.6 above, the CCG has received funding of £5.864m in H1 for costs incurred for the Hospital Discharge Programme, with further costs totalling £6.058m forecast to be reclaimed for H2.

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 was integral to the financial modelling undertaken for the 2021/22 financial planning process and was reviewed as part of the financial plans submitted for the H2 period.
- 3.4 Monitoring of the Somerset system underlying financial position has been reliant upon a range of assumptions, including an estimation of 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 range of other factors. This position will be reviewed and updated now that planning guidance and resource allocations have been received for 2022/23, providing further information and clarity regarding some of the assumptions made for the previously reported position.

4 CONCLUSION

- 4.1 The Governing Body is asked to approve the financial report as at 31 January 2022.