

Meeting: Governing Body (Meeting in Public)			
Meeting Date	22 July 2020	Action	Receive
Item No.	8b	Confidential	No
Title	Month 3 Finance Report		
Presented By	Mike Woodhead, Joint CFO		
Author	Carol Shannon-Jarvis & Simon O'Hare, Associate CFOs		
Clinical Lead	N/A		

Executive Summary

As stated in the month 2 report, in response to the COVID-19 pandemic a national top down command and control framework has been put in place by NHS England. As part of this there is a financial regime for the first four months of 2020/21 covering the period from 1st April to 31st of July in which the CCG has received a baseline allocation based on a month 11 2019/20 forecast outturn uplifted for inflation.

In addition to this, based upon expenditure to month 2, the CCG has received a retrospective allocation of £2.9m to contribute to COVID related and business as usual expenditure moving the CCG towards the national intention to achieve a balance position for the four month period, alongside £2.7m, which equates to four months of the planned non recurrent surplus draw down.

At month 3 the CCG is reporting a month 3 year to date overspend of £1.6m against an allocation of £88.4m. In addition to business as usual spend, the CCG has incurred £4.8m of expenditure related to the COVID-19 pandemic. As occurred for month 2, it is expected that a retrospective month 3 allocation will be received by the CCG to ensure a breakeven position.

NHS England / I have not yet published funding details or guidance about the financial and contracting framework for months 5-12 and beyond. That guidance is expected imminently and it is expected that CCGs will be asked to submit revised 20/21 financial plans soon after.

Recommendations

It is recommended that the Governing Body:

- Receive the report for information.
- Note the budget arrangement in place for the period 1st April to 31st July.
- Note the month 3 overspend of £1.6m
- Note the COVID related expenditure of £4.8m at month 3 with a forecast outturn to month 4 of £5.9m.

Note the expectation of further retrospective allocations totaling £1.6m to enable the CCG to report a breakeven position at month 3.

Links to CCG Strategic Objectives	
SO1 People and Place To enable the people of Bury to live in a place where they can co-create their own good health and well-being and to provide good quality care when it is needed to help people return to the best possible quality of life	☒
SO2 Inclusive Growth To increase the productivity of Bury's economy by enabling all Bury people to contribute to and benefit from growth by accessing good jobs with good career prospects and through commissioning for social value	☒
SO3 Budget To deliver a balanced budget	☒
SO4 Staff Wellbeing To increase the involvement and wellbeing of all staff in scope of the OCO.	☒
Does this report seek to address any of the risks included on the Governing Body Assurance Framework? If yes, state which risk below:	
GBAF N/A	

Implications						
Are there any quality, safeguarding or patient experience implications?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	☒
Has any engagement (clinical, stakeholder or public/patient) been undertaken in relation to this report?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	☒
Have any departments/organisations who will be affected been consulted ?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	☒
Are there any conflicts of interest arising from the proposal or decision being requested?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	☒
Are there any financial Implications?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	☒
Has an Equality, Privacy or Quality Impact Assessment been completed?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	☒
Is an Equality, Privacy or Quality Impact Assessment required?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	☒
Are there any associated risks including Conflicts of Interest?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	☒
Are the risks on the CCG's risk register?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	☒

Governance and Reporting		
Meeting	Date	Outcome
N/A		

Month 3 Finance Report

1. Introduction

1.1. This report provides an update on the current financial regime put in place for the CCG and an analysis of the financial position at month 3.

2. 20/21 Financial Framework 1st April to 31st Jul

2.1. In March 2020 the CCG submitted a draft budget plan to NHS England based on a month 9 forecast recurrent outturn position adjusted for pressures including inflation and growth, investments and savings plans. The draft plan showed a deficit of £11m after expected delivery of a £9m QIPP plan. Subsequent to this the planning round was suspended and a national top down command and control framework was put in place in response to the COVID 19 pandemic. In light of this on the 24th April 2020 the Governing Body approved the draft plan as an interim budget for 2020/21.

2.2. Late in March, CCG's were notified of a number of changes to the contracting and payment process. All NHS providers were moved to stipulated block payments for the first four months of 20/21 as notified by NHSE England based on month 9 agreement of balances figures uplifted for inflation. All other NHS provider to CCG invoicing was suspended. Independent sector hospital capacity was centrally block purchased by NHS England. Payments to other healthcare providers essential to the COVID response were guaranteed at least in line with amounts received in 2019/20. Those not essential to the response were directed to other forms of government support.

2.3. In May CCG allocations were issued for the first four months of the year from the 1st April to the 31st July and new financial framework described. The framework for the period from August to March is still not known.

2.4. The financial framework for the first four months of the year consists of a notified baseline allocation of £111.3m. In addition for month 3 the CCG received an allocation of £2.7m, 4 months of the planned non-recurrent historic surplus drawdown and £2.9m retro adjustment to allow delivery of a breakeven position for the CCG. This brought the CCG allocation for the first four months of the year to £116.9m.

2.5. In addition to the initial allocation the CCG expected to receive two retrospective allocations; the first, to balance (up or down) for business as usual expenditure; and the second to reimburse CCG's for COVID expenditure. However, NHSE were unable to do the level of analysis required to confirm all payments due from the month 2 financial returns so, whilst the intention remains to fund all reasonable incurred additional costs, for month 3 CCG's have been paid the lower of the retro top-up or identified COVID costs.

3. Financial Position at month 3

3.1. The table below shows the reported financial position against allocation at month 3 and forecast for month 4.

Month 3 Year To Date	Allocation £'000	Business as Usual £'000	COVID £'000	Total Actual £'000	Variance £'000
Acute Services (ISFE)	43,485	42,097	31	42,128	(1,357)
Mental Health Services (ISFE)	8,059	8,640	160	8,800	741
Community Health Services (ISFE)	8,231	7,873	908	8,780	549
Continuing Care Services (ISFE)	3,920	4,157	2,446	6,602	2,682
Primary Care Services (ISFE)	9,998	10,613	1,114	11,726	1,728
<i>within which Prescribing</i>	8,092	8,806	0	8,806	714
Primary Care Co-Commissioning (ISFE)	6,696	7,162	0	7,162	466
Other Programme Services (ISFE)	7,042	3,667	162	3,829	(3,213)
Total Commissioning Services	87,430	84,207	4,820	89,027	1,597
Running Costs (ISFE)	953	953	0	953	0
Total CCG Net Expenditure	88,383	85,160	4,820	89,979	1,597

Forecast to Month 4	Allocation £'000	Business as Usual £'000	COVID £'000	Total Actual £'000	Variance £'000
Acute Services (ISFE)	57,980	56,203	41	56,244	(1,736)
Mental Health Services (ISFE)	10,745	11,503	206	11,709	964
Community Health Services (ISFE)	10,975	10,618	908	11,526	551
Continuing Care Services (ISFE)	5,227	5,608	3,474	9,082	3,855
Primary Care Services (ISFE)	13,331	14,107	1,139	15,246	1,915
<i>within which Prescribing</i>	10,789	11,669	0	11,669	880
Primary Care Co-Commissioning (ISFE)	8,928	9,572	0	9,572	644
Other Programme Services (ISFE)	8,429	5,344	162	5,506	(2,923)
Total Commissioning Services	115,615	112,956	5,929	118,885	3,270
Running Costs (ISFE)	1,270	1,269	1	1,270	0
Total CCG Net Expenditure	116,885	114,224	5,931	120,155	3,270

3.2. At month 3 the CCG is reporting an overspend of £1.6m against an allocation of £88.4m and a forecast outturn to month 4 of £3.3m against an allocation of £116.9m.

3.3. The key over and underspends in business as usual (BAU) areas are:

- Acute services are £1.4m underspent at month 3, primarily due to receiving allocation for expenditure not being incurred by the CCG following the central purchasing of independent sector bed capacity.
- Mental Health services are £0.6m overspent as a result of both an increase in the number of high cost mental health placements and complexity of patients.
- Community Services are £0.4m underspent due to reduced activity with AQP providers
- CHC is £0.2m overspent following an increase a slight increase in activity not related to COVID-19.
- Primary Care is £0.7m overspent as a result of prescribing. The final 19/20 prescribing outturn was £0.34m in excess of forecast, and in 20/21 £0.35m of pressures have been incurred relating to non-cheaper stock options (NCSO) and number of items prescribed. In months 1 and 2, the pressure associated with NCSO were included as costs of the COVID pandemic, national guidance has

changed and prescribing costs cannot be included within COVID costs and therefore this pressure is now reflected as BAU.

- Delegated co-commissioning is £0.5m overspent due to the allocation received being less than that required for the 20/21 interim budget.
- Other programme services are £3.4m underspent, £2.9m relates to the additional allocation received in month 3 moving the CCG towards a breakeven position in line with national guidance.

3.4. At month 3 the CCG reported £4.8m of expenditure on COVID related costs and a forecast month 4 position of £5.9m. The expenditure to month 3 is broken down in the table below.

CCG COVID Expenditure Analysis to month 3	Expenditure £'000
Sick pay at full pay for all staff policy	2
Remote management of patients	763
Support for stay at home models	49
Hospital Discharge Programme	2,240
Remote working for non-patient activities	1
National Procurement Areas	231
Other Covid-19	1,535
Total CCG Net Expenditure	4,821

3.5. The largest area of expenditure is £2.2m for the hospital discharge programme of which £1.7m relates to local authority costs mainly with care homes. Other key areas of spend are £0.8m on the remote management of patients, £0.7m on CHC patient step ups, £0.4m for COVID management services and community swabbing, £0.4m on GP IT and £0.2m on PPE.

3.6. In line with national guidance is expected that the full cost of the COVID response will be met through additional allocation for the period April to July.

4. Overall 2020/21 financial position

4.1. At the start of the year the forecast position was an £11m deficit after delivery of a £9m QIPP programme. Under the command and control framework it is currently unrealistic to forecast for the rest of the year as the financial regime is subject to change creating material uncertainty.

4.2. The current financial position follows the receipt of £2.9m retro top-up and £2.7m drawdown of historic surplus. Whilst this takes the CCG a lot closer to breakeven reporting an overspend of £1.6m compared to an equivalent £4.2m at month 2 the CCG is reliant on additional allocations to ensure a breakeven position for the first 4 months of 2020/21.

4.3. The assurance that the CCG will receive further allocation adjustments for all reasonable expenditure to allow delivery of a breakeven position for the period April to July reduces the immediate financial risk to the CCG. However the prescribed value of provider payments, restriction on investment, inability to work on QIPP plans

and likely recurrent impacts of the COVID response means the longer term risk to the CCG cannot yet be understood.

4.4. Work is ongoing both within the OCO and with partners across the locality to ensure a financially sustainable system recovery to the pandemic ensuring that any beneficial financial impact of pathway changes and improvements made are embedded in the longer term.

5. Actions Required

The Finance, Contracting and Procurement committee is required to:

- Note the month 3 overspend of £1.6m against notified allocation
- Note the COVID related expenditure of £4.8m at month 3 with a M4 forecast outturn of £5.9m.
- Note the expectation of retrospective allocations totaling £1.6m to enable the CCG to report a breakeven position at month 3.

Carol Shannon-Jarvis
Associate CFO
Carol.Shannon-Jarvis@nhs.net

Simon O'Hare
Associate CFO
s.ohare@nhs.net

July 2020