

Meeting of the Governing Body

Summary sheet

Date of meeting: 2 February 2021

For: Public session (Part 1)

For: Information

Agenda item: Month 9 finance update

Author(s): Simon Bolitho, deputy chief finance officer
Nick Jenkin, head of finance

Presented by: Clare Bryan, chief finance officer

Lead director from CCG: Clare Bryan, chief finance officer

Clinical lead: Dr Iain Chorlton, chair

Executive summary

As the financial regime changed during 2020/21, financial reporting is being considered in two distinct elements to assist with transparency as follows:

April 2020 to September 2020

The Governing Body will be aware that during the first half of the year the financial regime was based on organisations being funded for the additional costs incurred as part of the COVID-19 response. During this period the CCG received retrospective funding to bring the finances back into balance. The final claim for September was confirmed in the CCG's funding in November. This resulted in 'breakeven' being delivered for the first half of the year in line with the financial framework.

NHS England and Improvement has commissioned a number of external audit's relating the claims made during the period. In each region of the country organisations – providers and commissioners - are randomly sampled for audit. Kernow CCG has been selected for audit in the recent tranche of organisations and at the time of writing this report, the audit was still in progress.

October 2020 to March 2021

For this period, the financial regime reverts to the CCG (and system) operating within a defined funding position. NHS Kernow submitted its revised plan for the second half of the year covering October 2020 to March 2021 on 22 October. The formed part of a broader 'system' plan alongside its local NHS partners – Royal Cornwall Hospitals NHS Trust and Cornwall Partnership NHS Foundation Trust. As the Governing Body will be aware, the CCG's plan is to deliver financial breakeven in the

Shaping services we can all be proud of

second half of the year. While there will be no retrospective top up funding in the second half of the year, the CCG will receive additional funding to offset costs relating to the hospital discharge programme (HDP). Such claims for additional funding will be subject to review by NHS England and Improvement before the CCG's funding is adjusted.

The position for the period October to December is summarised below:

	£'000
Allocated resources	260,967
Expenditure (including hospital discharge programme costs)	267,044
Excess of costs over funding	<u>(6,077)</u>
Hospital discharge funding claimed	8,036
Surplus for the period	<u>1,959</u>

Further information is provided in the following Annexes:

Financial summary: October 2020 to March 2021	Annex 1
Hospital discharge programme	Annex 2
Resource limits	Annex 3

Recommendations and specific action the Governing Body needs to take at the meeting

The Governing Body is asked to:

1. Note the contents of this report

Additional required information

Cross reference to strategic objectives

- Improve health and wellbeing and reduce inequalities
- Provide safe, high quality, timely and compassionate care
- Work efficiently so health and care funding give maximum benefits
- Make Cornwall and the Isles of Scilly a great place to work
- Create the underpinning infrastructure and capabilities critical to delivery

Evidence in support of arguments: As noted in the paper

Engagement and involvement: Not applicable

Communication and/or consultation requirements: Not applicable

Financial implications: Monitoring and reporting in line with National Guidance

Review arrangements: Finance report is updated on a monthly basis

Risk management: Insert text here using normal style.

National policy/ legislation: Reflects the current financial regime

Public health implications: None identified

Equality and diversity: None identified

Climate change implications: None identified

Other external assessment: Retrospective top up funding is subject to NHS England and Improvement scrutiny

Relevant conflicts of interest: None identified

Annex 1

Financial position: October 2020 to March 2021

As the Governing Body will be aware from the last report, the position for the first half of 2020/21 (i.e. April to September) was funded at the level of expenditure incurred. At the time of the last report, the CCG was awaiting confirmation of the outstanding 'top up' claim of £1.03million – this was confirmed in CCG funding in November.

The plan for second half of the year was set taking account of the rate of spend experienced in the earlier part of the year and planned investments. Since that planning was completed, the path of the pandemic has significantly changed across the country and we are now firmly back to managing the current COVID-19 related pressures in hospitals and across the broader system: this, in turn, has meant that earlier plans to restore or extend other services have also been constrained or delayed in the second half of the year.

Payments to NHS providers were set based on nationally advised amounts to which an adjustment was made to reflect 'top-up' payments and an agreed level of COVID-19 funding. Adjustments will be made to reflect any in-year allocations that are agreed to be passed on to providers. At present, and in line with national guidance, payments to NHS providers continue to be made a month in advance. The advance payment is accounted for as a prepayment and so not included in the expenditure figures above. This advance payment arrangement is currently expected to be eliminated before the end of the financial year.

The table below focusses on the expenditure against plan for the second half of the year to date (i.e. October 2020 to December 2020):

	October 2020 - December 2020			Full year		
	Ytd Plan £'000	Ytd Actual £'000	Ytd Variance £'000	Annual Plan £'000	Forecast Outturn £'000	Ytd Variance £'000
<u>Programme Expenditure</u>						
Acute	120,110	120,159	(49)	454,078	454,078	0
Mental Health	28,741	28,573	168	106,470	106,470	0
Community Health	27,848	27,951	(103)	103,432	104,256	(824)
Continuing Healthcare	16,030	22,533	(6,503)	80,825	94,537	(13,712)
Primary Care	7,035	6,629	406	27,710	27,710	0
Prescribing	26,186	26,472	(286)	105,151	105,151	0
Delegated Primary Care	22,398	22,455	(57)	88,796	88,796	0
Other	9,742	9,520	222	43,285	43,285	0
Total Programme Spend	258,090	264,292	(6,202)	1,009,747	1,024,283	(14,536)
Running Costs	2,877	2,752	125	10,583	10,583	0
Total CCG expenditure	260,967	267,044	(6,077)	1,020,330	1,034,866	(14,536)
Baseline allocation	(260,967)	(260,967)		(1,020,330)	(1,020,330)	
Surplus/(Deficit)	0	(6,077)		0	(14,536)	
less: HDP 1 & 2 claimed	0	8,036		0	14,536	
Adjusted surplus/(deficit)	0	1,959		0	0	0

Ytd = Year to date

HDP = Hospital Discharge Programme

Commentary

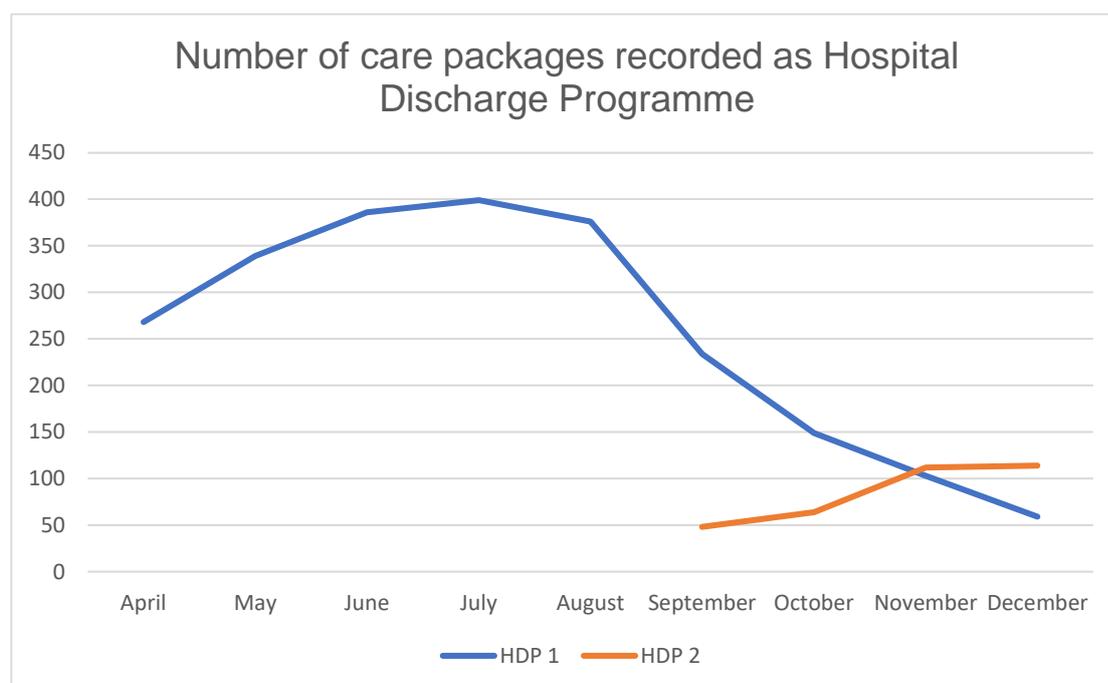
At the end of December, the CCG had a gross overspend of £6.08million, however this included £8.03million of expenditure relating to the hospital discharge programme (HDP). Qualifying HDP costs are funded nationally and, subject to confirmation by NHSEI, the CCG will receive additional funding to reimburse these costs. The net adjusted position at the end of December is then a surplus of £1.96million. The most significant driver for this underspend is the pattern of costs coming back into continuing healthcare, where the conversion rate of placement costs from the initial hospital discharge programme back into assessed CHC responsibilities has been lower than that modelled in the second-half year planning. Outside that factor, we are seeing additional costs in the system of managing COVID-19, but delays in other investment proposals that were planned in for October to March. A further review of the likely range of forecast outturns is being undertaken ahead of Month 10 reporting. No formal adjustment to the forecast

outturn has been reported to NHS England and Improvement at month 9 but if the current expenditure trends are being sustained, then this will be revisited as part of the Month 10 reporting.

Continuing Healthcare

One of the CCG's key areas of uncertainty in the second half of the year relates to expenditure in Continuing Healthcare (CHC) placements. The uncertainty in CHC arises due to the unpredictable trajectory at which placements transition from being funded under the Hospital Discharge Programme back into core 'business as usual' spend, as assessments are completed (or not, if HDP placements do not meet CHC criteria).

As can be seen from the chart below the number of CCG-managed HDP 1 qualifying packages has steadily reduced as CHC eligibility assessments have been completed. This reflects the fact that the initial HDP scheme (HDP1) was closed to new packages at the end of August, so we should expect to see them taper out entirely by the end of March 2021, at the latest.

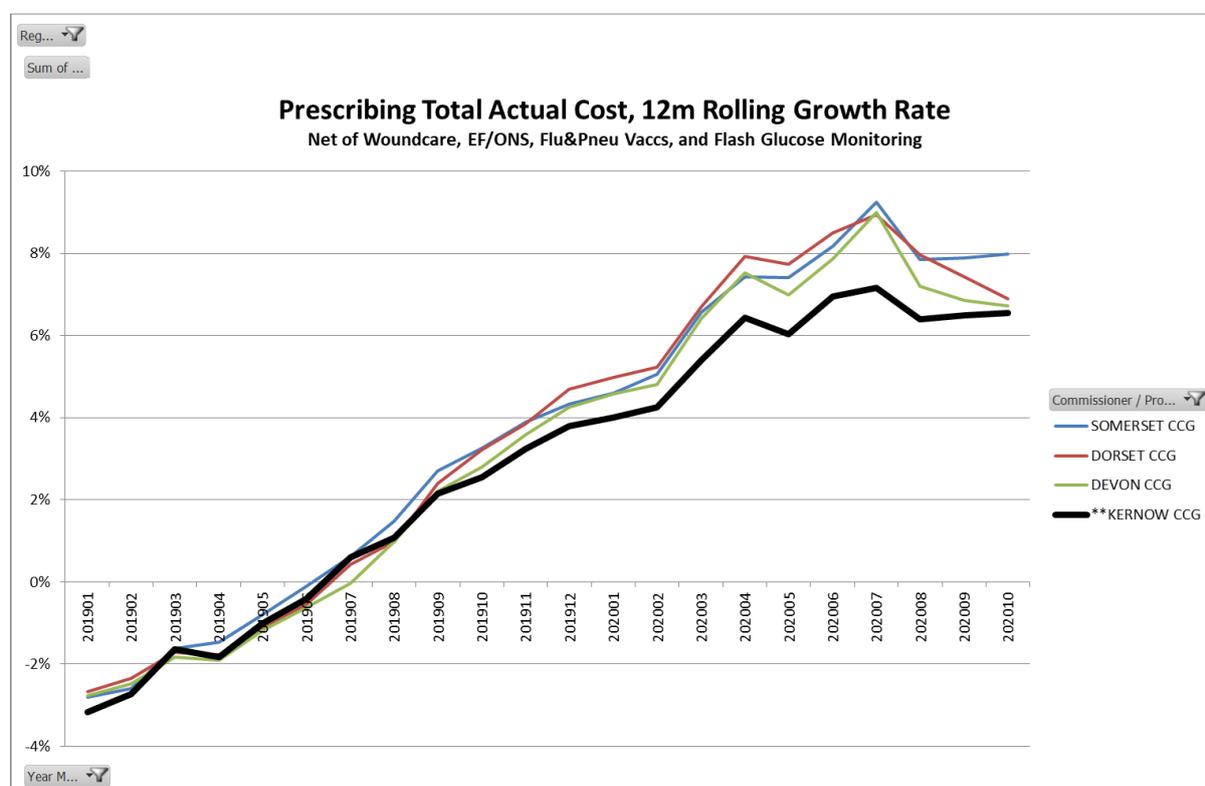


In its plan for October 2020 to March 2021, the CCG assumed a steady increase in the level of core CHC expenditure as time progressed, but the current trajectory of conversion to 'business as usual' is well below that rate. It is not yet clear whether this pattern will sustain or whether we will see some rebalancing as further cases are assessed. The lower than expected conversion rate means that there is a significant net underspend in CHC in the year to date position (once the HDP reimbursement is taken into account). HDP spend is coming under additional scrutiny by NHS England and Improvement and therefore we expect further assurance to be required by them, on both the CCG and Council incurred elements, over the remainder of the year.

Prescribing

Other than normal volatility, the prime risk in prescribing remains the potential impact from national pricing issues, including any impacts from the exit from the EU market. This was recognised as an explicit risk to the plan rather than being factored into expenditure projections for the second half of the year. At this point, we have not seen significant national pricing shifts, but the combination of EU exit and COVID-19 impacts may yet affect supply (and hence drug prices). It is also unclear whether the current lockdown and COVID-19 surge may affect underlying prescribing patterns over the coming months.

We have recently received October data, which was broadly in line with expectations. The local rolling average growth rate, in comparison to other nearby CCGs, is below. Actual spend will require careful monitoring over the remainder of the year, although the national time lag in data availability makes it difficult to manage this in a timely manner.



Other budget areas

Other budget areas are showing some year-to-date variances. These reflect some underspends where services have not been fully accessed or delivered during the COVID-19 context, together with some additional costs incurred in meeting the challenges of the pandemic.

There remain a number of key partnership areas, especially around individual placement costs and better care fund commitments, where we carry a level of risk or uncertainty until plans are agreed with Cornwall council. Resolving these issues is a

priority for the immediate future, so that a firm forecast can be established for this year, as well as a robust baseline for future planning in 2021/22 and beyond.

As will be noted from annex 3, significant additional allocations have been issued for defined service development or priority areas during the second half of 2020/21. Some of these sums are allocated to the CCG to be 'passed through' to providers but others are intended to support additional service investment during this year. These allocations are subject to the agreed approval processes before they are released to budgets. The scale of investment funding, in the context of the NHS being operationally focussed on the immediate pandemic response (and other COVID-19 related actions e.g. vaccine rollout) makes successful in-year deployment of this funding a challenge. As part of reviewing the position ahead of month 10 reporting, we will be risk assessing the deployment potential of these funds in the current context, to refine our forward projections.

Annex 2

Hospital discharge programme

The CCG incurred £30.9million on COVID-19 related expenditure since April 2020 of which £25.3million relates to the hospital discharge programme (and has been claimed for reimbursement).

As reported to the Governing Body at its last meeting, there are now two tranches of hospital discharge programme (this programme mainly impacts on the continuing healthcare area of expenditure):

- Tranche 1 relates to discharges up until 31 August, with the expectation that all packages will have been assessed by 31 March 2021
- Tranche 2 relates to discharges from 1 September and central funding is restricted to the point at which any necessary continuing healthcare eligibility or Care Act assessments are completed, subject to an absolute limit at 6 weeks.

The rate at which assessments under both elements of the programme are undertaken will heavily impact on the rate at which packages revert to 'business as usual' Continuing Healthcare expenditure. As noted in the chart under 'continuing healthcare', the number of HDP 1 cases has reduced considerably as assessments have been undertaken, and packages have moved back into 'normal' funding streams in health or social care.

Some (but not all) of the plans put in place to support patient discharge in the second half of the year, to create additional hospital capacity as COVID-19 cases have increased, also qualify for funding under HDP 2. The balance of these additional costs between those that are reimbursable under HDP2 and those that fall to be met from the (fixed) funding already allocated to the system will continue to be reviewed as we refine financial projections for this year.

Resource Limits

In addition to the main funding allocation, NHS England continues to allocate additional funding streams from national Service Development Funding reserves. The planning process has led to additional clarity on this in this financial year, with significant sums being advised as we move into month 7 to 12.

The table below details the specific allocations received up to the end of December 2020:

Funding considered by BPPG and released to operational budgets	£'000
Continual Glucose Monitoring (CGM)	20
Diabetes Treatment and Care	147
National Diabetes Prevention Programme	50
CYP Keyworker Pilot	250
COVID support	941
MH Freed	35
Winter Pressures - Mental Health	196
Perinatal	66
Perinatal - MOCT	84
MH Resilience Hubs	155
NHS111 First	201
NHS 111 First - additional allocation	691
UEC 111 Finance Support	50
Primary Care Minor Improvement Grants	235
Impact and Investment Fund	243
Care Homes Premium	234
Increase in practice funding	100
Online consultation software systems	153
Practice resilience programme	79
Primary Care Networks - development and support	430
Reception and clerical training	99
Workforce: retained doctors	114
Workforce: Training Hubs	119
Practice Nurse funding	10
<i>Pass through funding (relates to specific provider funding bids)</i>	
Alcohol	42
Envelope changes Pass through - RCHT	964
Health and Wellbeing Innovative ideas funding	10
Scaling Up Innovation - Digital Transformation	76
HSLI Funding for RCHT (Nerve centre and flow)	17
	5,811

Other funding not yet released to operational budgets (held in reserves)**£'000**

Outpatient Transformation	75
Urgent Community Response Teams - Accelerator site	512
CYPMH 0-18	22
CYPMH Green Paper	473
Adult MH - Suicide Prevention & Bereavement	110
Adult MH - Individual Placement Support (IPS)	250
Community/CETR	175
Flash Glucose Offer to Patients with Learning Disability	11
Digital - Primary Care DPFC 20/21	540
Integrating the Pharmacy & Medicine Optimisation into STPs and ICSs	10
Kernow CCG Regional Winter Funds - Care Home Delays	75
Health Equality Partnerships programme proposal funding	65
System infrastructure	199
System leadership / preparation funding	160
HR support	34
Long Covid-19 Funding - to support the development of assessment clinics	85
Elective recovery / managing capacity funding	81
Primary care practice fellowship and mentor schemes	130
Ageing Well - EHCH training and development funding	22
Diabetes	39
Discharge Funding - MH Winter Pressures	478
SMI Outreach	42
PHM development programme	50
SW Region Leadership Development programme	9
Clinical Leads Oximetry @Home	10
Site Setup Oximetry @Home	30
Children and Young People Respite	16
COVID support	590

4,293

All allocations are initially held in reserve and only transferred to operational budgets when they have been through the relevant financial governance processes. With the introduction of the Business Planning and Performance Group, this will provide a regular gateway for scrutiny over proposals and benefits for allocations that are notified to the CCG.