

## Month 5 Finance Report

### Governing Body Briefing

1 October 2020

#### 1. Introduction

As outlined in the August report, the NHS financial regime was suspended from 1 April 2020 with the onset of COVID-19 and replaced initially with a new regime covering the period 1 April to 31 July. As part of the Phase 3 letter it was confirmed that this interim regime will continue in August and September.

A quick recap of the key points of this interim regime:

- NHS Providers with annual contract values with the CCG over £200k are paid a fixed block amount based on a national calculation (allowing for growth above 19/20);
- Additional costs above block values incurred by Providers are reimbursed via a COVID and non COVID top-up directly from NHS England/Improvement (NHSE/I);
- CCGs only have allocations for this 6 month period, this is based on a national calculation;
- The calculation of the CCG allocation has resulted in some pressures for Sheffield CCG;
- During this period CCGs should retrospectively receive additional funding for both COVID and non-COVID costs that are reasonable;
- NHSE/I require additional reporting to provide detailed information about COVID spend and pressures / benefits in non-COVID spend. Sheffield CCG has received full retrospective funding for April – July, additional information has been submitted for August and at the time of writing the report confirmation had not yet been received as to the allocation adjustment expected.

The table below summarises the revised allocation for the period April – September, compared against the original allocation used to inform the financial plan approved by Governing Body in March, as well as the subsequent allocations received to date.

Table 1: Revised Allocation for 6 months compared to the original plan	Original Allocation* £'000	Revised Allocation £'000
Annual Allocation (Programme + Primary Care Delegated + Running Costs)	936,581	
6 month allocation	468,291	466,384
Retrospective Top Up (months 1-4)		4,174
COVID cost reimbursement (months 1-4)		9,277
<b>Total</b>		<b>479,835</b>

\*Used to set financial plan approved by Governing Body in March

## 2. Summary of the reported position

The overall position for the period April – August 2020 is summarised in Table 2 below (this information is presented in more detail in Appendix 1 and Appendix 2). As noted in table 1 above, the CCG has now received a retrospective allocation for COVID costs incurred between April and July (£9.2m) as well as an adjustment for non covid related costs in excess of the originally calculated allocation (£4.1m, again for the 4 months April to July). It should be noted that the retrospective allocations have all been made against the main programme allocation, despite some of the additional costs being incurred in relation to our running cost allowance and delegated primary care services.

The report now includes a forecast to the end of September, it is expected a further retrospective allocation will be received for all actual expenditure for M5 and M6.

<b>Table 2 : Summary Position at 31 August 2020</b>	<b>Budget for M1-5 £000's</b>	<b>Actual Variance M1-M5 £000's</b>	<b>Actual Var %</b>	<b>Forecast Var M1-M6 £000's</b>	<b>Forecast Var %</b>
Acute & Community NHS Services	266,561	(15)	0.0%	(21)	0.0%
Other Acute & Community	3,620	92	2.5%	377	10.4%
Mental Health	46,448	(82)	-0.2%	(109)	-0.2%
Other Primary & Community services	20,913	413	2.0%	1,640	7.8%
Primary Care Co-Commissioning	39,520	261	0.7%	514	1.3%
Locally Commissioned Primary Care	10,437	181	1.7%	479	4.6%
Continuing Care	30,807	1,282	4.2%	1,763	5.7%
Prescribing	51,205	71	0.1%	635	1.2%
Collaborative Working	4,085	7	0.2%	(2)	0%
Reserves	1,122	(807)	-72.0%	(1,122)	-100%
<b>TOTAL EXPENDITURE - COMMISSIONING</b>	<b>474,717</b>	<b>1,401</b>	<b>0.3%</b>	<b>4,155</b>	<b>0.9%</b>
Running Costs	5,118	141	2.8%	500	9.8%
<b>TOTAL (UNDER)/OVER SPEND</b>	<b>479,835</b>	<b>1,542</b>	<b>0.3%</b>	<b>4,654</b>	<b>1.0%</b>

There is an overall year-to-date (YTD) deficit of £1.5m which relates to M5 only (having received COVID and non COVID retrospective allocations to fund the M1-M4 variances). Of the £1.5m total variance, all but £70k relates to COVID expenditure. Table 3 below analyses the variances, splitting these into COVID and non COVID spend (Appendix 2 provides further detail). More detail on COVID spend is included in section 3 of this report. An explanation of key non-COVID variances is included in section 4.

Table 3 : Summary Variances at 31 August 2020	Actual Variance M1-M5 £000's	Actual Variance COVID M1-M5 £000's	Actual Variance Non COVID M1-M5 £000's
Acute & Community NHS Services	(15)	0	(15)
Other Acute & Community	92	311	(219)
Mental Health	(82)	22	(104)
Other Primary & Community services	413	562	(149)
Primary Care Co-Commissioning	261	7	254
Locally Commissioned Primary Care	181	219	(38)
Continuing Care	1,282	618	664
Prescribing	71	0	71
Collaborative Working	7	(42)	49
Reserves	(807)	(275)	(532)
<b>TOTAL EXPENDITURE - COMMISSIONING</b>	<b>1,401</b>	<b>1,422</b>	<b>(21)</b>
Running Costs	141	56	85
<b>TOTAL (UNDER)/OVER SPEND</b>	<b>1,542</b>	<b>1,477</b>	<b>65</b>

### 3. COVID Expenditure

Table 4 below shows the breakdown of the £10.8m Month 1 – 5 Covid related expenditure on services/equipment. A £9.2m retrospective allocation has been received to cover the costs for Months 1 – 4.

Table 3: COVID expenditure analysed as per NHS England information	Details Actual spend	Actual Expenditure M1-5 £000's
Remote management of patients	Primary care support for the hubs	261
Support for stay at home models	Provision of taxi service to transfer vulnerable patients to healthcare settings	261
Hospital Discharge Programme	Hospital Discharge Pool with SCC £4.4m, CHC packages £2.1m, Community beds £1.6m, smaller costs for St Lukes Hospice, food banks, Age UK	8,783
Remote working for non-patient activities	Technology solutions to support staff working at home	128
National Procurement Areas	PPE	270
Bank Holidays	Easter Bank Holiday work - GP Practice staff	326
Internal and external communication costs		11
Care Homes	Primary care support for care homes	284
Consumables	Practice claims for Non PPE items	291
Additional capacity (excluding care homes)	A number of small grants to support mental health service organisations	29
Other Covid-19	A number of small grants to support mental health service organisations and GP additional premises reimbursement	110
<b>TOTAL</b>		<b>10,754</b>

#### 4. Further Information on Key Budgets and related risks

##### **Acute & Community NHS Services:**

The block arrangements outlined last month continue to apply for August. These arrangements mean a nationally defined amount is paid to just 16 NHS Providers, with most NHS NCAs (Non Contracted Activity) being managed centrally. Providers are currently able to reclaim nationally for any extra costs above their block income (both COVID and non COVID) directly from NHSE/I.

As reported last month, referrals and most activity at STHFT remain low compared with pre-COVID levels. In July referrals had increased and were just 20% below pre-COVID monthly averages, but in August they fell back slightly and were 27% below average. However this remains significantly better than the numbers seen in April to June.

There has also been some fall back in other areas:

	Percentage of Pre-Covid Monthly Average		
	April	Jul	Aug
<b>New Outpatients</b>	-54%	-30%	-37%
<b>New Outpatient Follow-Ups</b>	-28%	-10%	-20%
<b>Elective Spells</b>	-65%	-33%	-31%
<b>Non-Elective Spells</b>	-29%	-4%	-9%

However, 98,705 new outpatients were seen between March and August compared with a 'reset' target of 95,148. This indicates that the Trust has managed to keep up with demand at the new/reduced level of referrals. In some specialties it has exceeded expectations and this has had a positive impact on waiting lists in those areas.

As at August there were 1480 fewer patients on the outpatient waiting list than had been expected due to the lower levels of referrals, although overall outpatient waiting list numbers continued to increase from 26,899 in July to 27,566.

Compared to the Trust's pre-COVID plan, new OP activity for the year to date was 55,989 lower than expected.

There continues to be a significant increase in the number of non-face to face outpatient appointments, with 26,801 being seen in this way in August compared with the pre-COVID average of just 2,340 per month. However, this is lower than the 31,167 seen in July.

The Trust has been unable to achieve its 'reset' plan for Elective Inpatient spells. 45,715 spells took place March - August against a reset demand of 57,939. However, inpatient waiting list numbers have fallen by 553 during August from 16,104 to 15,551. This is due in part to the reduced outpatient activity in August and, therefore, fewer outpatients 'converting' into inpatients. As at August there were 2,775 more patients on the Inpatient Waiting list than expected 15,551 compared to 12,776.

For March- August, Elective Spells were 36,400 below the Trust's 'pre- covid' plan.

Work continues to understand the capacity and demands moving into Phase 3; it is currently unclear whether national expectations can be met with distancing and cleaning

measures; staff availability and sensible management of the Independent Sector capacity across the system.

**Other Primary and Community:** The £149k non COVID underspend is chiefly in relation to an underspend on the void premises. The CCG is actively working to increase usage of the premises with the Sheffield-wide community and hence the expenditure on the void element is reducing.

**Mental Health:** The August underspend of £82k relates to a small amount of COVID spend with small some underspends in other areas (i.e. the fact that there are still no IFR Mental Health patients so far this year).

**Continuing Health Care (CHC) and Funded Nursing Care (FNC):** The £0.6m non COVID variance shown in Table 2 includes the FNC back payment for 19/20 rates as the funding which the CCG received is reported within the Allocation Adjustments. There have also been some ongoing small increases in S117, Learning Disabilities and Children's Continuing care which are outside of the Hospital Discharge arrangements for COVID.

**Primary Care Co-Commissioning and Locally Commissioned Primary Care:** More detail is available within the Finance Report presented to the Primary Care Commissioning Committee on 17 September 2020. The position at month 5 shows an overspend of £442k due to:

- Premises Developments – £7k overspend on premises due to COVID-19 expenditure relating to Month 5 as the costs for Month 1-4 has been funded.
- Unfunded cost pressures of £85k relating to Month 5 only offset by unutilised reserves of £33k.
- Overspend of £203k relating to Month 5 only which is the budget reduction we had to make to match the revised allocation for delegated budgets as part of the new financial regime, as well as non-receipt of the additional allocations previously announced.
- Locally commissioned services are overspent by £181k of which £219k relates to month 5 COVID expenditure for which a reimbursement has not yet been received.

**Prescribing:** Data has now been received for April to June with expenditure for July & August being estimated. April's to June's spend continued at a high level, with 6% increase in average price per item but with a <1% increase in items prescribed compared to 2019/20 levels. Within these figures is around £0.4m QIPP which it has been unable to achieve due to the focus on COVID, the forecast position is based on April - June levels of items and price continuing for Month 4-6. The majority of this pressure has already been funded from the retrospective top up process.

**Collaborative Working:** Sheffield CCG is the host organisation for both the SY&B Integrated Care System (ICS) and the Sheffield Accountable Care Partnership (ACP). Funding for these partnership arrangements normally comes from national allocations as well as a small level of funding contributions from partners. Under the current financial regime, this funding is not available. As a result, indicative budgets have been set based on estimated expenditure commitments for the first 6 months.

**Running Costs:** The original allocation of £11.1m was a decrease of £1.5m on that received in 2019/20. This reduction was long planned and running costs had been reduced to ensure the allocation was not exceeded in 2020/21. However the revised allocation from NHSE/I included a further reduction of £0.7m for months 1 to 4. Months 5

and 6 show a similar adjustment of £0.35m reduction. The position against the £4.5m running cost allocation is summarised in Table 4. Further savings have been identified, with the improvement against previous variance due to these factors and receipt of COVID funding.

<b>Table 4: Running Costs</b>	<b>Budget for M1-5 £000's</b>	<b>Variance M1-M5 £000's</b>	<b>Forecast Variance M1-M6 £000's</b>
Pay	4,600	(228)	(132)
Non-Pay	1,786	(93)	(2)
Income	(606)	(1)	(29)
Running Cost Reserve	(662)	463	662
	<b>5,118</b>	<b>141</b>	<b>500</b>

## **5. Financial arrangements September to March**

As outlined last month, NHSE/I have confirmed that the current interim arrangements will continue for September 2020. Given the experience to date, the forecast variance of £4.7m to the end of September is expected to be funded.

NHS England and Improvement issued system envelope calculations on 16<sup>th</sup> September. For Sheffield CCG the prospective allocation for NHS Sheffield CCG has been calculated as follows:

	£'000
Programme Allocation	421,023
Delegated Primary Care Allocation	41,674
Running Costs Allocations	<u>5,577</u>
Sub Total	468,274
Adjustment for centrally calculated surplus	<u>(9,026)</u>
<b>CCG Total Allocation for costs excluding COVID</b>	<b><u>459,248</u></b>

This compares to the expected resources to be received for the first six months (excluding COVID reimbursement) of £471,051k.

In addition, the South Yorkshire and Bassetlaw system has been allocated £71,412k to cover Covid expenditure across all organisations as well as £10,266k growth funding.

Further work is required to understand the revised guidance and implications for forecast spend in the second half of the financial year. One particular area where further information is awaited relates to central system transformation funding.

The financial planning guidance also confirmed the timetable for submission of financial plans, which is extremely challenging. System and Organisational plans are required as follows:

01.10.2020	ICS plan submitted to regional team
05.10.2020	Final System Plan submission
06.10.2020	Draft Organisational Plan*
22.10.2020	Final Organisational Plan*

\*organisational plans must be the same as those that make up the system plan.

Noting that the first deadline is the same date as the Governing Body meeting, a briefing will be provided to Governing Body at the meeting outlining the proposed submission, key issues and risks.

## 6. Delivery of Cash Position

The CCG was notified of a maximum annual cash drawdown limit of £946.6m at month 5. The total cash used to the end of August was £467.2m against a requested cash drawdown of £421.4m, prescribing & home oxygen of £41.0m, other income of £6.6m and a brought forward balance of £0.3m. The cash balance at bank at the end of the month was £2.1m.

## 7. Better Payment Practice Code

The Better Payment Practice Code requires the CCG to pay all valid invoices by the due date or within 30 days of receipt of a valid invoice, whichever is later. A summary of the position for the 12 month period to the end of August is reported in Table 5 below:

<b>Table 5: Measure of compliance</b>	<b>12 months to August 2020 (Number)</b>	<b>12 months to August 2020 £000's</b>
Non-NHS Payables		
Total Non-NHS Trade invoices paid in the year	17,132	220,833
Total Non-NHS Trade Invoices paid within target	16,894	220,023
<b>Percentage of Non-NHS Trade invoices paid within target</b>	<b>98.61%</b>	<b>99.63%</b>
NHS Payables		
Total NHS Trade invoices paid in the year	3,639	735,254
Total NHS Trade invoices paid within target	3,613	734,180
<b>Percentage of NHS Trade invoices paid within target</b>	<b>99.29%</b>	<b>99.85%</b>

In addition to the Better Payment Practice Code, the latest Procurement Policy Note guidance states that Suppliers should be paid within 7 days to ensure they can keep operating during the current challenging economic circumstances. The finance team continue to ensure that payments are processed as speedily as possible.

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