

## Update on development of Financial Plan for 2022/23 and Approval of Initial Budgets for the Period April to June 2022

Governing Body

3 March 2022

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<b>Purpose of Paper</b>	
<p>The purpose of this paper is to update the Governing Body on the CCG's Financial Plan for 2022/23, prepared in the context of the national planning guidance and unconfirmed financial resources.</p> <p>Governing Body is being asked to approve the detailed initial budgets for April – June 2022 which flow out of the plan as it currently stands to enable the CCG to commit expenditure from 1<sup>st</sup> April 2022.</p>	
<b>Key Issues</b>	
<ul style="list-style-type: none"> <li>• National planning guidance was issued in late December setting out the priorities for the NHS for 2022/23. This included draft system allocations.</li> <li>• The ICS Director of Finance issued draft financial envelopes for the full year to all organisations within the ICS footprint (excluding Bassetlaw) on 18 February. The distribution of system resources will be reviewed on receipt of draft financial plans. The finance team continue to work on the draft financial plan which is expected to be submitted on 3 March. An update on this submission will be provided at the meeting.</li> <li>• The delay of the establishment of the ICB means that the CCG will continue to be statutorily accountable for the expenditure it incurs for the first 3 months of 2022/23. Guidance has recently been issued detailing those financial arrangements for CCGs for this interim period, the main highlight of the guidance is that CCGs expenditure will be matched by an allocation of the same value.</li> <li>• The CCG's Prime Financial Policies require that prior to the start of the Financial Year the Director of Finance will, on behalf of the Accountable Officer, prepare and submit commissioning and infrastructure (running cost) budgets for approval by the Governing Body. This enables the CCG to commit expenditure from 1<sup>st</sup> April 2022.</li> <li>• The budgets are under-pinned by a detailed financial model which draws from actual and historic financial and operational data sitting alongside various high level planning assumptions.</li> <li>• An updated financial plan will be submitted to Governing Body during the financial year, once final planning guidance and financial allocations have been confirmed.</li> </ul>	

<b>Is your report for Approval / Consideration / Noting</b>
Approval and consideration
<b>Recommendations / Action Required by Governing Body</b>
<p>The Governing Body is asked to:</p> <ul style="list-style-type: none"> <li>• Approve the initial budgets and budget holders for the period April - June 2022/23 as set out in Appendix A</li> <li>• Note the key assumptions set out in this paper are based on the underlying financial regime and the guidance published so far. An updated financial plan will be submitted to Governing Body during the financial year, once planning guidance and financial allocations have been confirmed.</li> </ul>
<b>What assurance does this report provide to the Governing Body in relation to Governing Body Assurance Framework (GBAF) objectives?</b>
<p><b>Which of the CCG's Objectives does this paper support?</b>  Strategic Objective - To ensure there is a sustainable, affordable healthcare system in Sheffield. It supports management of the CCG's principal risks 3.1, 4.1, 4.2 and 4.3 in the Assurance Framework.</p>
<b>Are there any Resource Implications (including Financial, Staffing etc)?</b>
None in respect of the plan submission, but there are significant staff resource implications for the CCG to be able to effectively deliver the service transformation requirements within the Long Term Plan and the QIPP plan.
<b>Have you carried out an Equality Impact Assessment and is it attached?</b>
Not Applicable
<b><i>Have you involved patients, carers and the public in the preparation of the report?</i></b>
Not applicable

## **Update on development of Financial Plan for 2022/23 and Approval of Initial Budgets for the Period April to June 2022**

**Governing Body**

**3 March 2022**

### **1. Purpose of Paper and Introduction**

- 1.1. NHS England/Improvement (NHSE/I) published the 'Priorities and Operational Planning Guidance' on the 24 December 2021, alongside draft guidance on 'Revenue, Finance and Contracts'. This outlined some expected features of the financial framework for 2022/23. Draft guidance was also published on 'Financial Arrangements for the new target date for establishing ICBs in July 2022'
- 1.2. Considerable work has taken place to develop a full year financial plan and initial budgets for 2022/23 to support the delivery of the CCG's commissioning intentions and operational plan for 2022/23. However, this paper is only considering the budgets for the first 3 months of the year whilst the CCG remains in operation.
- 1.3. As in previous years plan returns are required to be submitted at an ICB system level. Although submissions will be accumulated at a system level, each organisation and place is required to provide the granular level of detail on the various areas, to ensure a system position is created and informed from each place's priorities. Work is ongoing in readiness for a submission to the ICS on 3<sup>rd</sup> March.
- 1.4. The purpose of this paper is to present for approval the initial budgets for April - June 2022/23 which flow out from the financial planning to date in **Appendix A**. An updated plan will be brought back to Governing Body once final financial planning guidance and resources are issued.

### **2. CCG Allocations**

- 2.1 The COVID pandemic had necessitated introduction of interim allocations to ensure that there was sufficient resource to respond to the pandemic. From 2022/23 the allocations methodology has been reset to move systems back towards a fair share distribution of resources.
- 2.2 Draft financial system envelopes were published for systems on 24 December. The ICS Director of Finance issued draft organisational resource totals for each CCG/Place and Provider within the ICS footprint (excluding Bassetlaw) on 18 February. For Sheffield CCG/Place, this represents a reduction on the funding we received in 2021/22, mainly as a result of the cessation of funding for Hospital Discharge, reduction in Covid funding, increased efficiency requirements and the introduction of a convergence adjustment (additional differential efficiency). The finance team continue to work through the implications of the proposed funding settlement, in particular what this means in terms of efficiency expectations for the

CCG/place and ability to prioritise investments. However, it should be noted that this work has been hampered by delays in publishing key elements of guidance. For example, Elective Recovery Guidance was only published on 23 February; it has been confirmed that there will be a national re-consultation on National Tariff proposals that will not close until 25 March; and key information on some additional national funding (Service Development Funding (SDF)) is still to be confirmed.

2.3 The national process for calculating system allocations is summarised as follows:

- Programme allocations have been calculated based on annualised system funding envelopes from 'H2 2021/22', excluding non-recurrent items (comprising CCG allocations and system top-up components).
- Allocations for primary care remain as the H2 x 2 allocation + growth uplift.
- Allocations for running costs remain as the original allocation plus funding for the National Insurance increase.
- Further adjustments were made for programme spend for 'convergence' which is a national adjustment to move ICBs towards a fair share funding distribution. This is a significant reduction for ICB.
- Additional funding for Hospital Discharge will cease at the end of March 2022.
- Elective Recovery funding has been made available to aid recovery of elective services in 22/23, although the detailed guidance on Elective Recovery Guidance was only published on 23 February.
- In addition to the system allocation, NHSE/I has confirmed additional non recurrent Service Development Funding (SDF) to support transformation projects, although some of the detail at system/organisational level is still awaited.

2.1 To reflect the delay in ICB establishment, CCGs will receive a resource envelope for the full year. At the point of establishment, currently assumed to be 1 July 2022, the ICB will receive the remaining funding for the balance of the financial year, which in practise means the aggregate full year ICB allocation will be reduced by the resources consumed by the CCGs in the first 3 months of the year. The CCG in turn will receive a revised allocation equal to its expenditure incurred for the first 3 months.

### **3. Key Assumptions.**

3.1. Local Contingency. We are holding a 0.5% contingency to deal with in year issues.

3.2. Acute & Community Spend. For the purposes of this draft plan, funding for local NHS providers is based on the draft organisational envelopes provided by the ICS, including funding for the net national tariff uplift of 1.7% (inclusive of 1.1% efficiency), activity growth 2.5% and a share of the Elective recovery funding.

There is a new adjustment in 22/23 to move systems towards their fair shares nationally, this is named a 'convergence' adjustment and provider contracts have been adjusted downwards by 0.94%.

3.3. Continuing Healthcare and Hospital Discharge Programme (HDP). As outlined in the national guidance, HDP funding will cease at March 2022. The plan included an estimate for historic growth levels in relation to patient numbers, price inflation and a pattern of increasing complexity of cases for CHC and for Funded Nursing Care. Fee rate increase are to be agreed alongside Sheffield City Council rates, the plan

currently has increases based on proposed rate increase however it is possible final agreed uplifts will be greater and will result in an additional cost pressure not yet reflected in the plan.

- 3.4. Admin Costs. The plan assumes that the spend on Admin will be within the running cost allocation. Whilst the CCG has historically underspent on running costs budgets, the reduction in the running costs allocation in 2020/21 and pay uplifts with no increase to the allocation means there is a recurrent cost pressure, based on the approved staffing structure. Draft running cost budgets for 2022/23, based on current CCG structures, are being discussed with budget managers and once complete, will be presented to the Senior Management Team. No assumption has been made in relation to the dual running costs of operating CCG Governing Bodies and the shadow ICB.
- 3.5. Mental Health Investment Standard (MHIS). The planning guidance and template show the requirement to increase Mental Health spend by 4.46% which is above the share of growth allocated by the ICS of 2.5%. Increases in spend include inflation and cost pressures for baseline services as well as investments/growth funding for expanding services for demand and long-term plan priorities.

The funding available is mostly pre-committed from expansion agreed last year using MHIS and non-recurrent Spending Review funding. Work is ongoing to prioritise the existing commitments and a number of current cost pressures and investments to meet long term plan expectations, the CCG's commissioning intentions and quality improvements. With the funding available it is very unlikely that the demand pressures and long term plan requirements can be met.

In addition to investing funding from our CCG allocation, there is also Service Development funding for programmes such as Primary and Community Mental Health service, Mental Health support teams in schools, Crisis alternatives (such as crisis cafes and peer support).

- 3.6. Primary care. The plan makes a number of assumptions about the uplifts which may be agreed in the contract negotiations and assumes that the allocation uplift is sufficient to fund the GP contract settlement. All investment in primary care is to be consistent with the national GP contract framework. It also assumes the Additional Roles Reimbursement Scheme allocation is utilised in full including the element expected to be retained centrally. The initial budgets presented at Appendix A are currently based on utilising the totality of the allocation.
- 3.7. COVID. The plan assumes that the on-going costs associated with COVID response, primarily the additional hot and cold extended access hubs can be contained within the reduced annual allocation.

#### 4. Risks

- 4.1. Given the high level of uncertainty it is too early to assess the level of risk within the financial plan.
- 4.2. Once final resources are known significant further work will be required to agree contract values, firm up expenditure commitments, clarify investment priorities and confirm funding assumptions. The level of risk can then be quantified on this basis.

## 5. **2022/23 Initial Budgets**

- 5.1. The CCG's Prime Financial Policies require that, prior to the start of the Financial Year, the Director of Finance will, on behalf of the Accountable Officer, prepare and submit commissioning and infrastructure (running cost) budgets for approval by the Governing Body.
- 5.2. **Appendix A** sets out the initial budgets for April – June 2022/23 which flow out of the financial plan and assumptions discussed. The budgets have been assigned to individual directors, and the Governing Body is asked to approve these opening budgets and the distribution to individual directors to enable expenditure to be committed and payments to be made. These will be the budgets to be uploaded into the CCG's general ledger at the start of the year, subject to any changes required by NHS England.
- 5.3. It is important to understand that the budgets have been set around a set of assumptions. Budgets will be revised once further work is carried out and adjustments applied to the opening budgets to ensure an audit trail is maintained.

## 6. **Recommendations**

The Governing Body is asked to:

- Approve the initial April – June 2022 budgets and budget holders as set out in Appendix A
- Note that the key assumptions set out in this paper are based on the underlying financial regime and the guidance published so far. An updated financial plan will be submitted to Governing Body during the financial year, once planning guidance and financial allocations have been confirmed.

**Paper prepared by: Diane Mason, Senior Finance Manager,  
On behalf of: Jackie Mills, Director of Finance  
February 2022**

**Sheffield CCG**  
**Budgets for the Period - April June 2022/23**

	Proposed Budget Holder	Budget for Period April - June 2022
		£000
<b>Programme Budgets</b>		
Sheffield Teaching Hospitals	J Mills	135,258
Sheffield Children's Hospital	J Mills	16,210
Yorkshire Ambulance Service	J Mills	7,647
Other NHS Trusts	J Mills	4,302
<b>Acute &amp; Community NHS Services</b>		<b>163,417</b>
ISTC & Extended Choice	J Mills	1,226
Ambulance Services	J Mills	293
Non Contract Activity	J Mills	415
Other Community	J Mills	70
Individual Funding Requests	A Windle	153
<b>Other Acute &amp; Community</b>		<b>2,156</b>
Sheffield Health & Social Care	J Mills	25,714
Other Mental Health	J Mills	1,052
Sheffield Local Authority (MH)	J Mills	344
Voluntary Sector (MH)	J Mills	460
Individual Funding Requests (MH)	J Mills	153
<b>Mental Health</b>		<b>27,723</b>
Sheffield Local Authority	J Mills/A Windle	6,315
St Lukes Hospice	J Mills	767
Voluntary Sector	J Mills	76
Other Commissioning	J Mills/A Windle	973
Development Nurses (Directly Employed)	A Windle	128
<b>Other Primary &amp; Community services</b>		<b>8,259</b>
Core Contract	S Buchan	15,232
Premises	S Buchan	2,699
QoF	S Buchan	2,184
Enhanced Services	S Buchan	2,083
Primary Care Other Services	S Buchan	518
<b>Primary Care Co-Commissioning</b>		<b>22,717</b>
Locally Commissioned Services	S Buchan	4,135
GP IT	C Tilney	510
<b>Locally Commissioned Primary Care</b>		<b>4,645</b>
Adults Continuing Care	A Windle	17,713
Children's Continuing Care	A Windle	1,302
Continuing Healthcare Assessments	A Windle	659
Funded Nursing Care	A Windle	1,497
<b>Continuing Care</b>		<b>21,171</b>
Prescribing	Z McMurray	23,307
Medicines Optimisation	Z McMurray	524
<b>Prescribing</b>		<b>23,831</b>
Accountable Care Partnership	B Hughes	27
Better Care Fund	B Hughes	56
Integrated Care System	W Cleary-Gray	822
Other Collaborative Working	B Hughes	22
<b>Collaborative Working</b>		<b>927</b>
<b>Reserves</b>		
Commissioning reserves	J Mills	5,026
General Contingency	J Mills	1,143
<b>Reserves</b>		<b>6,169</b>
<b>Programme Budgets</b>		<b>281,015</b>
<b>RUNNING COSTS ALLOWANCE</b>		
Accountable Officer (incl Deputy Accountable Officer)	B Hughes	715
Commissioning Development	S Buchan	534
Medical Directorate	Z McMurray	121
Corporate Services	C Tilney	643
Finance & Contracting	J Mills	479
Nursing & Quality	A Windle	275
Running Cost Reserve	J Mills	42
<b>Running Costs</b>		<b>2,808</b>
<b>TOTAL BUDGET</b>		<b>283,824</b>