

## Financial Report at Month 3

D

Primary Care Commissioning Committee Meeting  
23 July 2020

|  |                                    |
|--|------------------------------------|
| <b>Author</b>  | Linda McDermott – Finance Manager  |
| <b>Sponsor Directors</b>   | Jackie Mills - Director of Finance |
| <b>Purpose of Paper</b>  |                                    |
| This report provides Primary Care Commissioning Committee with the financial position for primary care budgets for the three months to 30 June 2020.   |                                    |
| <b>Key Issues</b>  |                                    |
| <p>In response to COVID-19, a temporary financial regime has been put in the place nationally to cover the period 1 April 2020 to 31 July 2020. This means that the CCG only has an allocation for the first four months of 2020/21. The allocation has been calculated nationally based on historic spend in 2019/20 up to February 2020.</p> <p>At month 3, there is an overspend on primary care budgets of £1,052k (£763k overspend on delegated budgets and £290k overspend on CCG additionally commissioned budgets). The forecast is that at the end of the first four months, this overspend will increase to £1,203k (£1,017k overspend on delegated budgets and £186k overspend on CCG additionally commissioned budgets).</p> <p>In addition to date there has been £763k spend on COVID-19 activities, of which £492k additional funding has been confirmed.</p> |                                    |
| <b>Is your report for Approval / Consideration / Noting</b>  |                                    |
| Consideration.   |                                    |
| <b>Recommendations / Action Required by the Primary Care Commissioning Committee</b>   |                                    |
| The Primary Care Commissioning Committee is asked to consider the reported financial position as at month 3.   |                                    |
| <b>Governing Body Assurance Framework can be found</b>   |                                    |
| <p><b>Which of the CCG's objectives does this paper support?</b><br/>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>  |                                    |
| There are no resource implications.  |                                    |
| <b>Have you carried out an Equality Impact Assessment and is it attached?</b>  |                                    |
| <p><b>Please attach if completed. Please explain if not, why not</b><br/>There are no specific issues associated with this report.</p>   |                                    |
| <b>Have you involved patients, carers and the public in the preparation of the report?</b>   |                                    |
| Not applicable.  |                                    |

## **Financial Report at Month 3**

### **Primary Care Commissioning Committee Meeting**

**23 July 2020**

#### **1. Introduction**

The purpose of this paper is to update the Committee on the financial position for the period April 2020 to June 2020 in relation to primary care budgets.

#### **2. New Financial Regime**

The NHS financial regime was suspended from April 1<sup>st</sup> 2020 with the onset of COVID-19 and replaced initially with a new regime covering the period 1 April to 31 July. The key points of this new regime are:

- CCGs have been allocated a new Revenue Resource Limit for this 4-month period, based on a national calculation of expected expenditure.
- NHS England based the total allocation on each CCG's expenditure in months 1-11 of 2019/20, forecast forward for a full year and reduced on a straight line basis to 4/12ths.
- CCG budgets have been set on this basis as required by NHS E and these are the budgets against which we are monitored. CCGs were not able to move budgets as in normal years.
- Secondary care providers are being paid on a block contract, again nationally calculated.
- All expenditure relating to COVID-19 would be fully reimbursed to CCGs, subject to a validation from NHS England that spend is in line with guidance issued.
- Strong financial governance must be maintained throughout the period.

In summary the regime is very different to that which we have ever worked in previously. The aim of the new regime is to provide certainty for all organisations providing NHS-funded services that they will continue to be paid for the period April to July 2020. Recent announcements from NHS England/Improvement have confirmed that this financial regime will be extended for a further month to the end of August (and possibly September) but it is unclear what will be in place for the remaining months of the financial year.

### 3. Approach to General Practice contracts

At the start of the pandemic, national guidance 'Next Steps on General Practice Response to Covid 19' was issued, on 19 March, noting that the key principle is that from 1 April we free up practices to prioritise workload according to what is necessary to prepare for and manage the outbreak, and therefore guarantee that income will be protected if other routine contracted work has to be substituted. This does not prevent us from continuing to measure activities (for example those undertaken with QOF) but it ceases to put 2020/21 income at risk for performance.

The CCG wrote to practices to supplement this guidance and confirm the arrangements to be put in place, at least up to the end of June. We are in the process of writing to practices to confirm the arrangements from July onwards, recognising that we have not yet had any confirmation of the funding available post July.

### 4. Month 3 Financial Position

At month 3, there is an overspend on primary care budgets of £1,052k (£763k overspend on delegated budgets and £290k overspend on CCG additionally commissioned budgets). The forecast is that at the end of the first four months, this overspend will increase to £1,203k (£1,017k overspend on delegated budgets and £186k overspend on CCG additionally commissioned budgets).

#### 4.1 Delegated Budgets

PCCC approved the financial plan for 2020/21 in March 2020. This confirmed that the budget available for delegated primary care was £79.9m (which pro rata for 4 months would equate to £26.6m). The actual allocation received for the 4 months is £25.6m which is a shortfall of £1m compared to what we had anticipated; as summarised in the table below:

|   | £'000   | £'000         |
|---|---------|---------------|
| <b>Delegated - Allocation from NHS England</b>            | 83,347  |               |
| Recurrent Budget Transferred to CCG Commissioned Services | (4,275) |               |
| <b>Revised Allocation</b>                                 |         | <b>79,072</b> |
| <b>Additional Allocations Announced:</b>                  |         |               |
| Care Homes Premium  |         | 267           |
| Increase in Practice Funding                              |         | 199           |
| Impact and Investment Fund                                |         | 402           |
| <b>Budget approved by PCCC for Primary Care Delegated</b> |         | <b>79,940</b> |
| Pro rata budget for 4 months                              |         | 26,647        |
| Actual allocation confirmed for 4 months                  |         | 25,651        |
| Allocation shortfall                                      |         | <b>(996)</b>  |
| Made up of:   |         |               |
| Shortfall on baseline allocation                          |         | (707)         |
| Expected additional allocations not included              |         | (289)         |

The expectation was that where CCGs could justify any variances from the nationally calculated allocation, then they would receive a retrospective top-up to their allocations. Despite submitting a detailed explanation of all variances, not just in relation to primary care, we have not yet received confirmation that additional allocation will be made available and so we are continuing to report a deficit position (both for the CCG as a whole as well as specifically on primary care).

In addition, members will recall that at the time that the budget was set, there was an over-commitment of £1,050k that needed to be addressed in-year. Clearly given the circumstances that we find ourselves in there have been limited opportunities to identify further savings, although revised budget projections have managed to reduce this by £100k, leaving a residual shortfall of £950k.

The position at month 3 shows an overspend of £763k due to:

- Premises Developments – £21k overspend on premises due to COVID-19 expenditure
- Unfunded cost pressure as highlighted in the budget paper: £236k overspend offset by unutilised reserves of £104k.
- Overspend of £610k 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,

The forecast position after 4 months is an overspend of £1,017k.

## **4.2 Additional CCG Commissioned Expenditure**

The allocation for locally commissioned primary care expenditure is more in line with the plan approved by PCCC in March. The main change to the budget is to transfer funding for the PQIS scheme (based on 4 months of the 2019/20 annual figure).

The position at month 3, in relation to Additional CCG Commissioned Expenditure, shows an overspend of £290k due to:

- PQIS overspend of £524k which is a result of the fact that whilst the allocation is based on 4 months spend, the full amount of spend has been incurred in the first quarter.
- Interpreting services underspend of £109k due to reduced activity in practices
- Underspends on reserves including winter reserve of £113k to date, but noting that although we have an allocation for winter in the first 4 months, spend will naturally relate to the latter months of the financial year.
- Other activity variances particularly on database activity due to the need to ensure that practice income is not affected by COVID-19

The forecast position after 4 months is an overspend of £186k.

## 5. Additional, Exceptional Expenditure Regarding COVID-19

In addition to the notified allocation, the CCG can claim for additional, exceptional expenditure incurred in response to the pandemic where this is in line with national guidance issued.

At month 3 the following processes and services have been put in place and are included in the CCG's financial position:

| Details  | Expenditure at M3 | Forecast Expenditure at M4 |
|--|-------------------|----------------------------|
| Bank holiday reimbursement to practices  | £326k             | £326k                      |
| PPE and cleaning materials (bought centrally and reimbursed)   | £203k             | £251k                      |
| Network response funding (networks have determined what was required in each area)                     | £9k               | £150k                      |
| Practice claims (non-PPE) – additional, exceptional and reasonable expenditure reimbursed to practices | £4k               | £205k                      |
| Additional Primary Care input to care of the homeless  | £3k               | £14k                       |
| City-wide hubs run by PCS  | £28k              | £55k                       |
| Screens – fixed and free-standing purchased for practices  | -                 | £31k                       |
| Support to care homes in lieu of the introduction of the Network DES                                   | £119k             | £198k                      |
| GPIT – additional staffing, webcams etc  | £65k              | £76k                       |
| Other – pharmacy, PPE for optometrists etc   | £6k               | £16k                       |
| <b>Total</b>   | <b>£763k</b>      | <b>£1,322k</b>             |

Until all of the claims have been submitted by practices, these figures are an estimate.

We have had confirmation that additional funding, based on information provided up to month 2, of £492k has been approved. However, there remains a risk that further funding may not be approved. In addition, the latest letter from NHS England notes that *'In conjunction with the Department of Health and Social Care, further details will be issued soon on the Covid Support Fund for general practice to assist with the legitimate additional costs of the response, borne by practices'*. This may supersede the local arrangements that we have had in place and we will need to review the overall position once this guidance is received.

## **6. Recommendation**

The Primary Care Commissioning Committee is asked to consider the reported financial position as at month 3.

Paper prepared by: Linda McDermott – Finance Manager  
On behalf of: Jackie Mills - Director of Finance  
10 July 2020



