NHS Rotherham Clinical Commissioning Group

Clinical Commissioning Group Governing Body – 3 November 2021

NHS Rotherham CCG Month 7-12 (H2 2021/22) Financial Plan

Lead Executive:	**Wendy Allott, Chief Finance Officer**
Lead Officer:	**Joanne Sarsby, Head of Financial Management**
Lead GP:	**Dr Jason Page**

Purpose:

To outline the Half 2 (H2) financial framework and the CCG's draft H2 financial plan. To seek support for the draft plan, and to agree an approval process for a final H2 financial plan to be submitted 20-11-21.

Background:

The H2 financial framework largely mirrors that of H1, with amendments in a limited number of areas only.

The timelines for submitting H2 financial plans are as follows;
22-10-21: Initial CCG draft plan (submit to ICS)
29-10-21: Second draft CCG plan including run rate and efficiency data (submit to ICS)
10-11-21: Final plans (submit to ICS) for collation into whole system plan
16-11-21: ICS submit final system plan to national team

The plan set out in this paper reflects the initial CCG draft plan as submitted on 22-10-21.
A final plan is required to be submitted to the ICS 20-11-21 and whilst no material changes are expected the ICS have, at the time of writing, yet to fully conclude the distribution of some residual Service Development Fund (SDF) funds. This may result in limited, minor changes (likely to be cost neutral) being required to be made prior to final submission.

Analysis of key issues and of risks

Covered in the main body of the report.

Patient, Public and Stakeholder Involvement:

Not Applicable.

Equality Impact:

Not Applicable.

Financial Implications:

As presented in the report.

Human Resource Implications:

Not Applicable.

Procurement Advice:

Not Applicable.

Data Protection Impact Assessment:

Not Applicable.

Approval history:

OE 22-10-21 ; AQuA 02-11-21

Recommendations:

Governing Body are asked to:

1. Note the content of the report, and approve the draft financial plan as outlined in the paper.
2. Subject to Governing Body support for the draft plan as outlined, Governing Body are asked to note that whilst material changes are not expected, further minor changes may be required. As in prior years Governing Body are asked to delegate responsibility for agreeing any further minor changes and for approving the final plan, to allow the national submission deadlines to be met.

1. INTRODUCTION

This paper provides Governing Body with an overview of the key points of the H2 financial framework and of the construction of the CCG's draft H2 2021/22 financial plan

2. AN OVERVIEW OF KEY POINTS OF THE FINANCIAL FRAMEWORK

- Systems to deliver balanced financial plans
- System funding envelopes continue to include direct CCG allocations (programme, running cost and delegated primary care), growth funding, system top-ups and Covid-19 allocations.
- H2 system funding envelopes, including system top-up and Covid-19 allocations, have been calculated based on the H1 2021/22 envelopes adjusted for inflation, efficiency requirements and policy priorities.
- There is an increased efficiency requirement in H2 comprising three elements for efficiency *[SYB figures in red and totalling £23.8m gross / £18.8m net]:*
    - A 0.82% provider efficiency included in the block uplift *[£9.6m*]. Block efficiency H1 was 0.28% giving an annual total of 1.1%.
    - A 6% reduction in for covid cost support *[£4.5m*] plus a reduction in support for lost provider income non-NHS [*£0.9m*]
    - An additional targeted efficiency applied to system top-up funding for those systems with a gap between current funding and a 2021/22 adjusted Financial Improvement Trajectory target *[Maximum is 1.5%. SYB is 0.64% / £8.8m. This £8.8m being mitigated by £5m non-recurrently to a net £3.8m, utilising a prior period top-slice made by the ICS for health inequalities. The net £3.8m then being distributed 25% :75% to CCG:Providers on a fair shares basis (of allocation / turnover), and is a non-recurrent adjustment]*
- H2 funding envelopes include funding for the H1 and H2 impacts of pay awards (though not for CCG running cost envelopes).
- Block payment arrangements remain in place, with changes to blocks being actioned to reflect changes to the overall system envelopes
- An activity-based elective recovery fund continues (albeit amended), with additional capital also available to support delivery
- The planning requirement for CCG contingency is reduced to 0.25%, and is optional
- Confirmation that H1 and H2 are to be treated as a single financial period with organisations needing to achieve financial balance for the year as a whole.
- Confirmation of Hospital Discharge Programme funding continuing, and being outside of financial envelopes, but reimbursing for costs incurred up to 31 March 2022 only (i.e. not the cost of 4 week discharge beyond that date) and still subject to assessments within a set period.
- Additional Capacity funding being provided, to cover the entirety of the UEC pathway including continuation of 111 First.
- Additional Service Development funding (SDF) being provided e.g. for LTP commitments.

3. THE CALCULATION OF ALLOCATIONS

The detailed national planning assumptions and CCG growth assumptions that have been applied nationally in the overall calculation of system allocations, are included at appendix 1 tables 1 and 2, for information only.

Under the national financial regime now in operation, all allocations are received into the South Yorkshire & Bassetlaw (SYB) ICS.

Table A (white columns) provides a summary of all ICS allocations, totalling £1.5bn, and (blue columns) the Rotherham CCG share of these allocations, totalling £259m.

TABLE A

SYB System Envelope	CCG Allocation £'000	Top-up £'000	COVID £'000	Growth £'000	SDF £'000	Total System Envelope £'000	Rotherham CCG £'000	Pass through to TRFT £'000	Total Rotherham CCG £'000
Allocations - H1	1,291,619	74,079	75,620	10,356		1,451,674	227,080	20,924	248,004
SDF H1					23,958	23,958	2,332		2,332
Total H1	**1,291,619**	**74,079**	**75,620**	**10,356**	**23,958**	**1,475,632**	**229,412**	**20,924**	**250,336**
H2 changes									
Growth including H2 pay uplift	15,031	2,052	1,009	145		18,237	2,693	387	3,080
H1 Backpay	15,939	2,476	1,073	154		19,642	2,858	478	3,336
Reduction COVID funding			(4,466)			(4,466)	(55)	(488)	(543)
Reduction Non NHS income support			(895)			(895)		(78)	(78)
Efficiency - distance to FIT		(8,815)				(8,815)	(166)	(303)	(469)
Capacity funding				8,588		8,588	1,495		1,495
SDF H2					17,696	17,696	1,916		1,916
	1,322,589	**69,792**	**72,341**	**19,243**	**41,654**	**1,525,619**	**238,154**	**20,920**	**259,074**

(For information only an additional table is provided at Appendix 1 Table 3 showing the £1.5bn ICS distributed across all organisations in the ICS)

Table B below provides further detail on the make-up of the CCG's allocation (£259.074m). As in H1 the principles of distribution for some allocations (ie the ICS level allocations of Top-up, covid and growth funds) have been subject to agreement across the ICS.. The CCG's allocation has increased between H1 and H2 by a net £8.738m.

TABLE B

Allocations	H1 (2021/22) Allocation	H2 Changes	H2 (2021/22) Allocation
CCG Allocations	£'000	£'000	£'000
CCG allocations - programme	202,109	5,255	207,364
CCG allocations - running costs	2,419		2,419
CCG allocations - delegated primary care	21,117		21,117
Nationally calculated reduction in allocation - contested locally	(875)		(875)
Total CCG Allocation	224,770	5,255	230,025
ICS level allocations			
ICS level - share of growth funding	887	26	913
ICS level - topsliced Covid funding - contra entry to national reduction above	875		875
ICS level - Share of residual Covid funding	549	50	599
Capacity funding		1,495	1,495
Total CCG share of ICS level allocations	2,311	1,571	3,882
Service Development Funding (SDF) and Spending Review Funding (SR)			
Primary Care SDF Confirmed	845	272	1,117
Mental Health SDF/SR Confirmed	1,464	187	1,651
Other SDF confirmed	23	1,457	1,480
Total SDF & SR funding	2,332	1,916	4,248
Total CCG Allocations including SDF/SR funds	**229,412**	**8,742**	**238,154**
Pass through allocations			
TRFT Pass through (Top-up/Growth/COVID)	20,924	(4)	20,920
Total CCG Allocations including pass through	**250,336**	**8,738**	**259,074**

4. THE CALCULATION OF EXPEDITURE

Expenditure is calculated locally by individual organisations. Based on RCCG's expenditure modelling the CCG expects to spend £264.034m during the H2 period. Table C below provides a summary of the CCG's assessment of spend tracking it from 2021/22 H1 forecast outturn (FOT) at month 5 through to the final financial plan (Closing position).

TABLE C

	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7
				Additional H2 spend commitments			
Expenditure Category	H1 FOT	Adjust for Non-recurrent spend	H1 Revised Position	H1 Backpay	Cost pressures due to Inflation, pay award, activity and growth	New spend attached to SDF/SR/ Capacity funding	H2 Closing postion
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
NHS Blocks - Acute Providers	131,219	(70)	131,149	1,929	1,275	252	134,604
NHS Blocks - Mental Health Providers	19,194	0	19,194	309	205	669	20,376
NHS Blocks - Community Providers	15,268	0	15,268	267	177	0	15,712
Acute services - Other including Independent sector	2,180	(15)	2,165	20	293	0	2,479
Mental health services - Other Non NHS	5,835	293	6,128	107	1,211	187	7,633
Community Health Services - Other Non NHS	5,310	(1)	5,309	37	77	0	5,423
Continuing Care Services	14,660	74	14,734	133	317	0	15,183
Primary care co-commissioning	21,117	0	21,117	0	0	79	21,196
Primary care services (excluding prescribing)	3,378	79	3,457	22	55	194	3,728
Primary care prescribing	24,930	(0)	24,930	0	968	0	25,898
Other Programme Services	5,094	(158)	4,936	35	1,867	2,031	8,869
Running Costs	2,150	146	2,296	0	0	0	2,296
Contingency at 0.25%	0	0	0	0	636	0	636
Grand Total	**250,336**	**348**	**250,685**	**2,859**	**7,079**	**3,411**	**264,034**

Some key assumptions underpinning these calculations are as follows

i. Column 1 – H1 forecast outturn at month 5.

ii. Column 2 + 3 – Adjustments to H1 forecast outturn for non-recurrent spend/underspends to give an adjusted recurrent H1 outturn.

iii. Column 4 – to distribute H1 backpay funding as per the national guidance.

iv. Column 5 – Here we have applied the national H2 assumptions with exception of Mental Health & LD, Prescribing and other programme services where local assumptions have been overlaid to better reflect local situation.

v. Column 6 – Expenditure assumed/ included to match the associated new funding.

vi. Column 7 – Totals all modelled H2 expenditure, (before mitigations are applied).

5. THE RESULTING (STARTING) FINANCIAL POSITION

The CCG's starting financial plan position based on the difference between expected allocations and calculated expenditure (as set out in sections 3 & 4 above), reveals a gap of £4.96m.

CCG's are required to set balanced financial plans and deliver balanced financial positions.

6. CLOSING THE FINANCIAL GAP

Mitigations of £2.496 have already been identified from within the financial plan. These mitigations can be reasonably applied in H2 in the context of the current financial framework. Applying these mitigations would leave a residual gap of £2.464.

It is suggested that the residual gap might reasonably be addressed in-year via non-recurrent means and a number of options that can be applied to varying degrees are proposed below:

- Utilise the 0.25% contingency (£636k)
- Utilise the 0.25% contingency (£200k) provided within primary care delegated budget,
- Systematic review of financial position for further in-year I&E benefits., review across all parts of the CCG's portfolio including primary care.
- Continue to monitor actual in-year growth against planned growth assumptions and. on the basis that planned growth in locally controlled areas has been set at realistic but prudent levels, seek to maximise benefits arising into the I&E.
- Maintain current controls on authorising non-contractual and discretionary spend across the CCG, and agree to impose more stringent spending constraints on either category as the year progresses should that prove necessary
- Carefully consider the affordability and risk to the CCG of any/all new requests for additional financial support from the CCG during H2.

7. SUMMARY OF THE FINANCIAL POSITION

Applying the proposed mitigations as set out above could reasonably close the residual financial gap. In additional other non-recurrent opportunities may become available in year; we continue to see additional funding steams being announced outside of funding envelopes currently assumed in the plan. However Governing Body should note, that aside, this overall plan is in large part subject to the expenditure predictions set within the plan substantially holding true and/or improving. A summary of the draft financial plan proposal, including the suggested mitigations is provided in Table D below.

TABLE D

	£
Allocations	259,074
Modelled Expenditure	264,034
Starting gap	**4,960**
Address via :	
1. Identified Recurrent mitigations - prescribing QIPP	(407)
2. Identified non-recurrent mitigations - paused pressures & investments	(2,089)
Residual gap	**2,464**
Address via further in year non-recurrent measures :	***£ indicative***
(a) Utilise 0.25% contingency	(636)
(b) Utilise 0.25% contingency primary care	(250)
(c) Further in-year review of I&E position	(1,300)
(c) Further in-year review of I&E position	(250)
(d) In year benefits should growth track below planned in key areas	(250)
(e) Introduce discretionary spending constraints and controls	(80)
(f) Introduce wider constraints and controls	tbc
	(2,766)
INDICATIVE : (Headroom) / residual gap	**(302)**

Confidence
High
Reasonable
Low

8. KEY RISKS TO THE PLAN

All assumptions and mitigations are subject to some degree of risk. The most significant risks currently identified are;

a) **System financial balance.** The working assumption is that all providers and all CCG's will be capable of submitting individually balanced plans. Therefore, the CCGs financial plan does not currently make any provision for otherwise having to assist or receive financial support from other organisation. Until a balanced system plan is submitted, this will remain a residual risk.

b) **Mental Health and Learning Disabilities:** The plan largely references current H1 run rates continuing, including the required growth to achieve the Mental Health Investment standard. The risk is that the run rates change during H2.

c) **Prescribing:** The plan reflects a locally calculated growth rate based on the last 18 month run rate which has been volatile. The risk is that the actual run rate differs from this and the impact cannot be financially managed.

d) **Continuing Health Care Services (CHC) –** Spend has been modelled based on live data provided from the clinical system. There is a general risk in that future patients may not be reflective of current patients in terms of their financial demands. There is a separate risk related to the Hospital Discharge Programme (HDP) funding, where should the CCG be unable to keep up with completing assessments within the required timescales, costs are not reclaimable from the scheme, but fall to the CCG. The assumption in the financial plan is that this will not be the case. This is therefore a risk. There is a second risk arising from the continued operation of the H2 retrospective allocation operating now at a system level where, despite local costs, all costs will only be reimbursed up to a maximum system funding envelope. The risk can only be known in-year, based on actual activity across all CCG's in the ICS.

e) **Primary Care Services**: The national planning guidance does not allow CCG to reflect any spend or income in relation to the ARRS scheme (40% element). The risk is that the income is not received and spend cannot be avoided. This is a risk to all CCGs but considered unlikely to happen currently.

f) **Risk of the need to identify further mitigations in-year.** Whilst this feels low risk at this stage, should all of the above risks occur (downside) there would be a need to consider what further mitigations might be applied in-year

g) **Identifying efficiencies and run rate reductions:** Whilst mitigations may be available to non-recurrently balance H2, inability of systems to identify and mobilise recurrent solutions may magnify the financial challenge in future years.

9. CONCLUSION

Governing Body is asked to note the content of the report with a view to supporting the suggested mitigations and approving the submission of a balanced plan on the basis set out above.

Appendix 1

Table 1. Summary of key financial assumptions (uplift)

Envelope component	H2 uplift	H1 back-pay
CCG programme allocations	1.40%	1.49%
CCG delegated primary care allocations	H1 envelopes include half of full year	n/a
CCG running cost allocations		n/a
Growth funding	1.40%	1.49%
System top-up	1.16%	1.75%
Covid-19 allocation	1.40%	1.49%

Table2. Explanation of CCG programme growth

Expenditure category	H2 price assumption	H2 activity assumption	H2 total assumption	Description	Back-pay assumption
Growth on NHS provider block payments	1.16%	n/a	1.16%	As per NHS provider growth factor - further detail is provided in the section below. Includes funding for the 3% pay uplift in H2. H1 back-pay funding is via a different method.	1.75%
Healthcare - Non NHS & IS	1.90%	n/a	1.90%	Price - assumed to follow NHS pay	0.93% weighted average
Prescribing	0.50%		0.50%	50% of full year growth estimate (H1 assumption had additional component associated with activity)	
CHC	1.90%	1.40%	3.30%	Price - assumed to follow NHS pay Activity - 50% of activity assumed in published allocations	
FNC	n/a	1.40%	1.40%	Price - full year assumption incorporated into H1 Activity - 50% of LTP activity	
Other CCG programme primary care	n/a	n/a	0.00%	Full year assumption already included in H1	
Other programme	1.90%	0.90%	2.80%	Price - impact of 3% pay deal Activity - 50% of activity assumed in published allocations	
CCG community activity	n/a	0.70%	0.70%	Activity – 50% of demographic pressure on both NHS and non NHS cost bases. Access to additional funding for community services above demographic growth is included as part of SDF.	
Better care fund CCG minimum contribution	n/a	n/a	0.00%	Full year assumption already included in H1	
CCG pass through drugs	n/a	n/a	£25m	Calculated as the pressure on the CCG pass through baseline, in excess of the 0.3% funded in the growth on NHS provider block payments	
Total CCG programme envelope growth			**1.40%**		**1.49%**

Table 3 : The ICS Allocation and System partner allocation shares

SYB Allocations	H1 allocation £'000	Growth CCG programme £'000	H1 backpay £'000	Top up £'000	COVID £'000	Growth £'000	Total £'000	SDF/SR funding £'000	Total inc. SDF/SR £'000
Barnsley CCG	237,037	2,711	2,875	-329	180	1,560	244,035	2,154	246,189
Bassetlaw CCG	100,416	1,149	1,220	-66	71	660	103,450	1,510	104,960
Doncaster CCG	279,822	3,169	3,361	-268	202	1,841	288,127	6,689	294,816
Rotherham CCG	227,080	2,660	2,823	-228	50	1,520	233,905	4,249	238,154
Sheffield CCG	483,310	5,342	5,660	-431	-4,705	3,157	492,333	27,052	519,385
Commissioner total	**1,327,665**	**15,031**	**15,939**	**-1,321**	**-4,203**	**8,738**	**1,361,849**	**41,654**	**1,403,502**
RDASH	5,395	0	0	-1	89	9	5,491		5,491
SHSC	5,451	0	0	-188	44	7	5,314		5,314
SCH	13,677	0	0	11	52	12	13,751		13,751
BHNFT	15,288	0	0	-359	42	15	14,985		14,985
TRFT	20,924	0	0	-158	137	16	20,919		20,919
STH	42,896	0	0	-1,731	364	66	41,595		41,595
DBTH	20,378	0	0	-538	196	24	20,060		20,060
Provider total	**124,009**	**0**	**0**	**-2,966**	**924**	**149**	**122,116**	**0**	**122,116**
Total	**1,451,674**	**15,031**	**15,939**	**-4,287**	**-3,279**	**8,887**	**1,483,965**	**41,654**	**1,525,619**