**NHS Rotherham Clinical Commissioning Group**

**Operational Executive – N/A**

**Strategic Clinical Executive – N/A**

**GP Members Committee (GPMC) – N/A**

**Clinical Commissioning Group Governing Body – 5 May 2021**

# NHS Rotherham CCG Month 1-6 (H1 2021/22) Final Financial Plan

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

**Purpose:**

Due to anticipated late release of 2021-22 financial planning and operational guidance, at March 2021 Governing Body it was noted that there would be insufficient time to allow for the approval of financial plans through the standard monthly governing body meetings. Governing Body therefore agreed to re-establish the sub-committee that had acted on its behalf previously (month 7-12 2020-21), to receive and review draft financial plans as they emerged, and to support submission of the final plan to the required national timescales on behalf of the governing body. This paper now includes the final plan that was submitted to the ICS on the 29 April 2021 for inclusion in the ICS system level financial plan submission deadline of 6 May 2021 and requires formal approval.

This report sets out the detail used to construct the CCG's financial plan for the period 1 April to 30 September 2021. At the time of writing all confirmed allocations have been included, however there are a number of additional allocations mainly Service Development Funds (SDF) still being finalised that the CCG will receive a share of.

**Background:**

Treasury has agreed an overall financial settlement for the NHS for the first half of the year 1 April 2021 to 30 September 2021 (this period now being reference nationally as Half 1 or H1). The financial settlement for months 7-12 2021/22 (the period now being referenced at Half 2 or H2) will be separately agreed once there is greater certainty around the circumstances facing the NHS going into the second half of the year.

Guidance has been issued on the financial arrangements to operate during H1 2021/22 which in summary, is broadly a continuation of the framework followed in H2 2020/21 involving the issuing of fixed funding envelopes within which ICS's must manage overall, with individual organisations submitting financial plans to support this.

**Analysis of key issues and of risks**

Detailed work has been carried out within RCCG to construct an H1 2021/22 financial plan which lives within the expected available financial envelope and this is summarised within the attached report and appendices.

**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: |
| --- |
| 15 April 2021- Governing Body Sub-Committee supported the first draft plan. |
| **Recommendations:** |
| Members of Governing Body are asked to:<br>• Note the H1 2021/22 financial plan commentary<br>• Note the underlying planning assumptions utilised in constructing the plan, and note the risks advised.<br>• Raise and discuss any concerns regarding the construction of the plan, or any assumptions underpinning it.<br>• Formally approve the financial plan. |

## 1. INTRODUCTION

This paper informs Governing Body of the CCG's H1 2021/22 financial plan submitted to the ICS on the 29 April 2021 for inclusion in the SYB ICS system plan. It covers the planning assumptions underpinning the plan, and the expenditure and allocation assumptions being used in modelling the plan. A previous version was shared with the governing body sub-committee on the 15 April 2021. There have been a small number of changes since then which are summarised at Appendix 1.

## 2. SYSTEM ENVELOPES

The financial framework arrangements for 2021/22 will continue to support a system-based approach to funding and planning. ICSs have been issued with fixed funding envelopes for the six-month period to 30 September 2021, based on the H2 2020/21 funding envelopes and including a continuation of the system top-up and COVID-19 fixed allocation arrangements. The total quantum has been adjusted to issue additional funding for known pressures and key policy priorities (including inflation, primary care and mental health services). All systems will be expected to report a balanced position on their system plan template.

The table at Appendix 2 shows the South Yorkshire & Bassetlaw (SYB) ICS funding envelope and RCCG's share of the envelope (£227.080m), based on principles agreed with the ICS to date.

The following assumptions and methodologies have been used nationally to generate the H1 system envelopes:

- **CCG allocations** – CCG programme allocations, CCG running cost allocations and CCG primary medical care allocations adjusted for the following;
    i. Mental Health Investment Standard (MHIS): The H2 2020/21 system funding envelope included full year funding to achieve the MHIS standard. An adjustment has therefore been actioned to normalise this funding to represent a 6-month period only.
    ii. Independent Sector (IS): The H2 2020/21 system funding envelopes included funding for CCG-commissioned IS services at M1-M4 2020/21 average run-rate; this has been reset to normal (i.e. pre covid) levels based on 2019/20 levels plus growth. The national IS contracts also ended on the 31 March 2021 therefore a funding adjustment has been reversed to reset CCG allocations back to normal levels of spend here.
    iii. Genomic testing and complex knees: In H1 2021/22, a further adjustment has been processed to update the 2020/21 adjustment for the latest estimate of activity.
    iv. Growth: Additional funding for activity growth and inflationary pressures has been provided.
    v. Service Development Funding (SDF): An adjustment has been made to remove historic primary care SDF embedded within the adjusted CCG allocations. SDF

funding will instead be issued separately via notified primary care SDF allocation adjustments.

- **System level allocations** consisting of;

  i. System top-up (Providers): These payment will increase in line with the growth on NHS provider block payments and therefore will include the general efficiency requirement
  ii. H2 (2020/21) Growth funding
  iii. COVID-19 fixed allocations: **T**hese have increased in line with the growth on NHS provider block payments and therefore will include the general efficiency requirement
  iv. Additional funding support for NHS provider income loss: To support NHS providers whilst recovering their positions on non-NHS income and car parking income
  v. Funding for free car parking for patient groups: additional funding for eligible patient groups
  vi. CNST inflation: To fund the difference between the value of CNST contributions in 2020/21 and 2021/22.
  vii. Transfer of specialised high costs drugs funding in the system top-up to NHS England specialised block payments.

- **Further sources of funding are available outside of fixed envelopes as follows:**

  i. Service Development Funds (SDF): It is assumed for the purposes of planning that all required funding for Primary Care (including the £6 per head Improved Access funding), Cancer, Maternity and Mental Health and all other national schemes linked to the NHS Long Term Plan, will materialise.
  ii. Additional Roles Reimbursement Scheme (ARRS): It is assumed for the purposes of planning that full funding will be made available to CCG's to compensate for the 40% additional costs to CCG's arising from the nationally expanded ARRS scheme.
  iii. Hospital Discharge Programme (HDP): It is currently advised this will be fully funded nationally via retrospective allocations from Month 1-6 applicable to scheme two (with further guidance to be issued).
  iv. Recovery Funding: It is currently advised that separate to the system funding envelopes, systems will be issued with additional Mental Health and Elective recovery monies from the £1.5bn funding agreed by Government for elective recovery, mental health and workforce development (with further guidance to be issued).

## 3. THE NATIONALLY CALCULATED EXPENDITURE PLAN

As part of the finance guidance issued nationally, NHS England and Improvement pre-calculated a suite of CCG and NHS provider organisational plans for the H1 period as a default position for systems and organisations to adopt if they wished to do so. These default organisational plans were generated by the national team based on Q3 2020/21 actuals, plus assumptions for inflation and growth, and assumptions about further investments required in primary care. As follows:

**(a) Inflation and Growth:**
Uplift factors were applied for CCG programme services eg for pay, drugs and other inputs over which commissioners have limited control, and activity growth where relevant to the H1 delivery priorities and broader financial framework.

**(b) Primary medical care services (Delegated):**
Within this category, spend was adjusted for:

- Growth : being the difference between original 2020/21 and 2021/22 published primary care allocations
- The impact of the updated GP contract in 2021-22 i.e. incorporating these components:
  - £20m practice contract funding, continuing to fund the impact of changes in the 2020/21 GP contract
  - £24m for the new QOF indicator for mental health – severe mental illness (new for 2020/21)
  - £58m for the new QOF indicators for vaccinations and immunisations, previously funded from public health budgets (new for 2020/21)
  - £50.7m the first tranche of the Impact and Investment Fund (IIF) indicators.
    (In addition to the £50.7m above, it is expected that CCGs will be funded up to a further £99.3m for the IIF during 2021/22).

- The impact of Primary Care Network funding, where in 2021/22 funding will comprise the following elements:
  - Additional Roles Reimbursement Scheme (ARRS)
  - £1.50 per head from published CCG core allocations
  - Clinical director roles from CCG primary medical care allocations
  - Care Home Premium funding to be allocated to CCGs separately
  - PCN Extended Access DES from CCG primary medical care allocations.

**(c) Running Costs**
CCG running costs allocation has not received any growth and remain as at H2 2020-21

## 4. THE RCCG CALCULATED EXPEDITURE PLAN

Rather than utilise the default nationally calculated organisational plans, SYB ICS DoFs agreed to construct individual organisational plans based on local knowledge and assumptions. For RCCG the detail of this is as follows:

a) Allocations:
Based on the figures and principles agreed between ICS DoFs as at 12th April 2021, the CCG expects to receive the following allocations:

| Allocation Type | CCG Allocation H2 2020/21 - 6 months (month 7-12) | Additional funding/Adj. H1 2021/22 - 6 months (month 1-6) | CCG Allocation H1 2021/22 - 6 months (month 1-6) |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| CCG allocation Programme | 200,812 | -87 | 200,725 |
| *Changes to H2 funding:* | | | |
| Envelope growth - CCG programme allocations | | 1,750 | 1,750 |
| Acute IS adjustment | | 1,800 | 1,800 |
| Transfer of SDF embedded in adjusted CCG allocations to separately notified SDF allocations | | -841 | -841 |
| FYE adjustment: MHIS | | -516 | -516 |
| MHIS H1 | | 653 | 653 |
| CCG allocation adjustments due to SpecComm corrections for genomics/complex knees | | -28 | -28 |
| ***Sub-total Core Allocation*** | 200,812 | 2,732 | 203,544 |
| CCG allocations - running costs | 2,419 | | 2,419 |
| CCG allocations - delegated primary care | 19,804 | 1,313 | 21,117 |
| **Total Allocations** | **223,035** | **4,045** | **227,080** |
| Other Pass through Allocations | | | |
| TRFT System top-up | 14,236 | 946 | 15,182 |
| TRFT System COVID | 5,177 | -6 | 5,171 |
| TRFT Growth Funding | 566 | 5 | 571 |
| **Total Pass through Allocations** | **19,979** | **945** | **20,924** |
| **Total Allocations to the CCG including pass through** | **243,014** | **4,990** | **248,004** |
| Other Allocations | | | |
| SDF funding confirmed | 1,117 | 660 | 1,777 |
| **Total CCG H1 Allocations including pass through and SDF** | **244,131** | **5,650** | **249,781** |

b) Expenditure:
Based on RCCG's local modelling assumptions, the CCG expects to spend £249.781m during the H1 period. The table below provides a summary of the CCG's assessment of spend tracking from 2020/21 forecast outturn (FOT) through to final plan.

| Expenditure Category | 2020/21 Full Year recurrent FOT (Column 1) | 2021/22 Locally Calculated Inflation (Column 2) | 2021/22 Locally Calculated Growth (Column 3 | 2021/22 Other recurrent Cost Pressures (Column 4) | 2021/22 Other non-recurrent Cost Pressures (Column 5) | Total Full Year 2021/22 Position (Column 6) | H1 2021/22 Position - 6 months (Apr-Sept) (Column 7) | Applied Mitigations (Column 8) | RCCG's Revised Assessment of Spend - H1 2021/22 (Column 9) |
|---|---|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| NHS Blocks - Acute | 219,118 | 1,092 | 0 | 0 | 0 | 220,211 | 110,105 | (70) | 110,036 |
| NHS Blocks - Community | 29,636 | 148 | 0 | 746 | 0 | 30,530 | 15,265 | (187) | 15,079 |
| NHS Blocks - Mental Health | 35,607 | 178 | 0 | 350 | 0 | 36,135 | 18,067 | (294) | 17,774 |
| Acute Other including Independent Sector | 1,116 | 3 | 3,739 | 186 | 0 | 5,044 | 2,522 | (25) | 2,497 |
| Community Health Services - all other non-NHS providers | 10,346 | 17 | 268 | 0 | 200 | 10,830 | 5,415 | (100) | 5,315 |
| Mental health services - all other non-NHS providers | 9,090 | 17 | 774 | 1,771 | 0 | 11,652 | 5,826 | 0 | 5,826 |
| Continuing Care Services | 26,949 | 597 | 1,076 | 0 | 0 | 28,622 | 14,311 | 0 | 14,311 |
| Primary care co-commissioning | 39,608 | 0 | 2,626 | 0 | 0 | 42,234 | 21,117 | 0 | 21,117 |
| Primary care services (excluding prescribing) | 4,651 | 11 | 1,862 | 386 | 18 | 6,928 | 3,464 | 0 | 3,464 |
| Primary care prescribing | 49,962 | 0 | 1,766 | 0 | 0 | 51,728 | 25,864 | 0 | 25,864 |
| Other Programme Services | 12,858 | 24 | 0 | 187 | 0 | 13,069 | 6,534 | (1,550) | 4,984 |
| Running Costs | 4,803 | 35 | 0 | 0 | 0 | 4,838 | 2,419 | (238) | 2,182 |
| Contingency | 0 | 0 | 0 | 2,258 | 0 | 2,258 | 1,129 | 0 | 1,129 |
| Unidentified QIPP | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (721) | (721) |
| **Total** | **443,744** | **2,123** | **12,111** | **5,883** | **218** | **464,079** | **232,040** | **(3,183)** | **228,857** |
| | | | | | | | | | |
| Expected CCG Allocations | | | | | | | 228,857 | | 228,857 |
| | | | | | | | | | |
| **CCG Gap - Surplus/(shortfall)** | | | | | | | **(3,183)** | | **0** |
| **Pass through expenditure** | | | | | | | | | |
| TRFT System top-up | | | | | | | | | 15,182 |
| TRFT System COVID | | | | | | | | | 5171 |
| TRFT Growth Funding | | | | | | | | | 571 |
| **Total Expenditure including pass through** | | | | | | | | | **249,781** |

## Key basis of assumptions underpinning the calculations in each column above

i. Column 1 – Comprehensive assessment of forecast outturn spend adjusted for non-recurrent items

ii. Column 2 + 3 – Locally calculated inflation and growth rates as set out in the table below, based on a mixture of local intelligence and adoption of national assumptions.

| Expenditure category | H1 price assumption - National | H1 activity assumption - National | H1 total assumption - National | RCCG local assumption included in draft H1 plan |
|---|---|---|---|---|
| Growth on NHS provider block payments * | 0.50% | n/a | 0.50% | 0.50% |
| Healthcare – Non & IS | 0.20% | n/a | 0.20% | 0.20% |
| Prescribing | n/a | n/a | 0.68% | 3.50% |
| CHC | 0.20% | 1.40% | 1.56% | 6.20% |
| FNC | 2.00% | 1.40% | 3.40% | 3.40% |
| Other CCG programme primary care | n/a | n/a | 4.50% | 4.50% |
| Other programme | 0.20% | 0.94% | 1.09% | 1.60% |
| CCG community activity | n/a | 0.67% | 0.67% | 0.67% |
| Better care fund CCG minimum contribution | n/a | n/a | 5.30% | 5.30% |
| CCG pass through drugs | 7.70% | n/a | £24m | £0.1m |
| **Total CCG programme envelope growth** | | | **0.88%** | **2.37%** |

*H1 growth on NHS provider block payments of 0.50% is the aggregate of inflationary growth of 0.77% and an efficiency requirement of 0.28%.

iii. Column 4 – Assessment of recurrent pressures include contingency (a) £746k provision for on-going increased costs of neuro-rehab services (b) £350k and £1.771m required to fund the full year effect of MHIS and MH SDF (c) £186k QUIT business case (d) £386k rolling refresh of IT to acknowledge recurrent nature of this investment (e) £187k for smaller items e.g. same sex policy et al (f) £2.258m reintroduced requirement to hold 0.5%

iv. Column 5 – Assessment of non-recurrent pressures include anticipated double running costs expected to occur as a result of neuro-rehab procurement.

v. Column 6 – Full year plan using H1 assumptions

vi. Column 7 – Half year plan (H1- April to Sept 2021) before mitigations showing a £3.2m gap. The main areas contributing to this gap are, the national growth assumptions versus the local growth in prescribing and CHC and the requirement to re-instate the 0.5% contingency (£1.129m for H1).

vii. Column 8 – The following mitigations have been applied to close the gap:

- NHS Blocks – Expectation of continued receipt of pass-through income from external agencies (RMBC and Health and Justice Dept.). This income offsets expenditure now included in the block payments with providers.
- Community Health Services – Assumes a benefit from reduction in planned spend due to the delayed procurement of neuro-rehabilitation service.
- Other Programme Services – Assumes (a) NHSE/I do not enact any allocation adjustment in the first half of the year in respect of charge exempt overseas visitors (CEOV) and stroke service. (b) That the CCG's recent annual investment into population health management within Rotherham place cannot be made in H1 2021-22.
- Running costs: This 'saving' is not to do with not filling CCG vacant posts. It is an assumption that the IT SLA with TRFT will continue not be separately payable out of running costs given that this transaction is still being included within provider blocks for H1..
- Unidentified QIPP: This assumes that £0.721m of QIPP's will be successful in being found in H1. QIPP work should be restarted for the identification of real run rate reductions wherever possible; in order to assist with leading into what is likely to be a further, and more significant financial challenge in H2 2021-22.

## 5. KEY RISKS TO THE PLAN

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

a) **Primary Care Services** : That ARRS and any other primary care monies are not received, and that related spend cannot be stopped

b) **Mental Health and Learning Disabilities:** The plan largely reference historic growth plus known growth required to achieve the Mental Health Investment standard. Outside of this however the CCG is grappling with increasing demands for significant additional investment from providers, beyond previous expectation and beyond the levels of funding growth. Officers are continuing to work through this internally and with providers, but any unavoidable additional investment poses a risk to the current plan.

c) **Prescribing:** That actual growth rates come in higher than modelled and cannot be further mitigated. As life returns to normal we may see prescribing costs increase back towards pre-covid levels of growth, faster than the financial plan currently assumes. We will continue to review the prescribing percentage growth included in our plan up to submission, and as other CCG's conclude their financial plans

d) **Continuing Health Care Services (CHC):** The plan includes assumptions based on historic level of growth alongside the experience of the recent covid environment, however the impact of the national HDP guidance on operational activity and the inclusion of social care now make this a significantly more challenging area than in pre-covid years to financially model. We are confident the calculation of numbers per se is robust and that the assumptions underpinning those provide calculations have a logical basis. We cannot provide assurance however that patients will actually present in future in line with these existing assumptions. And a further risk is of the extent to which the detail of the H1 retrospective allocation system (yet to be provided nationally) differs from the previous HDP programme, on which our assumptions are based.

e) **Identifying efficiencies and run rate reductions:** The risk is the extent to which internal QIPP processes can be put back in in place and adequately resourced. There is a risk that sufficient QIPP schemes may not be identified, and if they are identified , that they may not be practically deliverable given the CCG's competing internal priorities and wider system pressures and availability of staffing resource to focus on this work. Faillure to identify sufficient recurrent solutions may magnify the financial challenge in future years.

f) **System financial balance.** The working assumption is that all providers and all CCG's will be capable of submitting individually balanced plans. Therefore the CCG 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 as residual risk.

g) **QUIT business case (£185k).** Included in the CCGs unidentified QIPP, however there is an upside risk costs may be mitigated via slippage in system funds held at the ICS.

h) **Drawdown.** CCG drawdown is absent from all planning guidance. The risk is that this is not an available option for the CCG this year as a non-recurrent solution to closing any residual gap in either H1 or H2.

## 6. LOOKING AHEAD TO H2 2021/22

The financial settlement for H2 2021/22 has yet to be agreed however we have been advised to expect an increased efficiency requirement for H2 over that in H1. H1 financial arrangements include an efficiency requirement applied to the second quarter only. The CCG's H1 financial plan before mitigations had a gap of £3m therefore it is feasible that this could increase in H2 by at least a further £1- £1.5m.

It is not clear at when the NHS will revert back to its previously notified Long Term Plan allocations; the working assumption is that this is more likely to be with effect from 1st April 2022 than it is to be from H2 2021/22.

## 7. CONCLUSION

Governing Body is asked to note and discuss the content of the report and approve the financial plan.

## Appendix 1 – Changes to the plan since governing body sub-committee

| Allocations | £'000 |
|---|---|
| Allocations as presented to sub-committee | 227,894 |
| *Further allocations confirmed* | |
| Primary Care SDF | 868 |
| Mental Health SDF | 485 |
| Trailblazer - removal of 2020/21 value | -821 |
| Trailblazer - revised 2021/22 value | 424 |
| Growth on covid funding | 7 |
| **Revised CCG Allocations** | **228,857** |
| *Provider pass through allocations* | |
| TRFT System top-up | 15,182 |
| TRFT System COVID | 5,171 |
| TRFT Growth Funding | 571 |
| **Total Allocations to the CCG** | **249,781** |

| Expenditure | £'000 |
|---|---|
| QUIT ICS business case * | 185 |

* This expenditure has increased the unidentified QIPP see risks section.

## Appendix 2 - South Yorkshire & Bassetlaw ICS envelope

| System envelope funding for 2021/22 H1 | Total | RCCG | Pass through | Total RCCG |
|---|---|---|---|---|
| **H2 envelope funding:** | £'000 | £'000 | £'000 | £'000 |
| CCG allocations - programme (including adjustments to model breakeven and growth funding) | 1,143,730 | 198,415 | | 198,415 |
| CCG allocations - running costs | 14,596 | 2,419 | | 2,419 |
| CCG allocations - delegated primary care | 112,768 | 19,804 | | 19,804 |
| System H2 (2020/21) Growth Funding | 10,266 | 879 | 571 | 1,450 |
| System top-up - indicative organisation values | 74,014 | | 15,182 | 15,182 |
| Covid funding | 71,412 | 1,431 | 5,171 | 6,602 |
| **Total H2 envelope funding** | **1,426,786** | **222,948** | **20,924** | **243,872** |
| FYE adjustment: MHIS | (3,817) | (516) | | (516) |
| CCG allocation adjustments due to SpecComm corrections for genomics/complex knees | (191) | (28) | | (28) |
| System top-up adjustments due to SpecComm corrections for genomics/complex knees | 43 | | | - |
| **Total H2 funding adjusted** | **1,422,821** | **222,404** | **20,924** | **243,328** |
| Transfer of SDF embedded in adjusted CCG allocations to separately notified SDF allocations | (2,965) | (841) | | (841) |
| Transfer of specialised high cost drugs and devices funding from system top-up to NHSE specialised block contracts | (2,612) | | | - |
| Additional funding for rollover period (detailed below) | | | | - |
| Support for NHS provider other income loss | 3,580 | | | - |
| Funding for free car parking for patient and staff groups | 519 | | | - |
| Acute IS adjustment | 7,473 | 1,800 | | 1,800 |
| CNST inflation | 1,757 | | | - |
| Envelope growth - CCG programme allocations | 7,738 | 1,750 | | 1,750 |
| Envelope growth - CCG running costs allocations | - | | | - |
| Envelope growth - CCG delegated primary care allocations | 7,481 | 1,313 | | 1,313 |
| Envelope growth - System top-up - indicative organisation values | 357 | | | - |
| Envelope growth - Covid funding | 628 | | | - |
| Mental health investment standard | 4,896 | 653 | | 653 |
| System top-up efficiency reflecting 2019/20 CT shortfall | - | | | - |
| **Draft H1 system envelope funding** | **1,451,674** | **227,080** | **20,924** | **248,004** |