Meeting: Governing Body (via Teams)			
Meeting Date	24 April 2020	**Action**	Approve
Item No.	5	**Confidential**	No
Title	2020/21 Financial Budget		
Presented By	Mike Woodhead, Joint Chief Finance Officer, Bury Council & NHS Bury CCG		
Author	Finance Team		
Clinical Lead	-		

Executive Summary

The CCG Governing Body has a duty to set an annual budget, which is usually based on the final version of Operating Plans submitted to NHS England. For 2020/21, the final plans were due to be submitted on 29 April 2020 (this national deadline had already been delayed several times by NHSE/I).

Due to Covid-19, NHSE/I has suspended the Operating Planning process and introduced a temporary new financial framework across the country. It's not possible to say how long the Covid-19 crisis will continue for or what the scale of financial impact will be. The Governing Body still has a duty to set a budget, though. This paper, which was considered and approved by the Finance, Contracting and Procurement Committee on 16 April 2020, proposes that a 2020/21 **interim** budget should be set based on the last draft Operating Plan submission (5th March), i.e. excluding Covid-19 impacts and the new financial framework. The headline figures and underlying assumptions from the 5th March submission have been previously presented and discussed at FCP and Governing Body meetings. They are:

- Financial gap (pre QIPP savings) £20m
- QIPP savings target £9m
- Deficit plan £11m

Note: this is not compliant with business rules and duties but is, nevertheless, recommended for the reasons outlined in the paper.

Actual spend will be certainly be significantly different to the pre-Covid-19 plan, but this interim budget will give us a sensible and recognisable anchor-point against which we can measure the impact of Covid-19 and other variances. It is expected that, post crisis, there will be some form of national financial "reset" and new plans will be required.

The second part of the paper (section 3) describes some key aspects of the temporary new financial framework put in place by NHSE in response to Covid-19.

Recommendations

The Finance, Contracting and Procurement Committee recommends that the Governing Body:

- approves the financial plan outlined in section 2 of this paper as the interim 2020/21 budget
- notes the implications of setting a deficit budget
- delegates authority to the CFO to allocate budgets at a granular level
- notes the Covid-19 responses and the potential risks and impacts (section 3 of the report)

Links to CCG Strategic Objectives	
SO1 People and Place To enable the people of Bury to live in a place where they can co-create their own good health and well-being and to provide good quality care when it is needed to help people return to the best possible quality of life	☒
SO2 Inclusive Growth To increase the productivity of Bury's economy by enabling all Bury people to contribute to and benefit from growth by accessing good jobs with good career prospects and through commissioning for social value	☒
SO3 Budget To deliver a balanced budget for 2019/20	☒
SO4 Staff Wellbeing To increase the involvement and wellbeing of all staff in scope of the OCO.	☒
Does this report seek to address any of the risks included on the Governing Body Assurance Framework? If yes, state which risk below:	
GBAF *N/A*	

Implications						
Are there any quality, safeguarding or patient experience implications?	Yes	☐	No	☐	N/A	☒
Has any engagement (clinical, stakeholder or public/patient) been undertaken in relation to this report?	Yes	☐	No	☐	N/A	☒
Have any departments/organisations who will be affected been consulted ?	Yes	☐	No	☐	N/A	☒
Are there any conflicts of interest arising from the proposal or decision being requested?	Yes	☐	No	☐	N/A	☒
Are there any financial Implications?	Yes	☐	No	☐	N/A	☒
Has an Equality, Privacy or Quality Impact Assessment been completed?	Yes	☐	No	☐	N/A	☒
Is an Equality, Privacy or Quality Impact Assessment required?	Yes	☐	No	☐	N/A	☒
Are there any associated risks including Conflicts of Interest?	Yes	☒	No	☐	N/A	☐
Are the risks on the CCG's risk register?	Yes	☐	No	☒	N/A	☐

Governance and Reporting		
Meeting	**Date**	**Outcome**
Finance Contracting and Procurement Committee	16/04/2020	approved

2020/21 Budget

1. Introduction and context

The CCG Governing Body has a duty to set an annual budget, which is usually based on the final version of Operating Plans submitted to NHS England. For 2020/21, the final plans were due to be submitted on 29 April 2020 (this deadline had already been delayed several times).

Due to Covid-19, NHSE has suspended the Operating Planning process and introduced a temporary new financial framework across the country. It's not possible to say how long the Covid-19 crisis will continue for or what the scale of financial impact will be. The Governing Body still has a duty to set a budget, though. This paper proposes that the 2020/21 budget should be set based on the last draft Operating Plan submission (5th March), i.e. excluding Covid-19 impacts and the new financial framework. The headline figures and underlying assumptions from the 5th March submission have been previously presented and discussed at FCP and Governing Body meetings.

Actual spend will certainly be significantly different to the pre-Covid-19 plan, but setting the budget based on the 5 March submission will give us a sensible and recognisable anchor-point against which we can measure the impact of Covid-19 and other variances. It is expected that, post crisis, there will be some form of national financial "reset" and new plans will be required.

The first part of this paper (section 2) sets the high-level budget figures, per the 5th March Operating Plan submission, and seeks delegated authority to the CFO to allocate the budgets at a cost centre/ granular level.

These are extraordinary circumstances and this budget is **not** the budget that the CCG would have intended to set pre-Covid-19. Several ongoing workstreams were already in train to mitigate the deficit (see section 2.4) but have been parked during the current crisis. Therefore, this budget should be regarded as an **interim** budget – a technical exercise - which will need to be reviewed and revised post crisis.

The second part of the paper (section 3) describes some key aspects of the temporary new financial framework put in place by NHSE in response to Covid-19.

.

2. Financial gap

2.1. Summary plan

Table 1, shows the high-level planning figures compared to the 2019/20 forecast out-turn. Key assumptions, as discussed at previous FCP and Governing Body meetings, include:

- Funding as per published allocations
- Acute investment assumptions:
  - Expenditure increased in line with national tariff prices
  - Elective (planned) care growth of 2% per annum
  - Non-elective (urgent) care growth of 4% per annum
- Requirement to achieve investment standards in non-acute areas of on average:
  - Mental health 4.3% per annum
  - Community services 4.4% per annum
  - Primary care 4.2% per annum
- Repayment of £1.3m to GMHSCP and £0.6m to Manchester CCG re prior year support
- Year 2 increase in CCG contributions to pooled budgets (with Council) of £10.5m

- No financial provision for managing waiting list targets.

Table 1: Summary Plan

	Forecast 19/20 £000	Plan 20/21 £000
Funding Allocations		
Recurrent	308,002	319,974
Non-Recurrent	5,162	4,100
Total In-Year allocation	**313,164**	**324,074**
Expenditure		
Acute	166,754	170,769
Mental Health	30,124	31,169
Community	30,790	33,264
Continuing Care	14,562	15,254
Primary Care	39,275	41,385
Other Programme	140	9,551
Primary Care Co-Commissioning	27,216	28,252
Total Programme Costs	**308,861**	**329,644**
Running Costs	4,303	3,810
Contingency	0	1,620
Total Costs	**313,164**	**335,074**
Underspend/(Deficit)	0	(11,000)

The planned deficit of £11m in not compliant with the nationally set business rules and financial duties. It may trigger external auditors to write to the Secretary of State (a "section 30" notice). Nevertheless, as discussed at previous meetings:

- It is a challenging but credible target (pre Covid-19)
- It is after assuming c3% / £9m QIPP savings (see below)
- It is thought that this target would prevent overly aggressive regulatory intervention
- It is likely to place Bury CCG in the "middle of the pack" across GM (and quite possible near the top of the pack regionally/ nationally)

The CCG will end 2019/20 with a break-even position for the year and a cumulative surplus of £7m. An £11m deficit during 2020/21 would therefore result in a £4m cumulative deficit at the end of that year.

2.2. Financial Gap

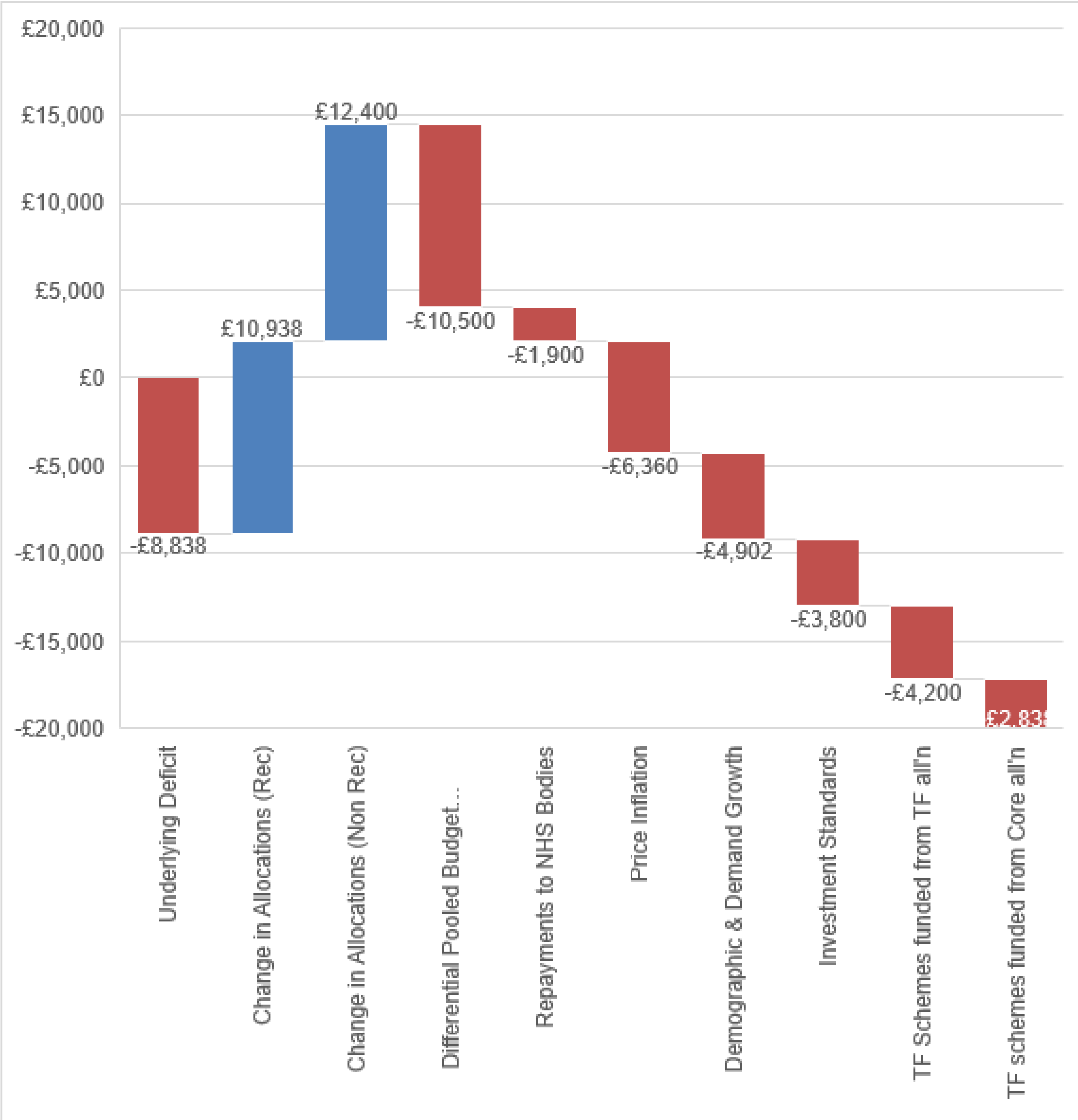
As stated above, the £11m deficit is ***after*** planned QIPP savings of £9m, i.e. the financial gap for 2020/21, before savings, is £20m. Chart 1 below details the movement from the CCG underlying deficit of £8.8m to the savings target of £20m.

- The underlying deficit of £8.8m, as reported previously at FCP and Governing Body, is the result of:
  - Funding growth over recent years not keeping track with demand and cost pressures
  - The CCG under-achieving recurrent QIPP savings targets in recent years and having to resort to non-recurrent measures to break-even
- Changes in allocations:
  - Recurrent changes are in line with published allocations

- Non-recurrent allocations include access to £4.1m historic surplus, plus the £4.1m "2 for 1" allocation and £4.2m transformation funds.

- £10.5m pooled budget increase reflects year 2 of the variation to the s75 agreement
- The other pressures reflect the planning assumptions detailed above.

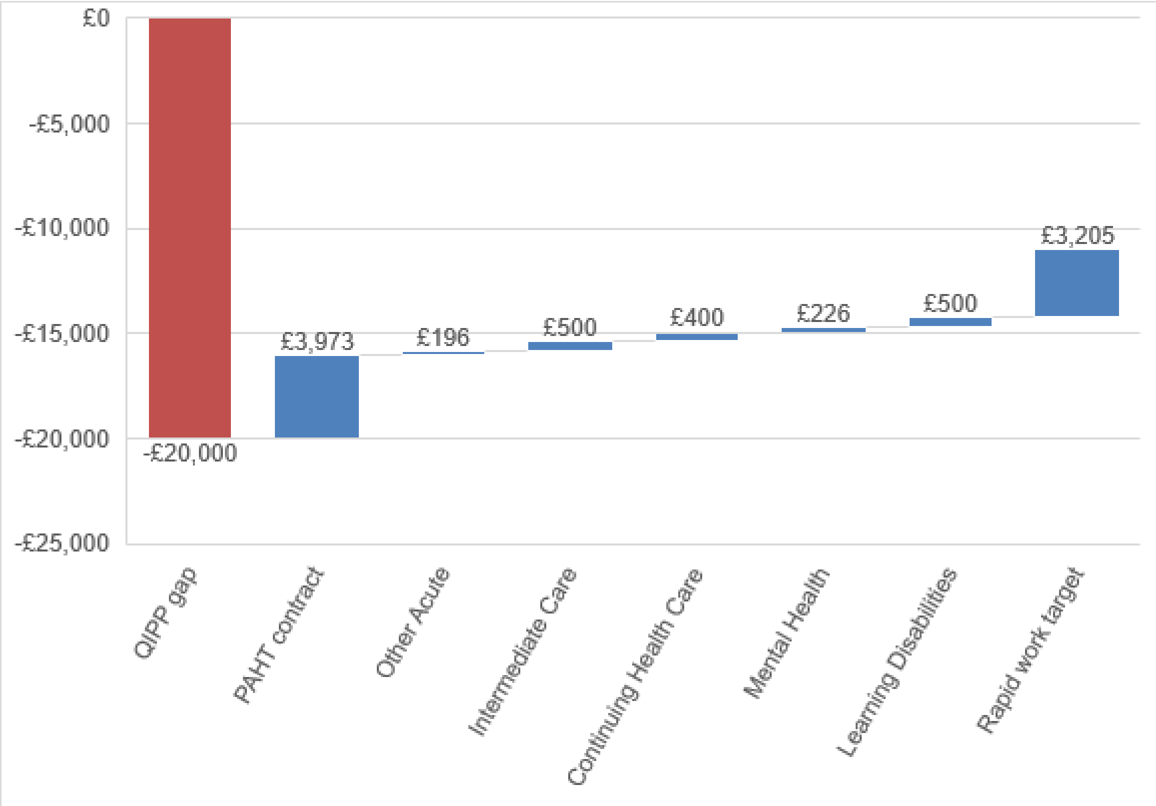
Chart 1 – Financial Gap



2.3. QIPP Savings Plan

The QIPP requirement of £20m is unchanged from previous updates. At the time of the last planning submission there were £5.8m of identified schemes and a rapid piece of work had commenced to identify a further £3.2m to take QIPP delivery to £9m or c.3% of recurrent allocations. The contract that the CCG and North East Sector partners were on the brink of agreeing with Pennine Acute would have delivered £3.973m QIPP. Chart 2 below shows the 2020/21 QIPP delivery plan as detailed in the 5th March submission to NHS England.

Chart 2 – 2020/21 QIPP delivery plan



2.4. Potential Mitigations (pre Covid)

Prior to the Covid-19 crisis, the following mitigations were being explored to reduce the £11m deficit:

- Release of the 0.5% contingency budget (£1.6m)
- Defer/cancel payments re GM support (£1.9m)
- Review of locality transformation scheme expenditure/extensions (c£2m)
- Negotiation with/between GMHSP and NHSE/I regarding locality access to the national Targeted and Fair Share transformation funds (combined, for the whole of GM, c£64m)
- Exploration of the potential for further smoothing of s75 contributions with the Council (subject to negotiation and agreement with Bury Council)
- Delayed investments (e.g. community, primary care and mental health investment standards – up to £5m in total)
- Wider GM support (e.g. GM risk pool)

The current crisis has put a halt to these workstreams and mitigations. Post-crisis, work to secure mitigations will recommence although the landscape, financial framework and savings opportunities might look significantly different compared to 5 March.

3. Impact of Covid-19

The financial plan outlined above does not take account of the impact of Covid-19 and the temporary new financial framework introduced by NHSE/I. Actual spend will be materially different to plan because of the current crisis. However, the scale of the financial impact cannot be measured at this time as guidance is still emerging and we do not know how long the crisis will continue for.

The bullets below list **some** of the Covid-19 responses and how they might impact financially.

- Contract negotiations with providers have been suspended and NHSE/I have instructed CCGs how much to pay their NHS providers. CCGs are obliged to pay NHS providers on a block contract basis for the next 4 months. This arrangement might well be extended. NHSE/I have told CCGs what amount to pay (largely based on 2019/20 values with 2.5% to 2.8% inflation added). There is also a system of "top-up" payments whereby NHSE/I will pay additional amounts each month to providers, e.g. to compensate for loss of income from other services. These arrangements are largely about maintaining a working cash-flow to providers during the crisis and it's unclear if/how/when this will get adjusted post-crisis. However, as things stand, the arrangements will leave Bury CCG c£1.5m-£2.0m worse off for the period April to July compared to the contracts values we have planned for and negotiated.

- The government announced £1.3b additional NHS funding (in addition to the £1.6b funding to Councils and a series of other support measures, e.g. small business grants; retail, hospitality and leisure sector grants; furloughing of staff; business loan support; additional funding for charities). There is a promise of more to come if/when needed and The Chancellor of the Exchequer committed in Parliament that *"Whatever extra resources our NHS needs to cope with coronavirus – it will get."* So, the message is: financial constraints must not and will not stand in the way of taking immediate and necessary action - whether in terms of staffing, facilities adaptation, equipment, patient discharge packages, staff training, elective care, or any other relevant category. This presents a risk – the CCG needs to take it as a matter of faith that costs will be reimbursed. Good record-keeping and audit trails will be essential (see below).

- There is an expectation that CCGs and Councils will pool most of the additional funding – this would be natural in Bury's circumstances, with the establishment of the Strategic Commissioning Board and the Integrated Commissioning Fund. The s75 Agreements will need to be varied during 2020/21 to reflect this.

- Financial means-testing when discharging patients with a package of care has been suspended, so all costs will be funded via CCGs during the crisis period. This is to prevent delays in discharge and remove any barriers between CCGs and Councils in terms of "who pays" debates. Again, there is a financial risk here (potentially in the region of £1.0m-£1.5m over the first 4 months), as the guidance on claiming funding for these costs is not developed.

- CCGs and providers are still expected to keep good financial governance and controls and will claim Covid-19 funding monthly. We will be expected to be able to justify all spend and might be subject to audit. The main areas of claims for Bury CCG to date have been:

    - £213k on the rapid hospital discharge programme (mostly payments to care homes, with some additional costs around the reablement, rapid response and intermediate care teams)

    - £110k on swabbing services (via Bardoc)

    - £74k on facilitating the remote management of patients (text messaging service and enhanced homeworking capabilities)

    - £74k on enhanced out of hours services and the setup of the Covid Management service

    - £12k protective clothing and equipment

  These costs were incurred in the final weeks of March and are expected to escalate during April and May.

- There are expectations on CCGs to work with non-NHS providers to:
    - Ensure any organisations playing a key role in the Covid-19 response are financially supported to do so.
    - Any organisations which are not key to directly tackling Covid-19, but are important in terms of post-crisis "business as usual" are supported (in the first instance) to optimise other channels for financial support (e.g. furloughing, small business grants, etc.).

  CCG finance, contracting and commissioning teams are working to liaise with all relevant providers, to give appropriate support and, where possible, maintain a consistent approach with the Council and across GM. Where direct financial support is given, there will be certain conditions including:

    - Providers to work on an open-book basis, with a contract reconciliation post crisis
    - Redeployment of staff and/or facilities to tackle Covid-19
    - Guarantees that providers will continue to pay their staff, sub-contractors and supply chain and not double claim (e.g. not charge the NHS at the same time as furloughing staff with government funding)

- There is an acknowledgement from NHSE/I that very little QIPP/CIP savings are likely to be delivered in the first 6 months of the year, whilst all efforts are focused on tacking Covid-19. However, we have begun a review of our local QIPP programme to determine what we could/should be moving forward with over the next few months. It is also clear that much of what we are now doing at speed in response to Covid-19 fits in with our original plans, e.g. changing the management and setting of outpatients, introduction of AskMyGP for primary care consultations, increased home working, etc. It is important that we monitor the impact of this (clinical and financial) so that a proper evaluation can take place and, where appropriate, we can introduce a **new** "business as usual".
- The government has announced the write-off of £13.4b historic debt from provider balance sheets. £160m of that relates to Pennine Acute. The debt will be converted into "Public Dividend Capital" (PDC) which will attract a 3.5% annual charge. It is expected that providers' control totals will be adjusted to reflect any impact (positive or negative) of this adjustment. This makes it unlikely that the CCG will benefit from the write-off.
- Like most CCG employees, finance and contract management staff are required to work from home.
- Statutory accounts deadlines have been extended (+3 days for draft accounts, + 1 month for audit), and Annual Report and meeting requirements are being reviewed. Programme Budgeting returns have been suspended.

4. Recommendations

The Finance, Contracting and Procurement Committee recommends that the Governing Body:

- approves the financial plan outlined in section 2 of this paper as the interim 2020/21 budget

- notes the implications of setting a deficit budget
- delegates authority to the CFO to allocate budgets at a granular level
- notes the Covid-19 responses and the potential risks and impacts (section 3 of the report)