

**NHS DORSET CLINICAL COMMISSIONING GROUP
GOVERNING BODY MEETING
REVISED INTERIM BUDGET 2020/21**

Date of the meeting	15/07/2020
Author	M Gravelle, Assistant Director of Finance - Strategy
Sponsoring Board member	N Rowland, Chief Finance Officer
Purpose of Report	To update the Governing Body on the revised interim budget, following the notification of an urgent decision taken on 20 May 2020 regarding the revised CCG allocations.
Recommendation	The Governing Body is asked to approve the revised interim budget for 2020/21.
Stakeholder Engagement	N/A
Previous GB / Committee/s, Dates	N/A

Monitoring and Assurance Summary

This report links to the following Strategic Objectives	<ul style="list-style-type: none"> • Prevention at Scale • Integrated Community and Primary Care Services • One Acute Network • Digitally Enabled Dorset • Leading and Working Differently 		
	Yes [e.g. ✓]	Any action required?	
		Yes Detail in report	No
All three Domains of Quality (Safety, Quality, Patient Experience)	✓		✓
Board Assurance Framework Risk Register	✓		✓
Budgetary Impact	✓		✓
Legal/Regulatory	✓		✓
People/Staff	✓		✓
Financial/Value for Money/Sustainability	✓		✓
Information Management & Technology	✓		✓
Equality Impact Assessment	✓		✓
Freedom of Information	✓		✓

8.1

I confirm that I have considered the implications of this report on each of the matters above, as indicated	✓
--	---

Initials : MG

Interim budget 2020/21

1 Summary

- 1.1 An interim budget for Dorset CCG was presented to the 13 May Governing Body meeting.
- 1.2 This budget was based on anticipated expenditure for months 1 – 4 (April to July 2020) and reflected the financial framework and guidance in place at the time.
- 1.3 On 15 May 2020 NHS England and Improvement issued a revised financial framework for CCGs, reducing the allocation and specifying the budget for the first four months. CCGs were required to implement this new budget, producing the detail necessary to upload by 26 May 2020.
- 1.4 As a consequence of the short timescales an urgent decision request was presented to members on 20 May 2020 to approve an outline approach.
- 1.5 This paper presents the outcome of the work and the interim budget set for months 1 – 4.
- 1.6 The financial context for the NHS together with references to key guidance is also included for context.

2 Covid-19 finances

- 2.1 The Sir Simon Stevens/Amanda Pritchard letter issued on 17 March setting out 'Next Steps on NHS Response to COVID-19' suspended the Annual Planning Process that had been in hand, and fundamentally changed financial arrangements for 2020/21. Some of the new national arrangements materially change the expenditure profile of the CCG including:
 - the move of major independent sector hospital contracting away from CCGs to NHS England
 - NHS provider payments being re-set based on historic spend (potentially ignoring non-recurrent issues or recent service changes/transfers)
 - the cessation of billing for Non-Contracted Activity (NCAs) by NHS providers
 - the suspension of efficiency expectations within inflationary uplifts
 - the potential deferment of transformation plans (where they cannot be progressed due to covid-19)
 - the expectation that most planned investments will be set aside, although the position on handling the Mental Health Investment Standard is less clear

- reimbursement of covid-19 related costs from central NHS funds
- 2.2 The 17 March letter indicated that the 2020/21 resource allocations for commissioners will not be changed. However, as described in section 4, this has now been altered and a new financial framework with revised allocations was announced on 15 May 2020.
- 2.3 The impact of some of the changes is not clear and guidance continues to be issued by NHS E/I to provide further clarification. There is also no certainty about the length of time for which the changed regime will operate nor how the recovery phase will be managed. For the purposes of this interim budget it is assumed that the funding regime will be in place for four months, which is consistent with the March 17 letter, but this will be reviewed and updated as the situation evolves.

3 Guidance on finances during Covid-19 incident

- 3.1 Appendix 1 provides detail on the key guidance documents that have been issued in relation to finance during the Covid-19 incident (links to them are included). In summary the key areas covered are discussed below.

Payments to NHS Providers

- 3.2 The Sir Simon Stevens/Amanda Pritchard letter issued on 17 March setting out 'Next Steps on NHS Response to Covid-19' presented a broad range of changes across the NHS. This included notification of the move to block payments to NHS Providers and set the expectation that additional funding to cover costs of dealing with the pandemic will be provided.
- 3.3 The letter also confirmed that general practice income will be protected.
- 3.4 Guidance issued on 26 March 2020 set out the approach to block payments to NHS Providers for the period of April to July 2020, with the specific amounts to be notified by NHS England and Improvement. This guidance specified that any newly agreed contracts for 2020/21 should be set aside for the period and that any existing contracts will be paid as per the block payment methodology.
- 3.5 All other payments to NHS providers outside of contracts (Non-Contract Activity) are suspended, with top up payments being calculated and made centrally to compensate providers for the lost income.

Independent sector providers

- 3.6 The NHS has centrally contracted with a number of Independent Sector providers to block purchase their capacity during the Covid-19 incident. The guidance of 26 March specified that these arrangements commenced on 23 March for a minimum of 14 weeks. These contracts override any local arrangements and affect three providers that Dorset CCG have contracts with.

- 3.7 For all other Independent Sector Providers there is more local discretion, although a number of pieces of guidance have been issued, including the 26 March guidance (for those with NHS Standard Contracts), a policy note (PPN 02/20) from the cabinet office on 20 March (applicable to the wider public sector, not just NHS) and subsequent NHS England guidance on this note. These provide a framework for supporting other providers depending on whether their services are continuing, whether their resources could be redeployed in another capacity to support the NHS and whether they are strategically significant. For many of these organisations it is likely that CCG income will reduce or stop, and they will access financial support through alternative government schemes.

Support for Hospital Discharges

- 3.8 Rapidly discharging eligible patients from acute care has been prioritised and funded centrally, fundamentally changing the usual processes and the funding for care after hospital. Guidance was issued on 19 March 2020, removing the distinction between how patients care will be funded, instead providing a route to reclaim all costs from NHS E/I, irrespective of whether they would previously have been considered for local authority, continuing health care or self-funding.
- 3.9 Further clarification was issued on 8 April 2020 providing additional information on what is funded and how the CCG and Local Authorities should pool their resources through a Section 75 agreement.

4 Revised Financial Framework

- 4.1 The revised guidance published on 15 May 2020 reduced the allocation to Dorset CCG by £8.4m for the first four months of 2020/21.
- 4.2 The new guidance has calculated an allocation for CCGs based on the forecast outturn as at month 11 in 2019/20. Adjustments are included for costs that are now set, or fully funded, nationally, including block contracts with the main NHS providers, cessation of non-contract arrangements with other NHS bodies and national contracts for the larger independent sector providers.
- 4.3 CCGs were required to deliver a breakeven budget for each month.
- 4.4 In addition to providing the overall allocation the framework set the required expenditure in each month across broad headings (acute services, mental health service, community services, primary care etc). The budget uploaded by the CCG had to match these figures.
- 4.5 Between the 15 May and the upload on 26 May work was undertaken to analyse the figures and produce a budget to our usual level of detail that both aligned to the high-level headings and reflected the breakdown of expenditure across individual budget lines.

4.6 The new budget was uploaded by the deadline.

5 Interim budget

5.1 For months 1-4 the CCG has been allocated £420.1m. This compares to £428.5m under the original allocation. The following table shows the movement between the budget presented to Governing Body on 13 May and the new one.

	Interim budget months 1-4 per 13th May report	New Interim budget months 1- 4	Movement
£000s			
Acute Commissioning	204,417	204,129	(288)
Dorset HealthCare University NHS FT	76,555	75,167	(1,388)
Other Mental Health & Learning Disabilities	5,084	4,744	(340)
Primary Care Commissioning	89,771	89,728	(44)
Other Community Health	1,474	2,027	554
Better Care Fund	9,168	9,407	239
Personal Health Commissioning	30,612	31,880	1,268
Other Commissioning	3,346	4,574	1,228
NHS England Business Rules	1,769	(6,388)	(8,157)
Corporate Running Costs	4,938	4,816	(122)
GRAND TOTAL	427,133	420,084	(7,050)
Resource Allocation	(428,500)	(420,084)	8,416
(Under) / Overspend	(1,367)	0	1,367

5.2 The movements arise from the different methods for arriving at the anticipated expenditure in each area. The original interim budget used the figures for nationally set expenditure together with assumptions on spend in other areas that reflected local expectations and forecasts. The new framework applies the same nationally set figures but uses actual spend in month 11 to calculate spend in the other areas.

5.3 Variances are primarily due to non-recurrent income and expenditure that was present in month 11 but that had been removed for the original interim budget.

5.4 There is a process for topping up the allocations to CCG for reasonable expenditure above the new allocations and this includes adjusting for the errors in calculations due to non-recurrent issues.

5.5 Overall Dorset CCG will deliver the required balanced budget position. The financial governance processes reported to the May Governing Body meeting ensure that any additional expenditure related to covid-19 will be considered a reasonable expenditure and conversations with NHS England and Improvement regional team have confirmed that most of the issues identified with the revised allocation are being addressed. The remaining issues will be resolved following further discussions.

6 Budget Detail

- 6.1 The budget allocation for key areas is described in further detail in this section.

Acute care

- 6.2 For the first four months block payments to the NHS providers have been set nationally (see 3.2), derived from month nine 2019/20 data with an inflation uplift applied (2.8%). This includes a number of the NHS organisations outside of Dorset with whom we would have incurred Non-Contracted Activity (NCA) expenditure. All other NCA spend will cease in this period.
- 6.3 Contracts with three of the key Independent Sector Providers (ISP) have been moved away from Dorset CCG to national arrangements during the covid-19 period, significantly reducing the CCG expenditure with non-NHS providers.

Community and Mental Health

- 6.4 Dorset Healthcare are on a block payment and as a result the budgets for community and mental health services are largely fixed by this arrangement. This means that planned investment in expansion of the Integrated Community and Primary Care Services (ICPCS) has been delayed.
- 6.5 The national expectation in relation to delivery of the Mental Health Investment Standard (MHIS) is not clear. Whilst the indication is that the standard should still be delivered the guidance also stated that during the covid-19 pandemic developments should only proceed where they are of benefit to dealing with the outbreak. It is also unclear whether the block payments calculated for Dorset Healthcare include an uplift for the MHIS or if this will be included in top-up payments, or possibly excluded until normal arrangements return.

Personal Health Commissioning

- 6.6 During the period of covid-19 response there will be no new assessments for Continuing Healthcare. All costs of care arising from hospital discharges will be met by the national funding (see 3.8). At the same time any additional costs for patients that are a result of covid-19 requirements will also be centrally funded. It is therefore assumed that during the first four months costs will continue to be consistent with the levels of spend at the end of 2019/20, with costs pressures from inflation offset by reductions in the number of packages of care.

Primary Care

- 6.7 The budget for Primary Care services is broadly unchanged as a result of the covid-19 incident, other than the costs that will be centrally reimbursed.

Quality, Innovation, Productivity and Prevention (QIPP) savings

6.8 The expectation for NHS organisations to deliver efficiency savings during the covid-19 pandemic has been lifted. As a result, there are no QIPP savings included in the first four months of the interim budget proposed.

7 Recommendations

7.1 The Governing Body is asked to **approve** the revised interim CCG budget for 2020/21 months 1 to 4 as set out in this paper.

Author's name and Title : Michael Gravelle, Assistant Director of Finance - Strategy
Date : 30/6/2020
Telephone Number : 07970 002653

APPENDICES	
Appendix 1	Summary of Covid-19 financial guidance

1 Outline of recent guidance

- 1.1 Most of the relevant 'COVID-19 related' NHS guidance can be found here:
- 1.2 <https://www.england.nhs.uk/coronavirus/>
- 1.3 This appendix briefly outlines some of the most important guidance from CCG financial management and control perspectives.

Contracting for healthcare

- 1.4 The 17 March letter from Sir Simon Stevens and Amanda Pritchard contained extensive detail on re-shaping the contractual environment, especially for the intra-NHS relationships:
- 1.5 <https://www.england.nhs.uk/coronavirus/publication/next-steps-on-nhs-response-to-covid-19-letter-from-simon-stevens-and-amanda-pritchard/>
- 1.6 This was followed up with further guidance on both NHS and non-NHS contracting on 26 March. This letter started to provide more information on contract terms, CQUIN and approaches in individual sectors. It also outlined revised arrangements with Independent Sector hospitals, the importance of getting contracts in place with non-NHS providers, and considerations about payment timelines and efficiencies:
- 1.7 https://www.england.nhs.uk/coronavirus/wp-content/uploads/sites/52/2020/03/COVID-19_NHS-contracting-and-payment_26-March.pdf
- 1.8 There has been further guidance on the practical aspects of handling the revised NHS 'block' arrangements issued since. On 13 April, the following guidance confirmed payment processes, and cash handling for the change to paying 'a month early' on the NHS contracts:
- 1.9 <https://www.england.nhs.uk/coronavirus/publication/block-payment-guidance-documents/>
- 1.10 More detailed explanation on top-up payments to NHS providers (direct from NHS England/Improvement, not via CCGs) has been circulated, together with FAQs on some points raised initially, but we still await further information on how any unresolved issues in the original block figures will be addressed (and whether this affects CCG finances, or is handled direct with NHSE/I).
- 1.11 At a Governmental level, the Cabinet Office has issued mandatory guidance on handling contracts during the COVID-19 period. On 18 March, an initial Note outlined issues regarding urgent procurements:
- 1.12 <https://www.gov.uk/government/publications/procurement-policy-note-0120-responding-to-covid-19>
- 1.13 Two days later, a more fundamental Note (PPN02/20) was issued regarding the handling of contracts, and permissible approaches to supporting providers,

over the period from 1 April to 30 June (initially). This guidance is key to how we work with suppliers where service delivery is affected by COVID-19 (both due to impacts on their business operations and from external guidance and legislation):

- 1.14 <https://www.gov.uk/government/publications/procurement-policy-note-0220-supplier-relief-due-to-covid-19>
- 1.15 Shortly after publication, the Cabinet Office added additional guidance notes and a template contract variation, and after that again some further FAQs. This Cabinet Office guidance is written to cover much of the public sector - on 20 April, NHS England/Improvement issued specific guidance for the NHS:
- 1.16 <https://www.england.nhs.uk/coronavirus/publication/guidance-to-nhs-organisations-on-ppn-note/>
- 1.17 This has clarified certain requirements about payment terms and timing as well as introducing a national mailbox for co-ordination of responses for suppliers who serve many NHS organisations. This latter development should ensure greater consistency across the NHS for large-scale providers, and inevitably take some decision-making on those contracts out of local hands.

Care sector guidance

- 1.18 As well as the general transactional and contractual guidance above, there has been an evolving stream of guidance specific to certain provision sectors. At a service level, there have been many clinically based publications about restructuring pathways of care, which will impact to greater or lesser extents on individual providers (and hence their contract performance). At a strategic level, the wide-ranging guidance on the management of community based services during the pandemic, issued on 19 March will have a material impact on the performance of many non-NHS contracts held by CCGs:
- 1.19 https://www.england.nhs.uk/coronavirus/publication/covid-19-prioritisation-within-community-health-services-with-annex_19-march-2020/
- 1.20 Providers will respond differently to this guidance according to their business models, and the range of business support already offered by the Government. In some instances, we will need to engage with them in line with PPN02/20 to vary contracts for the coming months.
- 1.21 The hospice and charitable sector has been considered at a national level, with a letter being issued on 16 April, following a Governmental announcement:
- 1.22 <https://www.england.nhs.uk/coronavirus/wp-content/uploads/sites/52/2020/04/C0309-letter-to-system-about-HMT-funding-for-the-hospice-sector-to-support-COVID-19-16-April-2020.pdf>
- 1.23 The practical implementation details of this programme are now being shared more widely with the NHS and hospices with clarification that this funding is to

supplement lost charitable income and that CCGs will continue with all current contractual arrangements with hospices.

- 1.24 Changes regarding the national utilisation of the major independent hospitals were referenced in the 26 March contracting letter noted above. These are founded on legal Directions published on 20 March:
- 1.25 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/874288/The_Exercise_of_Commissioning_Functions_by_the_NHS_Commissioning_Board_Coronavirus_Directions_2020.pdf
- 1.26 These, unusually, allowed for NHS England to exercise CCG powers in these circumstances, and effectively take over contracting for care in these hospitals at this time. More information on this specific action (including a list of the providers involved) was set out in this letter on 24 March:
- 1.27 <https://www.england.nhs.uk/coronavirus/publication/partnership-working-with-the-independent-sector-providers-and-the-ihpn/>

Additional costs of addressing COVID-19

- 1.28 The 17 March letter was clear about the necessity of capturing and recording additional costs associated with the COVID-19 response, as well as outlining a re-imbursement process to ensure that these costs do not affect the financial standing of individual NHS organisations. The CCG (as with NHS providers) has subsequently received templates to complete in order to claim back relevant costs, together with further guidance on acceptable categories of spend and timescales. For 2020/21, it is expected that such costs will be captured alongside monthly reporting and reimbursed in arrears.
- 1.29 On 19 March, fundamental guidance regarding hospital discharge planning and administration was issued:
- 1.30 <https://www.gov.uk/government/publications/coronavirus-covid-19-hospital-discharge-service-requirements>
- 1.31 This effectively suspended normal CHC eligibility rules for acute hospital discharges (and other related interventions and packages), as part of a national plan to release capacity across systems. The costs of all discharges would be funded through the NHS, although the work involves close working with local authority colleagues. The additional costs of these discharges will also be reimbursed, on a monthly basis in arrears, on the basis of reporting done by CCGs, but incorporating relevant costs being borne by local authorities as well.
- 1.32 On 8 April, further guidance was issued to the service (though currently not available on the internet) adding clarifications and setting out the formal reporting templates for the discharge costs. This expects pooling of funding where local authorities take a lead role in the commissioning of out of hospital care and support services. Webinars are now also being held on the practical aspects of this way forward.

- 1.33 There is no specified end date for these revised financial arrangements around discharge, but there is a clear expectation that it will be terminated at some point, and there is a requirement that organisations work with service users to be clear about this from the outset of their interactions.

Capital and Cash

- 1.34 There has been significant guidance on capital expenditure during COVID-19, but this mainly affects the provider sector. Key documents are available via the general coronavirus portal noted towards the start of this paper, but are not listed here due to their marginal relevance at this time. The CCG continues to keep abreast of developments in this area.
- 1.35 Cash has been referenced above as part of the changes to the NHS provider payment regime. Additional cash was made available to CCGs in April to support this change (and also in relation to the discharge funding) but at this point there is no further information on the overall CCG cash regime.

Note: Acknowledgement and thanks to NHS Kernow CCG as the majority of the content of this appendix has been taken from a paper prepared for their Finance Committee