



Herefordshire and
Worcestershire
Clinical Commissioning Group

Herefordshire and Worcestershire Clinical Commissioning Group Governing Body Meeting in Public

9.30am Wednesday 23 March 2022

Via Microsoft Teams

Agenda item 7.5: Financial Plan 2022/23

Report author	Chris Plant, Deputy Finance Officer Nicola Malyon, Deputy Finance Officer
Presented by	Mark Dutton, Chief Finance Officer
Target CCG	Herefordshire and Worcestershire CCG <input checked="" type="checkbox"/>
Recommendation	<p>The CCG Governing Body are asked to:</p> <ul style="list-style-type: none">• Approve the 2022/23 budgets noting the NHSE requirement to breakeven• Approve delegated authority to the Accountable Officer to sign the Section 75 agreements with Herefordshire and Worcestershire Councils once finalised.• Note the planned underlying surplus positions for the CCG at the end of 2022/23.
Purpose	Assurance <input type="checkbox"/> Decision <input type="checkbox"/> Approval <input checked="" type="checkbox"/> Discussion <input type="checkbox"/> Information/noting <input checked="" type="checkbox"/>

PLEASE NOTE :

This budget paper is based on draft Allocations published by NHSE/I included within the System financial plan submitted on the 17th March 2022

Executive Summary

This paper outlines the proposed Financial Plan for 2022/23 based on both the draft allocations and published guidance available at the time of writing. Under intended legislation (awaiting Royal assent) Clinical Commissioning Groups (CCGs) will cease to exist on the 1st July 2022 with the creation of Integrated Care Boards (ICBs). In Herefordshire and Worcestershire, the CCG has a coterminous boundary with the intended ICB which is positive for both system partners and continuity for planning purposes.

NHSE/I have released indicative allocation figures covering the full 12 months of 2022/23, however these remain in draft form and are still subject to updates pending Treasury approval. This ongoing dialogue has prevented the publication of any planning documentation to date, however, NHSE/I have now confirmed that systems are in a position to release plans based on draft allocations published at this time.

This plan outlines how the CCG intends to commit its full year allocation with the requirement to breakeven as at 31st March 2023. The financial plan will be transferred to the ICB from 1st July 2022.

Key elements of the draft financial plan are summarised in the table below:

CCG 2022/23 Summarised Financial Plan	
Resource Limit (in year)	£1,497.8m
In-Year Position	Breakeven
Exiting Underlying Position 20/21	Breakeven
Cumulative Position (1)	£7.8m Deficit
Recurrent efficiency requirement to achieve a breakeven position	£15.9m (1.1%)

(1) Historical deficits relating to Herefordshire CCG and Redditch & Bromsgrove CCG prior to merger in April 2020

Developing the Financial Plan

The Financial Plan has been developed using a standardised approach to ensure all areas of known income and expenditure are accounted for. The plan is based on the reported position during Month 6 but adjusted for latest forecast outturn in 2021/22 and applies a whole series of adjustments such as inflationary uplifts, efficiency targets and the full year effects of developments within the over-riding principle of maintaining financial stability for 2022/23 through the transition and the return to fair share allocations.

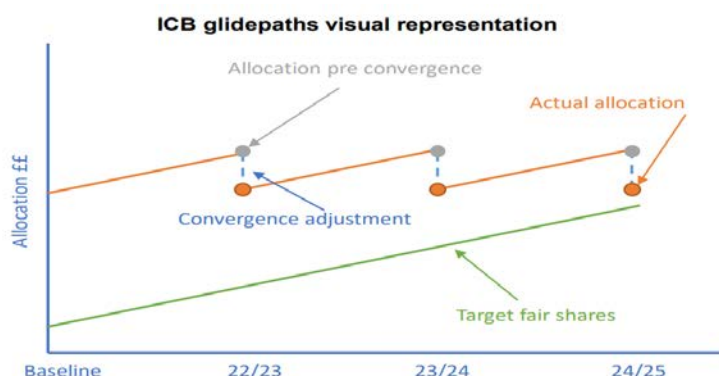
The plan aims to deliver a balanced in-year position in line with planning requirements set out by NHSE/I.

Basis for 2022/23 Allocations

Following the onset of COVID and in response to a Level 4 emergency escalation level, NHSE introduced a national financial regime which saw the introduction of system allocations enabling systems to breakeven during this period (it included both additional “Top-Up” payments and non-recurrent funding for COVID cost pressures). The regime introduced block contracts for providers, calculated nationally, and full reimbursement to CCGs for expenditure in areas such as the Hospital Discharge Programme which supported maximising bed availability across systems, this regime remained in place throughout 2020/21.

In 2022/23 in line with national guidance, the basis for 2022/23 allocations has been to utilise H2 * 2 of 2021/22 as a starting point – adjusted down by £29.8m to reflect non-recurrent COVID funding and increased by recurrent growth funding of £52.275m. The allocation also includes Service Development Funding (SDF) and Spending Review (SR) monies to continue to meet the NHS Long Term Plan commitments.

For 2022/23 a convergence adjustment has been applied to bring system towards fair share allocations – ICB allocations have been adjusted to both reduce our overall resource consumption to Spending Review funded levels and move ICBs towards a fair share funding distribution over time. The scale of the convergence adjustment will be dependent on the individual system's distance from fair share. Systems consuming more than their fair share will have a greater convergence ask.



In January 2019 NHS England published 5-year allocations for CCGs. H&W CCG was £35m under-funded based on the national funding formula of how much we should receive. Comparing the allocation for 2022/23 against the nationally published allocations from 2019 shows we are now £58m over-funded. The main change being the inclusion of the top-up funding of £132.7m recurrently in the system allocation.

Overview of Allocations

Based on the above principles and the methodology outlined Herefordshire and Worcestershire CCG have been notified of indicative opening allocations for 2022/23 as set out below;

		£'000	Distance from Target (+ Over / - Under)
2019/20 Published Allocation	Herefordshire and Worcestershire STP	1,012,709	-3.52%
2022/23 Opening Allocation (Based on H2 of 2021/22)	Herefordshire and Worcestershire STP	1,233,779	
	Base Growth (4.24%)	52,275	
	Allocation Pre-Convergence	1,286,054	
	Fair Shares Target	1,215,306	
	Distance to Target	(70,748)	5.82%
	Convergence Adjustment	(11,785)	
2022/23 Published Allocation	Recurrent Allocation after Convergence	1,274,269	4.85%

Business Rules

As part of the planning guidance for 2022/23 Herefordshire and Worcestershire CCGs financial plan includes compliance against the following business rules.

NHSE/I Planning Assumptions	CCG Compliance	
Minimum 0.5% Contingency Fund held (non-mandated)	0.50%	✓
Running Costs not to exceed management cost allowance	£14.66m	✓
Mental Health Investment Standard (NHS Growth is 4.2%)	4.87%	✓
CCGs expected to achieve Financial Improvement Trajectory	Break-Even	✓
Better Care Fund investment in line with minimum contribution	5.20% Herefordshire 5.80% Worcestershire	✓

Underlying Financial Position

The CCGs underlying financial position is a key indicator of the overall financial health of the CCG. This looks at the level of recurrent expenditure against the level of recurrent income. The more reliance a CCG has on managing recurrent expenditure with non-recurrent allocations or non-recurrent financial measures impacts on the underlying position and affects the stability of the organisation.

The aim in 2022/23 is to stabilise the underlying expenditure levels within Herefordshire and Worcestershire following exit from the National Financial Regime imposed at the outset of the COVID pandemic.

During the prevailing 2 years the NHS has been providing services and care through non-recurrent funding which has distorted the underlying position. Following COVID it is also evident that the recurrent cost base has shifted significantly in certain areas, for example within Continuing Healthcare where package costs and package numbers have both increased.

The table below shows the predicted exit position from 2019/20 which saw the onset of COVID from February 2020 and the NHS entering the National Financial Regime during financial year 2020/21

	Herefordshire £m	South Worcester £m	Redditch & Bromsgrove £m	Wyre Forrest £m	Hereford & Worcester £m
Exit underlying position 2019/20	(14.30)	1.70	0.35	0.73	(11.52)
Planned 2022/23 – Exit position	-	-	-	-	0.03

Financial Allocations 2022/23

CCGs are responsible for commissioning the following services on behalf of its registered populations and resources have been allocated to each area listed:

- Secondary Acute Healthcare
- Secondary Mental Health Services
- Learning Disability Services
- Community Healthcare
- Continuing Health Care and Free Nursing Care
- Primary Care Prescribing
- Primary Care Contracts (Co-Commissioning)

- Other Primary Care Services

Resources Available

The resource allocations for the CCG are split between Programme and Administration categories. Programme resources are ring fenced to deliver healthcare services only and must not be used to support the administration costs of running the CCGs. The CCG has a statutory duty not to exceed either resource allocation outside of any agreed system position with NHSE/I.

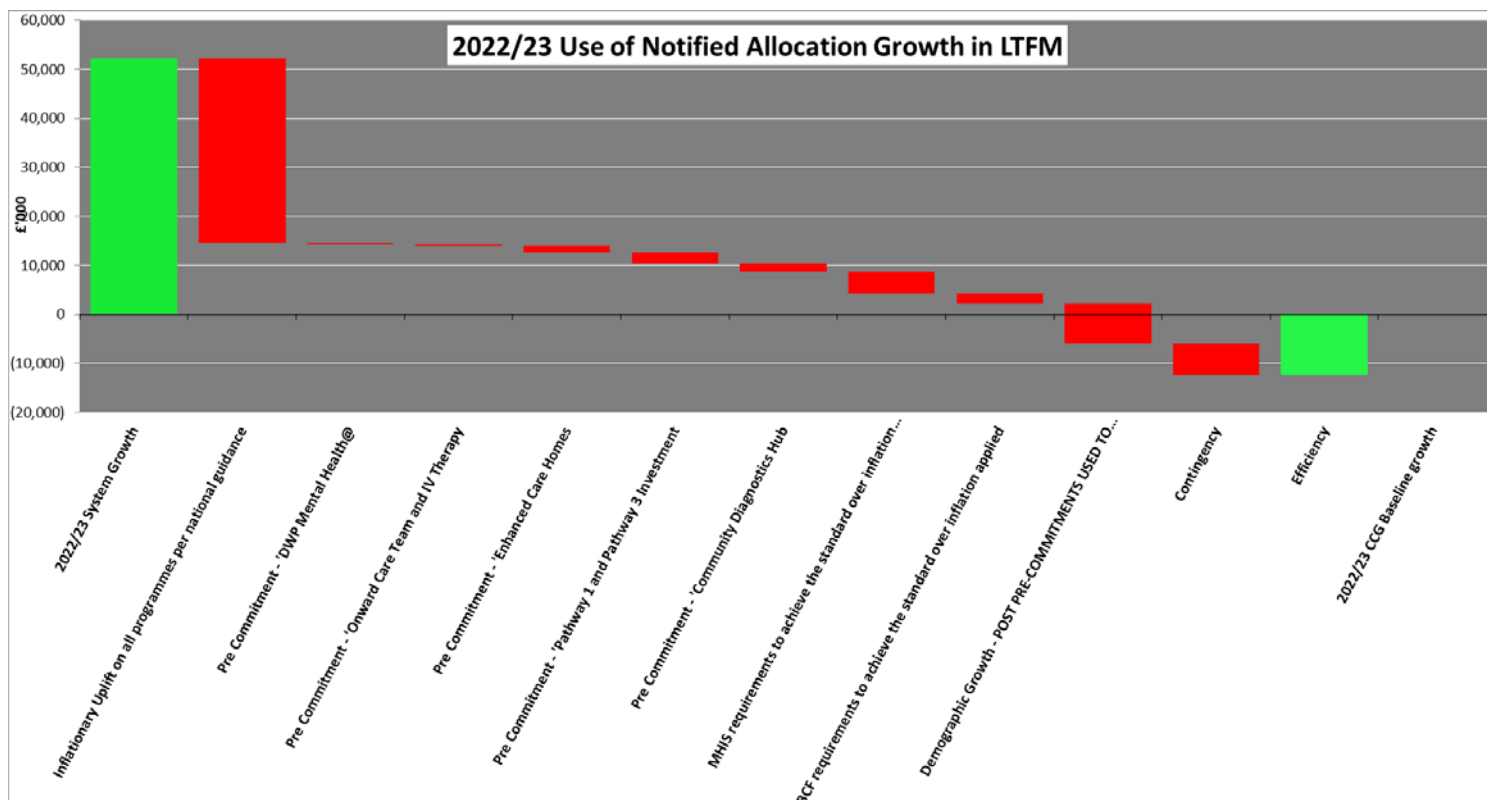
Appendix A sets out the resource allocations as notified in draft to the CCG as at the 1st February 2022 worked through to the Allocations notified to the CCG via the planning portal at the 7th March 2022.

The Governing Body is asked to note that the draft published allocation for 2022/23 still leaves Herefordshire and Worcestershire CCG 4.85% **over** the national fair shares target funding based on the current NHS England funding formulas, this will be collected over the next 2+ years through a process called “Convergence” whereby the CCG gives up an element of its growth year on year, this adjustment increasing in Pace to meet the systems fair share target by 2024/25.

Application of Growth

The table below illustrates, through a waterfall diagram how we have utilised the additional growth funding received by the CCG. It shows the largest element of additional funding will be used to support inflationary uplifts in line with national guidance offset by the national efficiency requirements also seen in the waterfall below.

The Internal efficiency programme within the CCG has been used to fund cost outside of Acute, Mental Health and Community Services block contracts which fall specifically under the CCGs control, i.e. Continuing Healthcare and Prescribing.



The CCG has been notified of £52.275m of Growth for 2022/23 with a reduction in this growth then actions relating to convergence of £11.785m.

The proposed financial plan makes provision for expenditure in line with nationally prescribed block contracts adjusted as above for COVID and Convergence.

CCG Portfolio

The CCG as identified above has adopted national growth levels and retained the block approach to Intra-System contracting relationships. Within the block funding agreed with system Provider Trusts this does include the apportionment of the convergence funding after utilising the demography reserve. There is no convergence adjustment for the CCG as the baseline allocation includes a reduction of £916k for non-delivery of the control total in 2019/20.

The CCG has however seen significant growth in both CHC and Prescribing during COVID. Growth in CHC began when suspension of assessments during early 2020 was announced, this has increased the cost base. CHC cost were considerably supported by the Hospital Discharge Funding scheme, this was also designed to support maximising system capacity by allowing systems the flexibility to purchase independent beds and block purchase system capacity from Non-NHS providers. The national restoration drive for CHC began during 2021, however, systems are seeing a reluctance from Providers to return their charging levels back to those seen pre-pandemic, meaning a growth in system cost, in addition to this the number of people on packages increased as a result of the suspension of assessments but also through patient choice more people were choosing fast track packages for end of life care at home.

In terms of prescribing growth in cost and volume has also been seen through the pandemic with significant volatility month on month, this against a two year period where very little savings have been realised as the response to the vaccination programme has been heavily driven by the Medicines team and prescribing has seen volatility relating prescribing habits with long scripts being written during lockdowns to ensure patients have access to the necessary medicines.

The draft CCG plan is shown under Appendix B detailing spend by programme area and where delivery of efficiency totalling £15.9m for 2022/23 is required to achieve NHSE/I planning requirements of Break Even.

The CCG efficiency plan is broken down between 4 core programme areas

PROGRAMME AREA	Efficiency Requirement	Narrative
Total ICB Acute Service Expenditure	(2,400)	No Intra_System efficiency, this is targeted at Out of County, Non-NHS and Independent Sector
Total ICB Continuing Care Service Expenditure	(6,000)	On-going work on the restoration of Package costs to Pre-Pandemic, Assessments backlog, System Cleansing and Service Provision Review including Community Services
Total ICB Primary Care Service Expenditure		
Prescribing	(5,000)	Increase the use of best value medicines including generic reviews, Reduce use of medicines little clinical / cost effectiveness, Improving Medicines safety, Biosimilars
Primary Care - GP Services	(2,500)	Primary Care is currently over funded, savings required to reduce expenditure back to fair shares modelling
Total ICB Commissioning Service Expenditure	(15,900)	

Section 75 Agreements

The Governing Body is asked, as in previous years, to delegate the formal sign-off of both Section 75 Agreements with Herefordshire and Worcestershire Council's to the Chief Executive Officer. These are currently being finalised with both Council's but will remain within the CCG resource limit and are fully covered within the draft CCG budget.

The draft values of the Section 75's are detailed in the below table ;

Section 75 Agreements - indicative 22/23 Agreements			
Council	BCF *	Other	Total
Herefordshire	24,060,000	7,417,525	31,477,525
Worcestershire	68,536,545	60,374,898	128,911,443

* 22/23 Indicative Growth - 4.8% of CCG Minimum Contribution

Conclusion

This paper looks to provide the Governing Body with assurances that a detailed and robust approach has been taken in setting budgets, identifies known risks and required levels of savings to deliver the agreed control total of the CCG and to support the system delivering its financial trajectory. 2022/23 will remain a challenging financial year for the CCG as we exit COVID and services begin to stabilise and performance trajectories improve.

	NHS Herefordshire and Worcestershire ICB
Calculation of H2*2 baseline	
H2 System envelope funding	724,664
Exclude:	
Covid funding	(26,178)
CCG allocations - delegated primary care (Excludes additional Impact and Investment Funding)	(64,777)
CCG allocations - running costs	(7,278)
Support for NHS provider other income loss	(918)
Funding for H1 backpay	(9,595)
Adjusted H2 envelope	615,917
Adjusted H2*2	1,231,834
Removal of funding for Low Volume Activity from provider system (inc. Other Directly Commissioned)	(6,211)
Add back funding for Non-Contract Activity / Low Volume Activity to ICB commissioner system	5,099
Add back funding for community non-demographic growth	2,682
Removal of Mental health System Development Funding from baseline	(463)
<i>Other adjustments</i>	269
Plus base growth (4.2%)	52,275
Less Convergence adjustment (0.9%)	(11,785)
Recurrent Allocation notified - Programme	1,273,699
Plus : Health Inequalities funding	2,251
Plus : Maternity - Ockenden	1,065
TOTAL Allocation prior to national adjustments - Shown in H&W CCG LTFM (Programme)	1,277,015
Co-Commissioning - Primary Care	139,280
Running Cost	14,664
Plus : COVID funding - (Non-rec)	22,530
Plus : System Development Funding Allocation as notified	19,373
Plus : H&W ICB share of £1.8bn elective recovery fund - notified	24,631
TOTAL Hfd & Worcs System envelope - Per NHSE Plan	1,497,493

	ICB GROSS EXPENDITURE	EFFICIENCY REQUIREMENT	Annual Plan Total Expenditure
	Plan	Plan	Plan
	31/03/2023	31/03/2023	31/03/2023
	Year Ending	Year Ending	Year Ending
	£'000	£'000	£'000
Total ICB Acute Service Expenditure	(750,583)	(2,400)	(748,183)
Total ICB Mental Health Service Expenditure	(138,899)		(138,899)
Total ICB Community Health Service Expenditure	(173,915)		(173,915)
Total ICB Continuing Care Service Expenditure	(97,953)	(6,000)	(91,953)
Total ICB Primary Care Service Expenditure (Prescribing £5.0M / GP Services £2.5M)	(171,225)	(7,500)	(163,725)
Total ICB Other Programme Service Expenditure	(2,798)		(2,798)
Total ICB Other Commissioned Service Expenditure	(9,166)		(9,166)
Total ICB Primary Medical Services Expenditure	(139,280)		(139,280)
Total ICB Commissioning Service Expenditure	(1,483,819)	(15,900)	(1,467,919)
Total ICB Running Costs			(14,664)
Total ICB Reserves / Contingencies			(14,890)
Total ICB Expenditure	(1,483,819)	(15,900)	(1,497,473)
TOTAL ICB ALLOCATION - Per Appendix A			1,497,473
PLANNED DELIVERY 31st MARCH 2023			0
			Break Even