



## System finance update – 2020/21 and beyond

### Executive summary

#### NHS Phase 3 Recovery Plan – Finance

System financial plans for months 7 to 12 have been submitted by the system on 20 October and it is expected will form the basis of performance reporting in the latter half of the year.

Month 8 NHS system year to date cumulative surplus is £0.8m against deficit plan of £1.3m.

The NHS system revised forecast financial plan is a circa £5.9m gap delivering a compliant activity plan before £1.5m of elective incentive scheme income loss (which is within the system's allocations for months 7 to 12 2020/21 taking into account adjustments for lost income and the annual leave accruals).

#### Local authority partners

The local authorities continue to operate under the previous financial regime although additional income has been provided to support a proportion of increasing costs and lost income due to the pandemic (includes circa £17m local authority COVID-19 grant income of adults £16m and children's £1.5m). However, the additional income is insufficient to meet the costs incurred leading to a forecast overspend for adult and child social care services in 2020/21 of £1.9m with potential future risks to forecast due to change of grant funding.

## NHS capital

Each health system has been set a capital allocation within which capital programmes are expected to deliver. The system has therefore jointly worked to agree a single capital programme. The system capital allocation of circa £22.2m excludes some larger schemes such as those planned under the health infrastructure plan circa £41m in year. System capital envelope is expected to be fully used in year, although potential risks under review due to availability of suppliers and contractors due to current situation, for example COVID-19, European Union and supply chain.

## System finance update

The report details the financial position to the 30 November 2020 and includes reference to the financial impact of the COVID-19 pandemic for the system during 2020/21. Note: NHS intra-system contracts netted off clinical commissioning group (CCG) relating to Royal Cornwall Hospitals NHS Trust (RCHT) and Cornwall Partnership NHS Foundation Trust (CFT).

### Year to date – November 2020

Surplus/deficit	Allocation budget	Actuals (month 8)	Under (over spend)	Under (over spend)	Adj. excluding top-up / true-up funding	Year to date COVID-19 costs
	£m	£m	£m	%	£m	£m
NHS Kernow	433.8	(433.1)	0.6	0.1	-	(27.7)
<b>CCG total</b>	<b>433.8</b>	<b>(433.1)</b>	<b>0.6</b>	<b>0.1</b>	<b>0.0</b>	<b>(27.7)</b>
RCHT	331.9	331.5	0.4	0.1	(24.3)	(13.8)
CFT	143.4	(142.3)	1.0	0.7	(12.2)	(7.1)
<b>NHS providers</b>	<b>475.3</b>	<b>(473.8)</b>	<b>1.5</b>	<b>0.3</b>	<b>(36.5)</b>	<b>(20.9)</b>
Council – adult social care						(12.8)
<b>Local authority social care/public health total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	
<b>Combined position</b>	<b>909.1</b>	<b>(907.0)</b>	<b>2.1</b>		<b>(36.5)</b>	<b>(48.6)</b>

## Forecast

Surplus/deficit	Allocation budget	Forecast**	Under (over spend)	Under (over spend)	Adj. excluding top-up / true-up funding	Year to date COVID-19 costs
	£m	£m	£m	%	£m	£m
NHS Kernow	728.8	(728.8)	0.0	0.0		(36.2)
<b>CCG total</b>	<b>728.8</b>	<b>(728.8)</b>	<b>0.0</b>	<b>0.0</b>		<b>(36.2)</b>
RCHT	497.9	(503.7)	(5.9)	(1.2)	(43.0)	(22.0)
CFT	254.4	(253.4)	0.0	0.0	(18.4)	(12.9)
<b>NHS providers</b>	<b>752.3</b>	<b>(752.2)</b>	<b>(5.9)</b>	<b>(0.8)</b>	<b>(61.5)</b>	<b>(34.9)</b>
Council – adult social care	191.8	(193.4)	(1.6)	(0.8)		(18.0)
Council – public health	26.1	(26.1)	0.0	0.0		
Council - children's	74.3	(74.5)	(0.2)	(0.2)		
<b>Local authority social care/public health total</b>	<b>292.2</b>	<b>(293.9)</b>	<b>(1.7)</b>	<b>(0.6)</b>	<b>0.0</b>	
<b>Combined position</b>	<b>1,773.3</b>	<b>(1,779.9)</b>	<b>(7.6)</b>		<b>(61.5)</b>	<b>(71.0)</b>

As at 30 November additional expenditure of circa £49m has been incurred as part of the COVID-19 response, increased from circa £44m (31 October).

The main risk to delivering against the financial regime and issued system envelopes to 31 March 2021 (plans yet to be accepted by NHS England and Improvement (NHSEI) following October 2020 submission), in addition to some potential risk of the excess COVID-19 costs outside system envelope not reimbursed by NHSEI, for example hospital discharge programme0

Funding regime for remainder of the year consisting mainly of system fixed envelope issued 15 September which this report incorporates the recent submissions for October 2020 to March 2021 reflected into the full year forecast with requirement to return system to financial balance. NHS system plan revised forecast now reflected as a system deficit of £5.9m compared to plan submission of £6.9m following additional baseline allocation funding (excluding loss of early intervention service of £1.5m).

Adult social care budget pressures (circa £2.6m) with a forecast to be overspent by £1.6m excluding COVID-19 pressures. Note: COVID-19 costs relate to claims for hospital discharge programme.

## Key messages from Julian Kelly's letter of 23 December 2020

Revenue funding will be distributing at system level, continuing the approach introduced this year. These system revenue envelopes will be consistent with the long term plan financial settlement. They will be based on the published CCG allocation and the organisational financial recovery fund each system would have been allocated in 2021/22. There will be additional funding to offset some of the efficiency and financial improvements that systems were unable to make in 2020/21.

Systems will need to calculate baseline contract values to align with these financial envelopes so there is a clear view of baseline financial flows. The planning guidance (when issued) will suggest that these should be based on 2019/20 outturn contract values adjusted for non-recurrent items, 2020/21 funding growth and service changes, not on the nationally-set 2020/21 block contracts.

Systems and organisations should start to develop plans for how COVID-19 costs can be reduced and eliminated once we start to exit the pandemic.

System capital envelopes will also be allocated based on a similar national quantum and using a similar distributional methodology to that introduced for 2020/21 capital planning.

NHSEI aim to circulate underlying financial numbers early in the new year followed by fuller planning guidance once the NHS financial settlement with Treasury has been resolved in relation to any further funding to reflect the ongoing costs of managing COVID-19. Further detail of additional non-recurrent funding announced in the autumn spending review for elective and mental health recovery will also be provided at that point.