



Birmingham and Solihull
Clinical Commissioning Group

Birmingham and Solihull STP Finance Update 2020/21

NHS Financial Performance Regime

- April to September 2020

NHSE/I put in place a temporary financial regime for CCGs and NHS Providers for the first 6 months of the financial year. The key features of the regime were as follows:

- The historic methodology for allocating funds to NHS organisations was suspended.
- CCGs received a revised allocation based on expenditure incurred in 2019/20.
- NHS Providers received centrally-defined block payments, again reflective of expenditure incurred in 2019/20. Contracting between the CCG and NHS Providers was suspended.
- Costs relating to the Covid response were retrospectively reimbursed by NHSE/I on a monthly basis. In addition, reasonable additional costs relating to BAU services were also reimbursed. The expectation of NHS organisations was therefore that they would be in a breakeven position for the first 6 months of the financial year.
- There was no expectation that CIP/QIPP schemes would deliver cashable savings during this period.

STP Financial Performance – April to September 2020

BSOL STP (NHS organisations)	£m
Operating Income	2,369.6
Operating Expenditure	2,590.4
Operating Surplus / (Deficit) before top-ups	(221.0)
Top-ups received M1-6	223.5
Non Operating Items	(21.9)
NHSE/I reported position	(19.4)
Retrospective Top-Up still to be paid	19.4
Expected Final position	0

STP COVID Expenditure – April to September 2020

In the first 6 months of the year, the STP incurred £170.2m of additional costs as a result of responding to the Covid pandemic. This expenditure is outlined in the table below:

Areas of Covid expenditure	£m
Additional Pay Costs in Providers*	36.2
Additional Non-Pay Costs in Providers, including PPE*	85.7
Additional costs of supporting the Hospital Discharge Programme, including packages of care	26.6
Additional cost of Primary Care services, including new models of care	13.6
Other, including locally funded independent sector capacity and expanded community support	8.0
	170.2

* Provider costs include £45.0m for the cost of the Nightingale Ward at the NEC

NHS Financial Performance Regime

– October 2020 to March 2021

From Month 7, a modified financial regime has been introduced as follows:

- There will be no further retrospective top-up funding, except for specific excluded items including:
 - Covid Testing
 - Covid Vaccination Programme
 - Hospital Discharge Programme
 - Independent Sector Activity (this is largely contracted and paid at a national level)
- For months 7-12, NHS systems have been given allocations to cover the following areas of expenditure:
 - Business As Usual services
 - Additional Covid costs
 - Growth monies to support restoration and recovery of services
- There is a continuation of the block payments to NHS providers to support “business as usual”. The value of the blocks has been increased from month 7 to reflect agreed shares of system top-up, growth and Covid funding.
- Systems are expected to comply with existing investment targets and ring-fenced funding for services such as Mental Health and Primary Care.

STP Financial Plan – October 2020 to March 2021

At the time of producing these slides, the STP is still in discussion with NHSE/I to sign off a financial plan for the second half of the financial year. The current plan shows a shortfall of funding of £45m, £10.4m of which we are expecting to be resolved by the national team. The breakdown of this deficit is as follows:

	£m
Surplus / (Deficit) excluding specific items	2.1
Reduction in Non-NHS income generated by NHS Providers (including R&D, Education & training & commercial income)*	(36.7)
National funding yet to be confirmed (relates to regional Genomics service and specialist commissioning of LD packages)	(10.4)
Surplus / Deficit as per plan submission	(45.0)

*It is acknowledged that non-NHS income will be adversely affected by a number of factors linked to the Covid pandemic. The BSOL position is in line with that seen in other city-based STPs

Efficiency plans

- Given the immediate operational pressures in responding to the Covid pandemic, national targets for financial savings have been suspended for 2020/21.
- For the second half of the financial year, allocations did include an implicit expectation of 1% savings, which NHS organisations are largely meeting through a range of smaller, transactional schemes.
- Although savings, in the traditional sense, have not been monitored and reported during the first half of 2020/21, a number of transformation approaches have been introduced across the system that should deliver improved value for money. These include:
 - Improved discharge models, incorporating all system partners, ensuring that patients are treated in the most appropriate setting once fit for discharge from an acute setting
 - Expanded use of digital technology, which reduces the need for unnecessary travel to a healthcare setting and has the potential to reduce the fixed costs of providing a range of services
 - Development of primary and community care models to reduce the need for secondary care interventions
 - Closer system working, reducing duplication of resources between system partners

Forward Look

- Looking ahead into 2021/22 and beyond is challenging at this point of time, given the uncertainty of both the service need and the financial framework within which these services will be funded.
- We are able to draw some conclusions around the challenges for 2021/22
 - There will continue to be a financial impact from directly responding to the Covid pandemic, including ongoing additional costs for testing, vaccination programmes, PPE etc.
 - It is also likely that the enhanced infection control procedures introduced will continue, which impacts upon the way in which services are provided. A number of these changes add additional steps into operational processes, which can reduce the efficiency of some tasks.
 - The NHS will be faced with a massive increase in the backlog of patients waiting for treatment, particularly in some surgical specialties. There will be an ongoing requirement for additional capacity in the medium term, which is likely to include continued use of independent sector capacity
 - Whilst the overall quantum of funding for 2021/22 is unknown, it is expected that many of the principles introduced in 2020/21 will continue. These will include:
 - Greater allocation of funding at a system level, rather than at an organisational level
 - Greater focus of block funding to cover the fixed cost of provider services, with far fewer services funded on a “cost per case” basis.
 - Requirements for system partners to work together to deliver system-level efficiencies and financial balance.