

BOARD PAPER - NHS ENGLAND

<p>Title: Consolidated 2014/15 Financial Report (Month 8)</p>
<p>Lead Director: Paul Baumann, Chief Financial Officer</p>
<p>Purpose of paper:</p> <ul style="list-style-type: none">• To update the Board on the financial results for the first eight months of 2014/15.
<p>Actions required by Board Members:</p> <ul style="list-style-type: none">• To note the Month 8 position and discuss risks, mitigations and any further action required.

Introduction

1. This paper sets out the financial results for the first eight months of 2014/15.

Month 8 2014/15 financial performance

2. Expenditure is £69m (0.1%) and £42m (0.0%) above plan in the year to date and full year forecast outturn position respectively.

2014/15 Month 8 £m or %	Net expenditure							
	Plan	YTD	Under/(over) spend		Plan	FOT	Under/(over) spend	
CCGs	44,115	44,191	(76)	-0.2%	66,977	66,971	6	0.0%
Social care	627	627	0	0.0%	1,100	1,100	0	0.0%
Direct Commissioning	18,680	18,756	(77)	-0.4%	28,324	28,398	(74)	-0.3%
Running, programme costs and other	875	791	84	9.6%	1,644	1,618	25	1.5%
Total NHS England	64,296	64,365	(69)	-0.1%	98,045	98,087	(42)	0.0%

This results in a forecast cumulative surplus of £425m against a plan of £467m, representing a £442m reduction in the cumulative surplus of £867m brought forward from 2013/14. Further detail can be found in the finance tables within Annex A.

3. Across all 211 CCGs there is a small forecast underspend of £6m, after taking into account the benefit of £67m of Quality Premium. Whilst 176 CCGs are forecasting in line with plan and 13 will exceed their plans, 22 CCGs are forecasting overspends against plan. All CCGs at risk of failing to deliver their financial plans are receiving support from their local NHS England teams, and the five most significant deviations from plan – which together account for £75m of shortfall in the forecast position – are subject to in-depth regional oversight of their recovery plans, supplemented by national support and review. The number of cumulative deficits is unchanged from September at 19. Key challenges continue to be activity over-performance and QIPP under-delivery.
4. Direct Commissioning is overspent due to pressures within Specialised Commissioning which continue to be monitored and acted upon. This is partially offset by underspends in other areas of Direct Commissioning. £100m of overspend relates to the Cancer Drugs Fund; a recent consultation to amend the standard operating procedure of the Cancer Drugs Fund has concluded, and the resulting changes in the portfolio will significantly increase the clinical and cost effectiveness of our expenditure in this area, as well as reducing the financial exposure in 2015/16. The remaining overspend in Specialised is mainly due to contract over performance.
5. £2,075m of savings through commissioner-driven QIPP were planned for 2014/15, with current projected delivery of £1,844m, 11% below plan but 7% ahead of 2013/14 final delivery. Whilst transactional schemes, which make up over half of the plan, are delivering well (102%), the more transformational programmes continue to be more challenging to achieve, with the shortfall being

supplemented by replacement transactional schemes or the release of contingency.

6. Over and above the forecast position, the risks identified by CCGs, our Area and Regional teams, and the national team are managed by the mitigations currently in place, yielding net headroom of £25m to give a risk adjusted position of £17m overspend. The main movements since September relate to improvements in Specialised Commissioning's risk-adjusted position relating to non-recurrent expenditure, as well as favourable variances on NHS England Programme and Running costs as a result of a detailed review. We continue to look for additional measures to close the remaining gap and these focus on further reductions in NHS England's administration and central programme expenditure. Not yet included in this risk assessment is the impact of the recently announced reduction in the risk pool required for legacy continuing healthcare claims in 2014/15.
7. The tables in the Annex show the overall surpluses by commissioning sector as well as more detailed information relating to Quality, Innovation, Productivity & Prevention (QIPP) and to NHS England running cost and central programme spend.

Paul Baumann
Chief Financial Officer
January 2015

Annex A

Summary of year to date and forecast surpluses by area of commissioning

2014/15 - Month 8 surplus	Year to Date Surplus				Forecast Surplus			
	Plan £m	Actual £m	Var £m	Var % of allocation	Plan £m	Forecast £m	Var £m	Var % of allocation
Local Surplus								
North	206.1	199.1	(7.1)	(0.0%)	310.2	306.4	(3.8)	(0.0%)
Midlands & East	61.6	0.3	(61.3)	(0.3%)	96.5	47.8	(48.7)	(0.2%)
London	90.1	106.3	16.1	0.2 %	153.5	176.9	23.4	0.2 %
South	53.1	29.3	(23.8)	(0.1%)	85.4	53.4	(32.0)	(0.2%)
Quality Premium	0.0	0.0	0.0	0.0 %	48.0	115.0	67.0	33.5 %
Total Local Surplus	410.9	334.9	(76.0)	(0.1%)	693.6	699.5	5.9	0.0 %
Direct Commissioning								
Specialised Commissioning	(2.6)	(121.4)	(118.8)	(0.9%)	0.0	(155.2)	(155.3)	(1.1%)
Armed Forces	0.3	0.3	0.0	0.0 %	0.4	0.4	0.0	0.0 %
Health & Justice	5.8	8.1	2.4	0.5 %	8.4	11.4	3.0	0.6 %
Primary Care & Secondary Dental	147.9	180.8	32.8	0.3 %	212.2	285.3	73.1	0.6 %
Public Health	(1.0)	6.1	7.0	0.4 %	(2.1)	3.5	5.6	0.4 %
Social Care	0.0	0.0	0.0	(0.0%)	0.0	0.0	0.0	0.0 %
Total Direct Commissioning Surplus	150.4	73.8	(76.6)	(0.3%)	218.9	145.4	(73.6)	(0.2%)
Other (excluding Technical)								
NHS England Running Costs	0.0	20.8	20.8	4.0 %	(75.0)	(58.0)	17.0	3.2 %
CSUs	0.0	10.4	10.4	0.0 %	0.0	0.6	0.6	0.0 %
NHS England Central Programme Costs	0.0	50.7	50.7	5.4 %	0.0	49.6	49.6	5.3 %
Other	0.0	1.7	1.7	1.6 %	0.0	(1.9)	(1.9)	(1.7%)
Legacy RDEL	0.0	0.0	0.0	N/A	0.0	(40.0)	(40.0)	N/A
Use of Draw down	(246.9)	(246.9)	0.0	0.0 %	(370.3)	(370.3)	0.0	0.0 %
Total Other (excluding Technical)	(246.9)	(163.3)	83.6	7.0 %	(445.3)	(420.0)	25.3	2.1 %
Grand Total before Technical Budgets	314.5	245.5	(69.0)	(0.1%)	467.2	424.9	(42.4)	(0.0%)

Annex A

QIPP summary

	Year To Date QIPP				Forecast QIPP				
	Plan £m	Actual £m	Var £m	Achieved %	Plan £m	As % of Allocation	Forecast £m	Var £m	Achieved %
Local QIPP									
North	194.7	191.8	(2.9)	98.5 %	338.1	1.6%	309.2	(29.0)	91.4 %
Midlands and East	298.8	246.5	(52.4)	82.5 %	519.7	2.7%	437.8	(81.9)	84.2 %
London	195.1	187.1	(7.9)	95.9 %	314.7	2.9%	300.9	(13.8)	95.6 %
South	253.4	211.6	(41.8)	83.5 %	436.9	2.7%	368.3	(68.6)	84.3 %
Total Local QIPP	942.0	837.1	(105.0)	88.9 %	1,609.4	2.4%	1,416.1	(193.3)	88.0 %
Direct Commissioning QIPP									
Specialised	198.4	180.4	(18.0)	90.9 %	308.5	2.2%	286.9	(21.6)	93.0 %
Health & Justice	3.2	3.1	(0.1)	97.1 %	5.1	1.1%	4.9	(0.2)	96.9 %
Armed Forces	0.0	0.0	0.0	N/A	0.0	0.0%	0.0	0.0	N/A
Primary Care and Secondary Dental	79.0	72.4	(6.5)	91.8 %	133.3	1.1%	118.9	(14.4)	89.2 %
Public Health	11.8	12.0	0.2	101.5 %	18.3	1.2%	17.4	(0.9)	95.2 %
Total DC QIPP	292.4	268.0	(24.4)	91.7 %	465.2	1.6%	428.1	(37.1)	92.0 %
TOTAL QIPP	1,234.4	1,105.0	(129.4)	89.5 %	2,074.7	2.2%	1,844.3	(230.4)	88.9 %

Annex A

NHS England Running Costs 2014/15

	Year to Date Net Expenditure				Forecast Net Expenditure			
	Plan £m	Actual £m	Var £m	Var %	Plan £m	Forecast £m	Var £m	Var %
Medical	10.6	9.3	1.2	11.8%	15.9	15.1	0.8	5.0%
NHS IQ	8.2	6.6	1.5	18.8%	12.2	12.3	(0.0)	(0.3%)
Nursing	8.2	7.4	0.8	9.7%	12.5	11.7	0.8	6.4%
Commissioning Operations	152.8	145.1	7.6	5.0%	237.1	232.3	4.8	2.0%
Commissioning Development	0.0	0.0	0.0	0.0%	0.0	0.0	0.0	0.0%
Patients & Information	12.1	10.6	1.5	12.6%	18.5	16.8	1.7	9.3%
Finance	31.2	29.7	1.5	4.8%	50.8	45.0	5.8	11.4%
Commissioning Strategy	14.1	11.6	2.4	17.2%	23.8	21.7	2.1	8.8%
Transformation & Corp Office	40.5	41.1	(0.5)	(1.3%)	60.7	60.2	0.5	0.8%
Chair & Chief Executive Office	0.9	0.9	0.0	(0.3%)	1.4	1.4	0.0	0.0%
Reserves / transition costs	0.0	(3.4)	3.4	0.0%	20.0	36.6	(16.6)	(82.8%)
Depreciation/Other	8.7	3.4	5.3	60.7%	13.0	13.5	(0.5)	(4.2%)
TOTAL excl PCS	287.2	262.4	24.8	8.6%	465.9	466.6	(0.7)	(0.1%)
PCS	59.9	63.9	(4.0)	(6.7%)	135.2	117.5	17.7	13.1%
TOTAL Running Costs	347.1	326.2	20.8	6.0%	601.1	584.1	17.0	2.8%

Annex A

NHS England Programme Costs 2014/15

	Year to Date Net Expenditure				Forecast Net Expenditure			
	Plan £m	Actual £m	Var £m	Var %	Plan £m	Forecast £m	Var £m	Var %
Medical	62.2	58.9	3.4	5.4%	104.5	103.4	1.1	1.1%
Innovation Health & Wealth	10.8	10.7	0.1	0.7%	25.6	25.9	(0.3)	(1.0%)
Improvement Body	17.2	9.0	8.2	47.9%	34.2	25.4	8.9	25.9%
Nursing	5.5	3.3	2.2	39.7%	17.1	16.5	0.6	3.6%
Commissioning Operations	61.1	54.1	7.0	11.5%	101.2	96.4	4.8	4.7%
Commissioning Development	0.0	0.0	0.0	NA	0.0	0.0	0.0	NA
Patients & Information	36.5	28.1	8.4	23.1%	60.0	56.6	3.4	5.7%
NHS Direct/111	27.8	20.9	6.9	24.8%	46.1	46.1	0.0	0.0%
Finance	0.2	0.2	0.0	(0.9%)	2.0	1.4	0.6	31.0%
Commissioning Strategy	2.0	0.6	1.3	67.2%	4.9	4.8	0.1	2.9%
Transformation & Corp Office	6.9	6.9	0.0	(0.1%)	8.6	8.6	0.0	0.0%
Leadership Academy	50.3	50.3	0.0	0.0%	67.7	67.7	0.0	0.0%
Clinical Excellence Awards	39.3	39.3	0.0	0.0%	174.0	169.0	5.0	2.9%
Provider Support	167.6	167.6	0.0	0.0%	206.0	199.5	6.5	3.2%
Other Programmes	31.1	17.9	13.2	42.4%	51.1	30.8	20.3	39.8%
Other Reserves	0.0	0.0	0.0	0.0%	(1.5)	0.0	(1.5)	(100.0%)
Contingency	0.5	0.5	0.0	0.0%	31.0	31.0	0.0	0.0%
TOTAL NHSE PROGRAMME COSTS	518.9	468.2	50.7	9.8%	932.5	882.9	49.6	5.3%