

**BOARD PAPER – NHS ENGLAND**

<b>Title:</b> Consolidated Month 2 of 2015/16 Financial Report
<b>Lead Director:</b> Paul Baumann, Chief Financial Officer
<b>Purpose of Paper:</b> <ul style="list-style-type: none"><li>• To update the Board on the financial position for month 2 of 2015/16.</li></ul>
<b>The Board is invited to:</b> <ul style="list-style-type: none"><li>• Note the financial position for month 2.</li></ul>

**Consolidated Month 2 of 2015/16 Financial Report  
NHS England Board – 23 July 2015**

**1.0 INTRODUCTION**

1.1 This paper summarises the final plan position for 2015/16, and sets out the financial position as at month 2 of 2015/16.

**2.0 2015/16 FINAL PLANNED POSITION**

2.1 The planned expenditure for 2015/16 across the commissioning system is summarised in the following table:

£'m	Recurrent Allocation (before drawdown)	2015/16 Drawdown	Total Allocation	Planned Spend	Surplus
CCG	71,439	394	71,833	71,833	-
Primary Care	10,333	-	10,333	10,333	-
Public Health	1,649	-	1,649	1,649	-
Specialised	14,634	100	14,734	14,734	-
Health and Justice	492	-	492	492	-
Armed Forces	47	-	47	47	-
<b>Direct Commissioning Total</b>	<b>27,155</b>	<b>100</b>	<b>27,255</b>	<b>27,255</b>	<b>-</b>
Programme & Admin	2,160	85	2,245	2,245	-
<b>Total</b>	<b>100,754</b>	<b>579</b>	<b>101,333</b>	<b>101,333</b>	<b>-</b>

2.2 The above table shows how the commissioning system plans to spend the total in year allocation of £100.8bn, which is supplemented by a further £579m of prior year surplus drawdown to give a total planned expenditure of £101.3bn. The summary above is presented on an in-year basis, so does not include any historical surpluses that are not available to be spent in 2015/16. The figures above are supported by the individual financial plans of each clinical commissioning group (CCG) and direct commissioning unit, the assurance process for which has now been concluded. A summary of the plans for each CCG and each direct commissioning unit will be published on the NHS England web site shortly.

2.3 The figures above reflect the impact of the transfer of resource amounting to £2.1bn from primary care direct commissioning to CCGs in line with the full delegation of primary care commissioning responsibilities to 63 CCGs.

**3.0 2014/15 FULL YEAR FINANCIAL PERFORMANCE**

3.1 The year-to-date and full year forecast expenditure as at month 2 is summarised as follows:

**2015/16 Month 02**

£m or %	Net expenditure							
	Plan	YTD	Under/(over)	spend	Plan	FOT	Under/(over)	spend
CCGs	11,798	11,788	11	0.1%	71,825	71,825	0	0.0%
Social care	0	0	0	0.0%	0	0	0	0.0%
Direct Commissioning	4,430	4,420	9	0.2%	27,264	27,334	(70)	-0.3%
Running, programme costs and other	199	176	23	11.6%	2,243	2,169	74	3.3%
<b>Total before Technical Adjustments</b>	<b>16,427</b>	<b>16,384</b>	<b>43</b>	<b>0.3%</b>	<b>101,333</b>	<b>101,328</b>	<b>5</b>	<b>0.0%</b>
Remove AME/Technical items					0	5	(5)	
<b>Total RDEL under/(over) spend</b>					<b>101,333</b>	<b>101,333</b>	<b>(0)</b>	
Remove ring-fenced expenditure					(166)	(50)	(116)	
<b>Total non ring-fenced RDEL under/(over) spend</b>					<b>101,167</b>	<b>101,283</b>	<b>(116)</b>	<b>-0.1%</b>

- 3.2 Overall at month 2, year to date headline expenditure is £43m (0.3%) below plan due to small underspends across a number of CCGs and in public health, plus the release of central reserves to cover the impact of depreciation underspend ring-fencing<sup>1</sup>. The full year forecast currently shows a headline underspend of £5m (0.0%) which is comprised of a forecast overspend on the cancer drugs fund budget of £70m, offset by an underspend against other central costs, the main component of which is the release of centrally held depreciation ring-fencing reserves of £79m<sup>1</sup>. On a non-ring-fenced Resource Departmental Expenditure Limit (RDEL) basis, excluding the underspend on depreciation, which is higher than planned, the variance from plan is a 0.1% overspend.
- 3.3 In aggregate commissioners are planning for Quality, Innovation, Productivity & Prevention (QIPP) of £2.2bn, which equates to 2.2% of allocations. Commissioners are forecasting at month 2 that £2.1bn of this will be delivered, a delivery rate of 95%, the forecast under delivery mainly relating to CCGs. In 2014/15, the actual delivery rate for the year was 87% against a target of £2.1bn.
- 3.4 The locally assessed risks not reflected in the forecast are in line with those identified at the planning stage. Potential mitigations are being developed to offset these and other risks identified nationally, though the year is likely to remain challenging from a financial perspective.
- 3.5 With a view to minimising the number and the extent of deviations from plan in 2015/16, a series of structured interventions are underway aimed at preventing financial issues arising, providing early warning of those that do occur, and taking a consistent approach to dealing with them effectively when they arise.
- 3.6 The tables in Annex A show the financial performance by commissioning sector as well as more detailed information relating to QIPP and NHS England running costs and central programme spend.

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**Date: July 2015**

<sup>1</sup> CCG budgets are managed on an IFRS basis, so do not recognise the ring-fencing of different categories of expenditure which are important for Treasury accounting purposes. Depreciation is a ring-fenced budget for the purposes of Treasury accounting, but this division is not recognised in CCG accounts, so in effect any underspends against depreciation are offset against spend in other areas in the achievement of their financial plans. In the overall NHS England accounting to the Department of Health, the benefit of these underspends is removed when reporting against the non-ring-fenced RDEL limit.

**Table 1: Summary of Month 2 2015/16 year to date and forecast expenditure by area of commissioning**

2015/16 - Month 2 Net Expenditure	Year to Date Net Expenditure				Forecast Net Expenditure			
	Plan £m	Actual £m	Var £m	Var %	Plan £m	Forecast £m	Var £m	Var %
<b>Local Net Expenditure</b>								
North	3,588.2	3,582.2	6.0	0.2 %	21,907.5	21,907.5	0.1	0.0 %
Midlands & East	3,507.4	3,504.9	2.5	0.1 %	21,240.0	21,240.1	(0.0)	(0.0%)
London	1,836.7	1,835.8	0.9	0.1 %	11,253.0	11,252.8	0.1	0.0 %
South	2,866.1	2,865.0	1.1	0.0 %	17,337.5	17,337.5	0.0	0.0 %
Quality Premium	0.0	0.0	0.0	0.0 %	87.0	87.0	0.0	0.0 %
<b>Total Local Net Expenditure</b>	<b>11,798.4</b>	<b>11,787.9</b>	<b>10.6</b>	<b>0.1 %</b>	<b>71,825.0</b>	<b>71,824.9</b>	<b>0.2</b>	<b>0.0 %</b>
<b>Direct Commissioning</b>								
Specialised Commissioning	2,383.0	2,382.4	0.6	0.0 %	14,734.0	14,804.0	(70.0)	(0.5%)
Armed Forces	7.6	7.4	0.2	2.6 %	47.1	47.1	0.0	0.0 %
Health & Justice	80.3	80.1	0.1	0.1 %	493.1	493.1	0.0	0.0 %
Primary Care & Secondary Dental	1,712.4	1,709.8	2.6	0.2 %	10,341.3	10,341.3	0.0	0.0 %
Public Health	246.5	240.5	6.0	2.4 %	1,649.0	1,649.0	0.0	0.0 %
Social Care	0.0	0.0	0.0	0.0 %	0.0	0.0	0.0	0.0 %
<b>Total Direct Commissioning Surplus</b>	<b>4,429.7</b>	<b>4,420.2</b>	<b>9.5</b>	<b>0.2 %</b>	<b>27,264.4</b>	<b>27,334.4</b>	<b>(70.0)</b>	<b>(0.3%)</b>
<b>Other (excluding Technical)</b>								
NHS England Running Costs	78.4	77.9	0.5	0.7 %	486.0	491.5	(5.5)	(1.1%)
CSUs	0.0	(1.6)	1.6	100.0 %	(0.0)	1.9	(1.9)	(100.0%)
NHS England Central Programme Costs	111.4	108.9	2.5	2.3 %	847.5	847.6	(0.1)	(0.0%)
Other Central Costs	8.8	(9.6)	18.4	208.7 %	910.0	828.1	81.9	9.0 %
Movement on Central Cumulative Surplus	0.0	0.0	0.0	0.0 %	0.0	0.0	0.0	0.0 %
<b>Total Other (excluding Technical)</b>	<b>198.6</b>	<b>175.6</b>	<b>23.1</b>	<b>11.6 %</b>	<b>2,243.5</b>	<b>2,169.1</b>	<b>74.4</b>	<b>3.3 %</b>
<b>Total before Technical Adjustments</b>	<b>16,426.8</b>	<b>16,383.7</b>	<b>43.1</b>	<b>0.3 %</b>	<b>101,332.9</b>	<b>101,328.3</b>	<b>4.6</b>	<b>0.0 %</b>
Remove AME/Technical items					0.0	5.0	(5.0)	
<b>Total RDEL under/(over) spend</b>					<b>101,332.9</b>	<b>101,333.4</b>	<b>(0.5)</b>	<b>0.0%</b>
Remove ring-fenced under/(over) spend					(166.0)	(50.2)	(115.8)	
<b>Total non-ring-fenced RDEL under/(over) spend</b>					<b>101,166.9</b>	<b>101,283.2</b>	<b>(116.3)</b>	<b>(0.1%)</b>

Table 2: 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	54.7	49.4	(5.2)	90.4 %	446.5	2.0%	429.2	(17.2)	96.1 %
Midlands and East	61.4	62.4	1.0	101.6 %	525.5	2.5%	498.8	(26.7)	94.9 %
London	41.2	41.2	0.1	100.2 %	259.6	2.3%	260.8	1.2	100.5 %
South	64.7	55.6	(9.2)	85.8 %	517.2	3.0%	462.6	(54.6)	89.5 %
<b>Total Local QIPP</b>	<b>221.9</b>	<b>208.6</b>	<b>(13.3)</b>	<b>94.0 %</b>	<b>1,748.7</b>	<b>2.4%</b>	<b>1,651.5</b>	<b>(97.2)</b>	<b>94.4 %</b>
Direct Commissioning QIPP									
Specialised	51.6	50.1	(1.5)	97.0 %	339.5	2.3%	339.6	0.1	100.0 %
Health & Justice	1.9	1.9	0.0	100.2 %	7.1	1.4%	7.1	(0.0)	99.9 %
Armed Forces	0.0	0.0	0.0	0.0 %	0.0	0.0%	0.0	0.0	0.0 %
Primary Care and Secondary Dental	12.7	12.9	0.2	101.4 %	96.1	0.9%	82.4	(13.7)	85.8 %
Public Health	1.1	1.8	0.6	157.3 %	8.2	0.5%	8.2	(0.0)	100.0 %
<b>Total DC QIPP</b>	<b>67.3</b>	<b>66.6</b>	<b>(0.7)</b>	<b>99.0 %</b>	<b>450.9</b>	<b>1.6%</b>	<b>437.3</b>	<b>(13.6)</b>	<b>97.0 %</b>
<b>TOTAL QIPP</b>	<b>289.3</b>	<b>275.3</b>	<b>(14.0)</b>	<b>95.1 %</b>	<b>2,199.6</b>	<b>2.2%</b>	<b>2,088.8</b>	<b>(110.8)</b>	<b>95.0 %</b>
Of which transformational	120.6	116.2	(4.4)	96.4 %	973.2	1.0%	985.6	12.4	101.3 %

**Table 3: 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	1.8	1.7	0.1	5.2%	10.6	10.6	0.0	0.0%
NHS IQ	1.2	0.7	0.5	41.7%	7.4	7.4	0.0	0.0%
Nursing	1.6	1.6	0.0	1.1%	10.0	10.0	0.0	0.0%
Commissioning Operations	35.3	34.5	0.8	2.3%	218.0	218.0	0.0	0.0%
Commissioning Development	0.0	0.0	0.0	0.0%	0.0	0.0	0.0	0.0%
Patients & Information	2.4	2.3	0.1	5.9%	14.6	14.6	0.0	0.0%
Finance	7.5	6.9	0.6	8.4%	45.0	45.0	0.0	0.0%
Commissioning Strategy	2.4	2.4	(0.1)	(3.8%)	16.0	16.0	0.0	0.0%
Transformation & Corp Office	8.6	10.8	(2.1)	(24.6%)	51.8	51.8	0.0	0.0%
Chair & Chief Executive Group	0.3	0.2	0.0	10.4%	1.6	1.6	0.0	0.0%
Reserves / transition costs	0.0	(0.1)	0.1	0.0%	23.6	23.6	0.0	0.0%
Depreciation/Other	2.5	1.3	1.2	48.6%	20.0	20.0	0.0	0.0%
<b>TOTAL excl PCS</b>	<b>63.6</b>	<b>62.2</b>	<b>1.4</b>	<b>2.1%</b>	<b>418.5</b>	<b>418.5</b>	<b>0.0</b>	<b>0.0%</b>
PCS	14.8	15.6	(0.8)	(5.7%)	67.5	73.0	(5.5)	(8.1%)
<b>TOTAL Running Costs</b>	<b>78.4</b>	<b>77.9</b>	<b>0.5</b>	<b>0.7%</b>	<b>486.0</b>	<b>491.5</b>	<b>(5.5)</b>	<b>(1.1%)</b>

Table 4: 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	10.2	9.2	1.0	10.1%	96.4	96.4	0.0	0.0%
Improvement Body	2.9	2.2	0.7	23.7%	17.4	17.4	0.0	0.0%
Nursing	1.5	0.9	0.5	34.8%	25.4	25.4	(0.0)	(0.0%)
Commissioning Operations	9.6	7.9	1.6	17.0%	87.5	87.6	(0.1)	(0.1%)
Patients & Information	6.2	5.2	1.0	16.4%	50.5	50.5	0.0	0.0%
NHS Direct/111	4.3	4.4	(0.1)	(3.1%)	25.5	25.5	0.0	0.0%
Finance	0.4	0.3	0.1	29.8%	8.6	8.6	0.0	0.0%
Commissioning Strategy	4.8	3.2	1.6	32.9%	37.7	37.7	(0.0)	(0.0%)
Transformation & Corp Office	0.9	1.0	(0.0)	(3.7%)	8.1	8.1	0.0	0.0%
Leadership Academy	11.2	11.2	0.0	0.0%	44.7	44.7	0.0	0.0%
Clinical Excellence Awards	1.2	1.2	0.0	0.0%	166.0	166.0	0.0	0.0%
Provider Support	47.5	47.5	0.0	0.0%	153.0	153.0	0.0	0.0%
Other Programmes	8.1	8.1	(0.0)	(0.1%)	65.2	65.2	0.0	0.0%
Other Reserves	0.0	0.0	0.0	0.0%	0.0	0.0	0.0	0.0%
Contingency	0.0	0.0	0.0	0.0%	41.5	41.5	0.0	0.0%
Specialist Pharmacy Services	0.5	0.5	0.0	0.0%	7.0	7.0	0.0	0.0%
<b>TOTAL NHSE PROGRAMME COSTS</b>	<b>109.2</b>	<b>102.8</b>	<b>6.4</b>	<b>5.9%</b>	<b>834.5</b>	<b>834.6</b>	<b>(0.1)</b>	<b>(0.0%)</b>