

Paper NHSE131110

BOARD PAPER - NHS ENGLAND

Title: Financial Performance Report

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Purpose of paper:

- To update the Board on the year to date and latest forecast full year financial performance for 2013/14.

Key issues and recommendations:

- Following a detailed stocktake of financial positions at the half year, the forecast surplus is £62m higher than plan, which is 0.06% of income.
- Risks to this forecast and available mitigations are broadly balanced.
- The key remaining uncertainty to delivery of the forecast surplus is unexpected growth in hospital spend.

Actions required by Board Members:

- To discuss and agree any actions arising from the contents of this report.

Consolidated 2013/14 Financial Report at September 2013 (Month 6)

Executive Summary

1. This report reflects the 2013/14 latest year to date and full year forecast of the financial outturn following a detailed half-year stocktake of financial positions across NHS England and CCGs.
2. The detailed review included:
 - Gaining a better understanding of trends in direct commissioning. For specialised commissioning, this included finalising income assumptions ('baselines'); convergence spend and the position on the Cancer Drugs Fund;
 - An assessment of each CCG position, including CCGs with risky financial positions and CCGs with the potential for increased in year surpluses;
 - A detailed review of central programme and running costs;
 - The phasing of forecast spend and QIPP and;
 - Risks and opportunities on legacy balances and technical adjustments.
3. The year to date surplus is almost on track, at £(32)m below plan, representing (0.07%) of year to date income. For the full year, the forecast is to exceed planned surplus by £62m or 0.06% of income.

	Month 6 year to date surplus				Full year forecast surplus/(deficit)			
	Plan £m	Actual £m	Variance £m	Variance	Plan £m	Actual £m	Variance £m	Variance
				as % allocation				as % allocation
CCGs	324.2	304.7	-19.5	-0.1%	612	635	23	0.0%
Transfer to LAs for social care	0.0	0.0	0.0	0.0%	0	0	0	0.0%
Direct commissioning	111.1	-80.7	-191.8	-1.4%	225	-93	-318	-1.2%
Other	0.0	179.1	179.1	19.2%	-303	54	357	14.7%
	435.4	403.2	-32.1	-0.1%	534	596	62	0.1%

Note: the variance as a % of allocation refers to the variance against planned surplus amount (i.e. plan - actual) taken as proportion of the year to date or full year allocation (as appropriate)

4. Forecasts in the previous table are based upon unadjusted local assessments provided by CCGs and Area Teams. We refine this into a 'risk adjusted' forecast for the year by combining the views of the CCGs, Area Team, regional and national teams on risks and available mitigations. The month 6 risks and mitigations are balanced within £17m of each other. Consequently the risk

adjusted forecast is a surplus £45m higher than plan. The gross value of locally assessed risks is £1.2bn, offset by a similar level of mitigations, which illustrates the scale of remaining uncertainties in forecasts.

5. The main risks are:

- Overspend in hospital based upon higher than forecast activity through underlying growth or QIPP slippage; and
- Potential adjustments for treasury accounting rules on provisions.

The main mitigations are:

- Drawdown of the remaining available surplus from prior years;
- Savings in central programme costs. A further review of these costs and NHS England running costs will be carried out in November to confirm the resources required to deliver priorities and refine the forecast further;
- Reserves and contingencies in local CCG positions; and
- Small upsides on specialised commissioning convergence costs.

6. The forecast position improved in Month 6 for a number of CCGs. There is some evidence of potential further surpluses in CCG forecasts, but these are limited (tens not hundreds of millions of pounds) and they are likely to be offset by the costs of further winter pressures. Consequently no net adjustment has been made to the forecast.

7. Key themes in the year to date and full year positions are:

- In aggregate, the CCG financial position is broadly on track, though individual CCG financial health varies significantly. Eight of the nine CCGs with planned deficits continue to forecast deficits; a further 16 CCGs are now forecasting an in-year deficit. Year to date CCG positions are driven by a combination of activity pressures, finalisation on the impact of Specialised Commissioning adjustments and QIPP delivery.
- The adverse year to date and full year position in Direct Commissioning mainly relates to Specialised Commissioning. All ten Area Teams with Specialised Commissioning responsibilities are now reporting both year to

date and full year adverse variances. Emerging activity trends and resolution of baselines issues have driven the deterioration in the Area Team positions.

- The programme budget forecast includes release of £60m of the contingency to increase the planned support to NHS Trusts, reflecting substantial calls on transitional support.
- The availability of robust activity information on which to base accruals for actual hospital costs and to identify trends for forecasting the balance of year remains an issue. Whilst the certainty on positions improves every month, activity trends remain the biggest area of uncertainty.
- The overall financial position for 2013/14 will broadly balance, in large part through the drawdown of some of the surpluses carried forward from previous years.

8. The attached appendices update the Board on the finance extracts normally included in the Integrated Performance Report:

- Priority 11 (of the 11-Point Scorecard) – High quality financial management;
- NHS England Performance Report – Financial Performance; and
- Organisational Health – Finance Running Costs and Finance Programme Costs.

Conclusion

9. The Board is invited to:

- Discuss and agree any actions arising from the contents of this report.

Paul Baumann

Chief Financial Officer

November 2013

Surplus	Planned	Actual/FOT	Variance	Variance %	RAG
	£m	£m	£m	allocation	
1 Clinical Commissioning Groups - year to date	324.2	304.7	(19.5)	(0.1%)	Green
2 Clinical Commissioning Groups - full year forecast outturn	612.3	635.0	22.7	0.0%	Green
3 Direct Commissioning - year to date	111.1	(80.7)	(191.8)	(1.4%)	Red
4 Direct Commissioning - full year forecast outturn	224.6	(93.2)	(317.8)	(1.2%)	Red
5 NHS England (total) - full year forecast outturn	533.7	595.6	61.9	0.1%	Green

QIPP (excluding implied provider efficiencies)	Planned	FOT	Variance	Variance %	RAG
	£m	£m	£m	allocation	
6 Clinical Commissioning Groups - full year forecast outturn delivery	1,634.9	1,458.1	(176.8)	(0.3%)	Amber
7 Direct Commissioning - full year forecast outturn delivery	379.9	310.2	(69.7)	(0.3%)	Amber

Costs management*	Within	Within	Variance	Variance %	RAG
	budget	budget	£m	allocation	
8 Central - management costs	Y	Y	33.0	4.9%	Green
9 Central - programme costs	Y	Y	21.0	2.2%	Green
10 Clinical Commissioning Groups - management costs	Y	Y	25.0	1.9%	Green

*Full year forecast outturn

Deficit reporting	Planned	Forecast	Variance	RAG
	number	number		
11 Number of CCGs forecasting a deficit position	9	24	-15	Red

Financial Performance September 2013

	Year to Date					Forecast Outturn Before Further Actions				
	Plan £m	Actual £m	Var £m	Var % of allocation	RAG	Plan £m	Forecast £m	Var £m	Var % of allocation	RAG
Local Surplus										
North	126.6	140.9	14.4	0.1%	G	239.5	279.4	39.9	0.2%	G
Midlands & East	96.4	61.8	(34.6)	(0.4%)	A	181.8	116.0	(65.8)	(0.3%)	A
London	43.1	50.5	7.3	0.1%	G	88.6	138.7	50.1	0.5%	G
South	58.1	51.5	(6.7)	(0.1%)	G	102.3	100.8	(1.5)	(0.0%)	G
Social Care	0.0	0.0	0.0	0.0%	G	0.0	0.0	0.0	0.0%	G
Total Local Surplus	324.2	304.7	(19.5)	(0.1%)	G	612.3	635.0	22.7	0.0%	G
Direct Commissioning										
Specialised Commissioning	59.9	(136.8)	(196.7)	(3.1%)	R	119.8	(216.7)	(336.5)	(2.6%)	R
Armed Forces	0.0	(0.2)	(0.3)	(1.2%)	R	0.0	(1.1)	(1.2)	(2.6%)	R
Health & Justice	0.0	1.4	1.4	0.8%	G	0.0	0.9	0.9	0.2%	G
Primary Care	48.2	58.0	9.9	0.2%	G	98.3	133.5	35.2	0.3%	G
Secondary and Community Dental Care	2.3	(3.8)	(6.1)	(1.6%)	R	4.9	(11.3)	(16.2)	(2.0%)	R
Public Health	0.7	0.7	(0.0)	(0.0%)	G	1.5	1.6	0.0	0.0%	G
Other Commissioning	0.0	0.0	0.0	0.0%	G	0.0	0.0	0.0	0.0%	G
Total Direct Commissioning	111.1	(80.7)	(191.8)	(1.4%)	R	224.6	(93.2)	(317.8)	(1.2%)	R
NHS England Running Costs	0.0	39.8	39.8	14.2%	G	0.0	32.8	32.8	4.9%	G
Total National Commissioning	111.1	(40.9)	(152.0)	(1.1%)	R	224.6	(60.4)	(284.9)	(1.0%)	R
Other										
Other	0.0	139.3	139.3	21.4%	G	0.0	21.0	21.0	0.9%	G
Remaining draw down available	0.0	0.0	0.0	0.0%	G	(303.0)	0.0	303.0	13.1%	G
Total Other	0.0	139.3	139.3	21.4%	G	(303.0)	21.0	324.0	14.0%	G
TOTAL	435.4	403.2	(32.1)	(0.1%)	G	533.9	595.6	61.8	0.1%	G

NHS England - Running Costs

	Year to Date					Forecast Before Further Actions				
	Plan £m	Actual £m	Var £m	Var %	RAG	Plan £m	Forecast £m	Var £m	Var %	RAG
Medical	7.1	6.3	0.8	10.8%	G	14.2	14.0	0.2	1.4%	G
Chief Nursing	4.9	4.3	0.6	12.3%	G	11.7	11.2	0.6	4.7%	G
Chief Operating Officer	162.1	153.5	8.6	5.3%	G	354.3	350.7	3.5	1.0%	G
Commissioning Development	2.6	1.6	1.0	37.7%	G	10.7	10.6	0.1	0.9%	G
Patients & Information	10.3	6.5	3.8	37.0%	G	20.5	17.0	3.5	17.1%	G
Finance	23.6	21.4	2.2	9.2%	G	42.2	40.4	1.8	4.2%	G
Policy	36.8	40.0	(3.2)	(8.7%)	R	73.5	72.1	1.4	1.9%	G
Human Resources	3.1	2.5	0.6	18.6%	G	7.4	6.7	0.7	9.5%	G
Reserves / transition costs	17.5	0.0	17.5	0.0%	G	110.6	94.5	16.1	0.0%	G
Other	5.5	1.8	3.7	66.7%	G	11.0	11.0	0.0	0.0%	G
Total NHS England Running Costs	273.5	238.0	35.5	13.0%	G	656.1	628.3	27.8	4.2%	G
IQ Clinical Improvement	6.7	2.4	4.3	64.3%	G	13.4	8.4	5.0	37.0%	G
TOTAL	280.2	240.4	39.8	14.2%	G	669.5	636.8	32.8	4.9%	G

NHS England - Programme Costs at September 2013

	Year to Date					Forecast Before Further Actions				
	Plan £m	Actual £m	Var £m	Var %	RAG	Plan £m	Forecast £m	Var £m	Var %	RAG
Innovation Health & Wellbeing	31.0	19.8	11.2	36.0%	G	50.0	50.0	0.0	0.0%	G
Improvement Body	26.8	8.7	18.1	67.5%	G	53.5	42.2	11.3	21.2%	G
Medical (other)	13.7	6.0	7.7	(100.0%)	R	34.9	34.9	0.0	0.0%	G
Nursing	0.9	0.0	0.9	96.7%	G	4.3	4.3	0.0	0.1%	G
Chief Operating Officer	42.5	14.9	27.7	65.1%	G	92.2	99.9	(7.7)	(8.4%)	R
Commissioning Development	2.4	2.1	0.3	11.6%	G	5.0	5.0	0.0	0.9%	G
Patients & Information	26.9	20.0	6.9	25.7%	G	84.7	79.2	5.5	6.5%	G
NHS Direct/111	29.7	27.1	2.6	8.8%	G	33.0	27.4	5.6	16.8%	G
Finance	0.8	0.8	0.1	6.1%	G	2.5	1.0	1.5	60.0%	G
Leadership Academy	23.3	23.4	(0.1)	(0.2%)	A	46.7	46.7	0.0	0.0%	G
Clinical Excellence Awards	0.0	0.0	0.0	0.0%	G	174.0	182.0	(8.0)	(4.6%)	R
Provider Support	102.0	72.6	29.4	28.8%	G	204.0	264.0	(60.0)	(29.4%)	R
Other budgets	(1.3)	9.4	(10.7)	(823.4%)	R	48.9	42.4	6.5	13.3%	G
Other Reserves	0.0	0.0	0.0	0.0%	G	31.4	25.0	6.4	20.4%	G
Contingency	30.8	0.0	30.8	100.0%	G	99.9	40.0	59.9	60.0%	G
Total NHS England Programme Costs	329.5	204.7	124.8	37.9%	G	965.1	944.1	21.0	2.2%	G