

**BOARD PAPER - NHS ENGLAND**

**Title:** Financial Performance Report

**Clearance:** Paul Baumann, Chief Financial Officer

**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:**

- Latest financial positions at month 8 give a forecast surplus of £154m higher than plan, which is 0.2% of income.
- Risks to this forecast slightly outweigh the available mitigations.
- The key remaining uncertainty to delivery of the forecast surplus is the level of 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 November 2013 (Month 8)

### Executive Summary

1. This report reflects the 2013/14 latest year to date and full year forecast of the financial outturn across NHS England and CCGs as summarised below:

	Month 8 year to date surplus				Full year forecast surplus/(deficit)			
	Plan £m	Actual £m	Variance £m	Variance as % allocation	Plan £m	Actual £m	Variance £m	Variance as % allocation
CCGs	411	390	(20)	0.0%	615	648	34	0.1%
Direct Commissioning	146	(121)	(267)	(1.5%)	225	21	(204)	(0.7%)
NHS England Running/Programme Costs	0	141	141	11.3%	0	19	19	1.1%
Drawdown held in reserve	0	0	0	0.0%	(305)	0	305	
<b>Total</b>	<b>557</b>	<b>411</b>	<b>(146)</b>	<b>(0.2%)</b>	<b>534</b>	<b>688</b>	<b>154</b>	<b>0.2%</b>

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)

2. The full year forecast surplus before risk adjustment has increased by £19m to a full year surplus £154m (0.2%) above plan. The largest movements this month are improvements in the CCG full year forecast position (£18m) in North and Midlands and East, a £(14)m worsening of the Specialised position due to finalisation of convergence funding and Cancer Drugs Fund risk, both of which have moved from risk assessment to the forecast position, and a £19m improvement in the running cost and programme cost. Appendix 2 (financial performance) and Appendices 3 and 4 (running costs and programme costs) provide more detail.
3. Key themes in the year to date and full year reported positions (which in turn give rise to the combination of differing RAG ratings in Priority 11- High quality financial management within Appendix 1) are as follows:
  - As previously noted, the CCG financial position is on track in aggregate (leading to green RAG ratings for indicators 1 and 2), though individual CCG financial health still varies significantly. 52 CCGs are forecasting a higher surplus than plan and 144 CCGs are forecasting to deliver a surplus of 1% or more. Eight of the nine CCGs with planned deficits continue to forecast deficits. As at month 8 there are 16 CCGs with unplanned forecast deficits, an improvement of 1 from month 7 (reflecting the red RAG rating for indicator 11).

In Midlands and East, improvement in the overall financial position is due in part to developing Financial Recovery Plans. CCGs as a whole report that their positions are affected by a combination of activity pressures, baseline issues and QIPP delivery.

- Continued overspends in Specialised Commissioning – £(282)m or (3.3%) in year to date, and £(228)m or 1.7% in the full year (the key driver for the red RAG ratings in indicators 3 and 4). This represents a worsening of £14m in the full year position, mainly due to finalisation of costs of convergence funding across Area Teams. The change this month is a reflection of risks previously reported in the ‘risk adjusted position’ (paragraph 4); as these risks have moved into the forecast outturn position they have been removed from the overall risk adjusted position. Unaffordable growth in activity remains the key driver for Specialised Commissioning.
- Overspends in Secondary Dental - £(7m) or (1.4)% in year to date and £(10)m or (1.3)% in full year forecast, as activity growth and QIPP shortfalls cannot be covered fully by contingencies.
- The forecast outturn in Programme Costs has improved by £13m to show a full year overspend of £20m at month 8. The most significant unbudgeted cost remains additional support to providers for transitional support (£122m in total), leading to the red rating for indicator 9. Detailed reviews with National Directors of programme budgets are on-going, so significant underspends are not yet being forecast, though potential upsides are reflected in the risk adjusted position.
- QIPP delivery (86% delivered in year to date, 87% full year forecast) has remained steady from previous months (reflected in the amber ratings in indicators 6 and 7). Underperformance is mainly occurring in Midlands and East CCGs, Specialised Commissioning and Primary Care. The majority of full year underperformance relates to Transformational schemes (£194m).
- The overall financial position for 2013/14 will balance, in large part through the full agreed drawdown of the surpluses carried forward from previous years, which is reflected in the overall green rating for indicator 5.

4. The surplus forecast has been further refined 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. At month 8, this has resulted in a risk adjusted forecast underspend of £111m after covering £150m additional A&E funding. This is a £150m improvement on month 7, with nearly half of this improvement coming from the resolution of outstanding risks relating to Specialised Commissioning.
5. 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**

6. The Board is invited to:
  - Discuss and agree any actions arising from the contents of this report.

**Paul Baumann**

**Chief Financial Officer**

**January 2014**

## Priority 11 - High quality financial management

<b>Surplus</b>	<b>Planned</b>	<b>Actual/FOT</b>	<b>Variance</b>	<b>Variance %</b>	<b>RAG</b>	<b>Change on previous month</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>allocation</b>		
1 Clinical Commissioning Groups - year to date	410.7	390.3	(20.4)	(0.0%)	Green	
2 Clinical Commissioning Groups - full year forecast outturn	614.8	648.3	33.5	0.1%	Green	
3 Direct Commissioning - year to date	146.0	(120.9)	(266.9)	(1.5%)	Red	
4 Direct Commissioning - full year forecast outturn	224.6	20.7	(203.9)	(0.7%)	Red	
5 NHS England (total) - full year forecast outturn	534.0	688.3	154.3	0.2%	Green	

  

<b>QIPP (excluding implied provider efficiencies)</b>	<b>Planned</b>	<b>FOT</b>	<b>Variance</b>	<b>Variance %</b>	<b>RAG</b>	<b>Change on previous month</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>allocation</b>		
6 Clinical Commissioning Groups - full year forecast outturn delivery	1,634.9	1,438.2	(196.7)	(0.3%)	Amber	
7 Direct Commissioning - full year forecast outturn delivery	379.9	309.8	(70.1)	(0.3%)	Amber	

  

<b>Costs management*</b>	<b>Within budget</b>	<b>Within budget</b>	<b>Variance</b>	<b>Variance %</b>	<b>RAG</b>	<b>Change on previous month</b>
			<b>£m</b>	<b>allocation</b>		
8 Central - management costs	Y	Y	39.6	5.9%	Green	
9 Central - programme costs	Y	N	(20.3)	(2.1%)	Red	
10 Clinical Commissioning Groups - management costs	Y	Y	38.1	2.8%	Green	1 CCG breaching within this position (2 previously)

\*Full year forecast outturn

  

<b>Deficit reporting</b>	<b>Planned number</b>	<b>Forecast number</b>	<b>Variance</b>	<b>RAG</b>	<b>Change on previous month</b>
11 Number of CCGs forecasting a deficit position	9	24	-15	Red	Remains red but a decrease of 1 CCG

## Financial Performance November 2013

	Year to Date					Forecast Outturn Before Further Actions					Change in Forecast	
	Plan £m	Actual £m	Var £m	Var % of allocation	RAG	Plan £m	Forecast £m	Var £m	Var % of allocation	RAG	Previous Month £m	Change £m
Local Surplus												
North	161.5	177.3	15.8	0.1%	G	239.5	291.2	51.7	0.3%	G	281.8	9.4
Midlands & East	121.9	79.9	(42.0)	(0.3%)	A	184.3	119.4	(64.9)	(0.3%)	A	111.7	7.7
London	55.4	77.7	22.3	0.3%	G	88.7	143.4	54.7	0.5%	G	142.6	0.8
South	72.0	55.4	(16.6)	(0.2%)	A	102.3	94.3	(8.0)	(0.1%)	G	94.2	0.0
Social Care	0.0	0.0	0.0	0.0%	G	0.0	0.0	0.0	0.0%	G	0.0	0.0
<b>Total Local Surplus</b>	<b>410.7</b>	<b>390.3</b>	<b>(20.3)</b>	<b>(0.0%)</b>	<b>G</b>	<b>614.8</b>	<b>648.3</b>	<b>33.5</b>	<b>0.1%</b>	<b>G</b>	<b>630.3</b>	<b>18.0</b>
Direct Commissioning												
Specialised Commissioning	79.9	(201.9)	(281.8)	(3.3%)	R	119.8	(107.8)	(227.7)	(1.7%)	R	(94.2)	(13.6)
Armed Forces	0.0	0.3	0.3	1.3%	G	0.0	0.7	0.7	1.7%	G	0.1	0.6
Health & Justice	(0.0)	2.1	2.1	0.9%	G	(0.0)	2.3	2.3	0.6%	G	0.9	1.4
Primary Care	62.1	79.8	17.6	0.2%	G	98.3	127.3	29.0	0.3%	G	136.2	(8.9)
Secondary and Community Dental Care	3.0	(4.2)	(7.2)	(1.4%)	R	4.9	(5.5)	(10.4)	(1.3%)	R	(6.9)	1.4
Public Health	1.0	2.9	2.0	0.2%	G	1.5	3.7	2.2	0.1%	G	1.5	2.2
Other Commissioning	0.0	0.0	0.0	0.0%	G	0.0	0.0	0.0	0.0%	G	0.0	0.0
<b>Total Direct Commissioning</b>	<b>146.0</b>	<b>(120.9)</b>	<b>(266.9)</b>	<b>(1.5%)</b>	<b>R</b>	<b>224.6</b>	<b>20.7</b>	<b>(203.9)</b>	<b>(0.7%)</b>	<b>R</b>	<b>37.6</b>	<b>(16.9)</b>
NHS England Running Costs	0.0	52.7	52.7	14.3%	G	0.0	39.6	39.6	5.9%	G	34.0	5.6
<b>Total National Commissioning</b>	<b>146.0</b>	<b>(68.2)</b>	<b>(214.2)</b>	<b>(1.2%)</b>	<b>R</b>	<b>224.6</b>	<b>60.3</b>	<b>(164.3)</b>	<b>(0.6%)</b>	<b>R</b>	<b>71.6</b>	<b>(11.4)</b>
Other												
Programme costs	0.0	88.6	88.6	10.1%	G	0.0	(20.3)	(20.3)	(2.0%)	R	(33.0)	12.7
Use of draw down	0.0	0.0	0.0	0.0%	G	(305.4)	0.0	305.4	261.2%	G	0.0	0.0
Total Other	0.0	88.6	88.6	10.1%	G	(305.4)	(20.3)	285.2	25.2%	G	(33.0)	12.7
<b>SUB TOTAL</b>	<b>556.7</b>	<b>410.7</b>	<b>(145.9)</b>	<b>(0.2%)</b>	<b>A</b>	<b>533.9</b>	<b>688.3</b>	<b>154.4</b>	<b>0.2%</b>	<b>G</b>	<b>669.0</b>	<b>19.3</b>

## NHS England - Running Costs at November 2013

	Year to Date					Forecast Before Further Actions					Change in Forecast	
	Plan £m	Actual £m	Var £m	Var %	RAG	Plan £m	Forecast £m	Var £m	Var %	RAG	Previous Month £m	Change £m
Medical	9.5	8.6	0.8	8.6%	G	14.2	14.0	0.2	1.1%	G	0.2	0.0
Chief Nursing	6.5	5.8	0.7	11.1%	G	11.5	11.5	0.0	0.0%	G	0.0	0.0
Chief Operating Officer	213.8	201.6	12.1	5.7%	G	353.3	344.0	9.2	2.6%	G	8.4	0.8
Commissioning Development	3.7	1.4	2.3	61.6%	G	10.7	10.6	0.1	0.9%	G	0.1	0.0
Patients & Information	13.7	9.5	4.2	30.8%	G	20.5	17.0	3.5	17.1%	G	3.5	0.0
Finance	29.8	25.3	4.5	15.2%	G	42.2	41.9	0.3	0.6%	G	0.3	0.0
Policy	49.0	50.5	(1.5)	(3.0%)	R	73.5	72.4	1.1	1.5%	G	1.4	(0.3)
Human Resources	4.0	3.6	0.4	9.7%	G	7.4	6.7	0.7	9.5%	G	0.7	0.0
Reserves / transition costs	23.3	0.0	23.3	100.0%	G	110.6	91.0	19.6	17.8%	G	16.0	3.6
Other	7.3	2.0	5.3	72.7%	G	11.0	11.0	0.0	0.0%	G	0.0	0.0
<b>Total NHS England Running Costs</b>	<b>360.5</b>	<b>308.3</b>	<b>52.2</b>	<b>14.5%</b>	<b>G</b>	<b>655.0</b>	<b>620.3</b>	<b>34.7</b>	<b>5.3%</b>	<b>G</b>	<b>30.6</b>	<b>4.2</b>
IQ (Clinical Improvement)	8.9	8.4	0.5	5.6%	G	13.4	8.5	4.9	36.7%	G	3.5	1.5
<b>TOTAL</b>	<b>369.4</b>	<b>316.7</b>	<b>52.7</b>	<b>14.3%</b>	<b>G</b>	<b>668.4</b>	<b>628.8</b>	<b>39.6</b>	<b>5.9%</b>	<b>G</b>	<b>34.0</b>	<b>5.6</b>

## NHS England - Programme Costs at November 2013

	Year to Date					Forecast Before Further Actions					Change in Forecast	
	Plan £m	Actual £m	Var £m	Var %	RAG	Plan £m	Forecast £m	Var £m	Var %	RAG	Previous Month £m	Change £m
Innovation Health & Wellbeing	37.0	36.5	0.5	1.5%	G	49.8	46.1	3.6	7.3%	G	3.7	(0.0)
IQ (Clinical Improvement)	35.7	8.0	27.7	77.6%	G	53.5	32.3	21.2	39.7%	G	12.8	8.4
Medical (other)	20.4	21.5	(1.1)	(5.4%)	R	44.7	44.1	0.6	1.3%	G	0.4	0.2
Nursing	0.6	0.5	0.1	14.0%	G	4.3	4.3	0.0	0.1%	G	0.0	0.0
Chief Operating Officer	48.2	22.7	25.5	52.8%	G	105.5	97.7	7.9	7.4%	G	(0.3)	8.1
Commissioning Development	2.9	2.8	0.1	2.6%	G	5.0	5.0	0.0	0.9%	G	0.0	0.0
Patients & Information	45.8	32.0	13.8	30.1%	G	86.4	80.3	6.1	7.1%	G	7.5	(1.3)
NHS Direct/111	27.1	26.5	0.7	2.4%	G	27.4	27.4	0.0	0.0%	G	0.0	0.0
Finance	0.8	0.9	(0.1)	(90.0%)	R	1.0	1.0	(0.1)	(5.3%)	R	0.0	(0.1)
Leadership Academy	39.7	39.1	0.6	1.6%	G	46.7	46.7	0.0	0.0%	G	0.0	0.0
Clinical Excellence Awards	12.6	12.6	0.0	0.0%	G	174.0	182.0	(8.0)	(4.6%)	R	(8.0)	0.0
Provider Support	136.0	160.7	(24.7)	(18.2%)	R	204.0	326.0	(122.0)	(59.8%)	R	(122.0)	0.0
Other budgets	7.3	12.0	(4.7)	(11.6%)	R	46.4	42.4	4.0	8.6%	G	6.5	(2.5)
Other Reserves	0.0	0.0	0.0	0.0%	G	31.4	25.0	6.4	20.4%	G	6.4	0.0
Contingency	30.8	0.0	30.8	100.0%	G	99.9	40.0	59.9	60.0%	G	59.9	0.0
<b>Total NHS England Programme Costs</b>	<b>445.0</b>	<b>375.9</b>	<b>69.1</b>	<b>15.5%</b>	<b>G</b>	<b>980.0</b>	<b>1,000.3</b>	<b>(20.3)</b>	<b>(2.1%)</b>	<b>R</b>	<b>(33.0)</b>	<b>12.8</b>