

BOARD PAPER - NHS ENGLAND

Title: Consolidated 2013/14 Finance Report

From: Paul Baumann, Chief Financial Officer

Purpose of paper:

To update the Board on the full year financial performance for 2013/14.

Key issues and recommendations:

This paper updates the Board on the consolidated 2013/14 financial results across all commissioners. It is based upon submitted final accounts for NHS England and all CCGs which are currently undergoing external audit. The final audited Annual report and accounts will be presented to a future Board meeting.

Actions required by Board Members:

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

Consolidated 2013/14 Finance Report

Summary position

- 1 Planned expenditure for 2013/14 via the Mandate from Department of Health was £94.709bn. Actual expenditure is reported as £94.453bn, 0.3% favourable to plan.
- 2 CCGs marginally underspent and services directly commissioned by NHS England overspent, covered by reserves and underspends on NHS England running costs - as shown below:

2013/14 £m or %	Net expenditure			
	Plan	Actual	Under/ (over) spend	
CCGs	64,781	64,684	97	0.1%
Social care	859	859	0	0.0%
Direct Commissioning	27,081	27,428	(347)	-1.3%
Running, programme costs and other	1,576	1,425	151	9.6%
Reserves and drawdown	412	56	355	
Total before technical adjustments	94,709	94,453	256	0.3%

% under/(over) spends are as a percentage of allocation
Additional technical budget £630m brings planned expenditure to Mandate of £95,873m

- 3 This resulted in a surplus of £790m against a plan of £534m, an £89m improvement from the month 9 position. Surpluses and deficits arising in each year are carried forward into future years, so this is on a cumulative basis. To deliver the 2013/14 position, commissioners drew on £394m of the cumulative surplus, which fell from £1,184m to £790m.
- 4 Across all 211 CCGs, there was a small underspend of £97m (0.1% of allocation). The position by individual CCG varied quite significantly:
 - 75 CCGs with higher than planned surplus;
 - 92 CCGs on plan; and
 - 44 CCGs overspending plan.

Nine CCGs had agreed deficit plans at the beginning of the year; two of these CCGs have achieved a surplus. A further twelve CCGs had unplanned deficits. Key challenges covered within the overall CCG positions include disaggregation of PCT budgets, activity pressures, and delivery of QIPP savings. Overall, CCGs'

management cost allowances were underspent by £106m (8%), which they mainly channelled back into spend on clinical programmes.

- 5 Direct Commissioning overspends were £(347)m or (1.3)% of allocation. The most significant drivers of this overspend were Specialised Commissioning activity growth and issues around budget baselines following the disaggregation of PCT budgets.
- 6 Central budgets for running and programme costs were underspent by £151m (9.6%), mainly due to vacancies at the beginning of the year and deferral of costs of restructuring Primary Care Support Services which will now arise in 2014/15.
- 7 £2,015m of savings through QIPP were planned for 2013/14. Actual delivery was £1,722m, or 85%. The largest shortfall (£235m) was against schemes defined as transformational, an area which will require significant focus in future years.
- 8 In addition to the key financial results set out in the preceding paragraphs, on which NHS England measures its performance, adjustments for technical and legacy items are overlaid for reporting to HM Treasury. Annex 5 summarises the overall position when technical allocations and legacy impacts are included. The main surplus metric increases by £95m to £885m on this basis.

Conclusions

- 9 Overall, financial delivery of the commissioning sector in its first year of operation was strong, and the integrated financial monitoring, forecasting and risk management disciplines established during 2013/14 will be all the more important as we move into the even more challenging years ahead.
- 10 There were, however, a number of mitigations that were either planned or that arose in year that will not recur in future years. These include
 - a higher level of historical surpluses available to draw down;
 - a £140m non-recurrent transition budget for running costs; and
 - significant vacancies in our operating structures in the early months.
- 11 In addition to significant weaknesses in Specialised Commissioning, CCG financial strength is very variable - with carried forward surplus levels ranging from over 8% to deficits of more than 5%. There is some correlation between CCG financial performance and the distance from target allocation, which we began to address in allocations for 2014/15 and 2015/16.

12 We face a very challenging financial environment in 2014/15 and beyond, and this will be made significantly more acute in 2015/16 when £1.9bn additional investment is made from CCG allocations into the Better Care Fund.

13 The Board is invited to:

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

Paul Baumann
Chief Financial Officer
May 2014

NHS England cumulative multi-year surplus fell by £394m in 2013/14 due to drawdown against reserves to supplement in-year spending.

	2013/14 Year end cumulative surplus					Change from Month 9 Forecast	
	Plan £m	Actual £m	Var £m	Var % of allocation	RAG	M9 £m	Change £m
Local Cumulative Surplus							
North	239.7	304.4	64.7	0.3%	G	302.1	2.2
Midlands & East	184.3	119.2	(65.1)	(0.3%)	A	118.9	0.3
London	88.7	189.7	101.0	1.0%	G	158.5	31.2
South	102.4	99.2	(3.1)	(0.0%)	G	96.9	2.3
Social Care	0.0	0.0	0.0	0.0%	G	0.0	0.0
Total Local Surplus	615.0	712.5	97.5	0.1%	G	676.4	36.1
Direct Commissioning							
Specialised Commissioning	119.8	(257.1)	(376.9)	(2.9%)	R	(172.0)	(85.1)
Armed Forces	0.0	1.3	1.3	3.2%	G	1.5	(0.2)
Health & Justice	(0.0)	7.9	7.9	2.0%	G	3.2	4.6
Primary Care	98.3	128.2	29.9	0.3%	G	138.4	(10.2)
Secondary and Community Dental Care	4.9	(20.9)	(25.8)	(3.3%)	R	(14.6)	(6.3)
Public Health	1.5	18.1	16.5	1.1%	G	4.2	13.9
Other Commissioning	0.0	(0.0)	(0.0)	0.0%	G	0.0	(0.0)
Total Direct Commissioning	224.5	(122.6)	(347.1)	(1.3%)	R	(39.2)	(83.3)
NHS England Running Costs	0.0	131.4	131.4	19.7%	G	40.3	91.1
Total National Commissioning	224.5	8.8	(215.7)	(0.8%)	R	1.1	7.7
Other							
Programme costs and other	0.0	19.2	19.2	2.1%	G	24.3	(5.1)
Use of draw down	(305.4)	49.8	355.3		G	0.0	49.8
Total Other	(305.4)	69.0	374.5	36.8%	G	24.3	44.7
TOTAL BEFORE TECHNICAL ADJUSTMENTS & LEGACY	534.1	790.3	256.2	0.3%	G	701.8	88.6

Priority 11 - High quality financial management

Cumulative Surplus	Planned	Outturn	Variance	Variance %	RAG	Change on previous month
	£m	£m	£m	allocation		
1 Clinical Commissioning Groups - year to date	615.0	712.5	97.5	0.1%	Green	
2 Clinical Commissioning Groups - full year forecast outturn	615.0	712.5	97.5	0.1%	Green	
3 Direct Commissioning - year to date	224.5	(122.6)	(347.1)	(1.3%)	Red	
4 Direct Commissioning - full year forecast outturn	224.5	(122.6)	(347.1)	(1.3%)	Red	
5 NHS England (total) - full year forecast outturn	534.1	790.3	256.2	0.3%	Green	

QIPP (excluding implied provider efficiencies)	Planned	Outturn	Variance	Variance %	RAG	Change on previous month
	£m	£m	£m	allocation		
6 Clinical Commissioning Groups - full year forecast outturn delivery	1,634.9	1,406.0	(228.9)	(0.4%)	Amber	
7 Direct Commissioning - full year forecast outturn delivery	379.9	315.6	(64.4)	(0.2%)	Amber	

Costs management*	Within budget	Within budget	Variance	Variance %	RAG	Change on previous month
			£m	allocation		
8 Central - management costs	Y	Y	131.4	19.7%	Green	
9 Central - programme costs	Y	Y	8.5	0.9%	Green	Red stated at month 9 (14m deficit)
10 Clinical Commissioning Groups - management costs	Y	Y	105.8	7.9%	Green	2 CCGs breaching within this position

*Full year outturn

Deficit reporting	Planned number	Outturn number	Variance	RAG	Change on previous month
11 Number of CCGs forecasting a deficit position	9	19	-10	Red	Remains red (5 fewer CCGs than forecasted at month 9)

	M13 Position					Change from M9 forecast	
	Plan £m	Actual £m	Var £m	Var %	RAG	Forecast variance £m	Change £m
Medical	14.3	15.0	(0.7)	(5.0%)	R	0.2	(0.9)
Chief Nursing	11.5	9.6	1.9	16.7%	G	0.0	1.9
Chief Operating Officer	356.7	332.8	23.9	6.7%	G	7.8	16.2
Commissioning Development	10.7	8.0	2.7	25.3%	G	0.1	2.6
Patients & Information	20.5	17.1	3.4	16.5%	G	4.3	(0.9)
Finance	42.2	39.1	3.1	7.4%	G	1.6	1.5
Policy	73.5	73.6	(0.1)	(0.1%)	G	1.1	(1.1)
Human Resources	10.4	7.3	3.1	29.9%	G	0.7	2.4
Reserves / transition costs	101.6	15.2	86.4	85.0%	G	19.6	66.7
Other	11.0	3.4	7.6	69.3%	G	0.0	7.6
Total NHS England Running Costs	652.5	521.1	131.4	20.1%	G	35.4	96.0
IQ (Clinical Improvement)	13.4	13.5	(0.1)	(0.9%)	R	4.9	(5.1)
TOTAL	665.9	534.6	131.3	19.7%	G	40.3	91.0

	M13 Position					Change from M9 forecast	
	Plan £m	Actual £m	Var £m	Var %	RAG	Forecast variance £m	Change £m
Provider Support	264.0	347.0	(83.0)	(31.4%)	R	(122.0)	39.0
Innovation Health & Wellbeing	74.8	72.6	2.1	2.8%	G	3.6	(1.5)
IQ (Clinical Improvement)	53.5	21.1	32.5	60.6%	G	21.2	11.2
Medical (other)	44.4	35.3	9.1	20.5%	G	3.6	5.5
Nursing	5.1	3.6	1.5	29.9%	G	0.2	1.3
Chief Operating Officer	94.6	74.4	20.1	21.3%	G	8.1	12.0
Commissioning Development	5.0	4.3	0.7	14.4%	G	0.2	0.5
Patients & Information	32.5	35.0	(2.6)	(7.9%)	R	5.9	(8.4)
NHS Direct/111	71.8	61.7	10.0	14.0%	G	0.0	10.0
Finance	1.0	0.9	0.0	4.1%	G	0.0	0.0
Leadership Academy	54.9	54.9	0.0	0.1%	G	0.0	0.0
Clinical Excellence Awards	174.0	166.1	7.9	4.5%	G	(8.0)	15.9
Policy Programme	0.2	0.2	0.0	0.0%	G	0.0	0.0
Other budgets	(3.6)	14.1	(17.8)	(488.3%)	R	6.5	(24.3)
Other Reserves	6.4	0.0	6.4	100.0%	G	6.4	0.0
Contingency	31.7	10.3	21.4	67.6%	G	59.9	(38.5)
Total NHS England Programme Costs	910.0	901.5	8.5	0.9%	G	(14.3)	22.8

The Mandate of £95,873m is comprised of four limits. Three of the limits are ring fenced in nature which means any underspends cannot be utilised to support patient services in 2013-14.

A breakdown of the individual limits is shown below:-

	Allocation £m	Outturn £m	Variance £m	
Non ring fenced RDEL "Ring fenced budgets"	95,065	94,181	884	General non ring fenced departmental expenditure limit for supporting patient services and administration costs
Ring fenced RDEL	148	47	101	Specific limit to cover the costs of depreciation and impairments arising from business operations
Annually Managed Expenditure (AME)	300	168	132	Specific limit to cover the impact of provision movements and impairments arising from unforeseen events
Technical accounting and budgeting	360	94	266	Specific limit to cover the costs of capital grants and Private Finance Initiative or Local Investment Finance Trust schemes
TOTAL	95,873	94,489	1,384	

A reconciliation from the £256m favourable variance position to the non ring fenced RDEL is shown below:-

	Month 13 outturn surplus/ (deficit)			
	Plan £m	Actual £m	Variance £m	Variance as % allocation
CCGs	615	712	97	0.1%
Direct Commissioning	225	(123)	(347)	(1.3%)
NHS England Running/Programme Costs & Other	0	151	151	9.6%
Drawdown held in reserve	(305)	50	355	
Total before technical adjustments & legacy	534	790	256	0.3%
Legacy I&E impact re 12/13 (non ring fenced RDEL)	0	191	191	
Eliminate depreciation underspend (ring fenced RDEL)	0	(101)	(101)	
Cash spend on legacy provisions	0	(78)	(78)	
Central allocation against CCG/AT AME/technical spend	0	82	82	
RDEL non ring fenced position	534	885	351	0.4%