

BOARD PAPER - NHS ENGLAND

Title: Consolidated 2014/15 Financial Report (Month 02)

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Purpose of paper:

- To update the Board on the current status of 2014/15 financial plans and budgets.
- To update the Board on the financial results for the first two months of 2014/15.

Actions required by the Board:

- To note the current status of 2014/15 plans and budgets and discuss any further action required.
- To authorise the Finance and Investment Committee to approve the finalised plans.
- To note the Month 2 position and discuss risks, mitigations and any further action required.

Introduction

1. This paper sets out the current status of the draft 2014/15 plans and the actual financial results for the first two months of 2014/15. It should be read in conjunction with the '2014/15 Commissioning Round – Update' paper also presented to the Board today.

2014/15 financial plans and risks

2. Planned resources of £98.419bn are set out in the Mandate for 2014/15 agreed with the Department of Health. This includes £867m of historical surpluses, of which we are permitted to draw down up to £400m to support 2014/15 spending non-recurrently, resulting in a minimum cumulative surplus as at 31 March 2015 of £467m. The December 2013 Board meeting agreed to prioritise this drawdown for specialised commissioning. Funds available for expenditure in 2014/15 amount to £97.952bn, of which £660m is ring-fenced for provisions, impairments and capital grants, leaving £97.292bn available for spending on services, a 3.2% increase on expenditure in 2013/14.
3. Whilst significant progress has been made across all areas of commissioning in agreeing, assuring and approving plans, there remains outstanding work to complete plans that manage within this expenditure limit and can be presented to Board for approval. 2014/15 operating plans submitted on 20 June 2014 showed an overspend of £137m. The main outstanding areas are:
 - finalising discussions with a small numbers of Clinical Commissioning Groups (CCGs), whose plans still imply a drawdown of brought forward surpluses or a deterioration in in-year deficit (value: £74m); and
 - balancing specialised services plans to the level of the £400m drawdown available (current overspend: £65m).
4. CCG plans have been supported, reviewed and assured by area and regional teams. The draft plans show that in aggregate, the 211 CCGs are delivering a surplus of 1% of revenue, as envisaged in the Planning Guidance for 2014/15. Non-recurrent expenditure reserves amount to £1,269m or 1.9% of total resources. Taken together, these amounts provide an appropriate level of resilience for most CCGs whilst creating a source for non-recurrent investment in support of strategic priorities. There are currently 18 CCGs proposing a deficit plan (compared to 19 in 2013/14) and a further 30 proposing a cumulative surplus less than 1%. These CCGs have been the subject of more detailed review over the last two months.
5. Across directly commissioned services, it has only been possible to set aside £184m, or 0.6% of funds for non-recurrent expenditure. This has consequences both for our ability to fund pump priming for strategic change and on available mitigations for risks that may emerge in year. The current imbalance in specialised commissioning plans is being addressed as part of a 7-point national programme to address operational, financial and strategic challenges in this area.

6. Following the expenditure planning and challenge processes previously reported to the board, NHS England running and central programme cost plans are in line with the Mandate.
7. We expect to be able to finalise plans by the end of June 2014 and request authority to delegate approval to the Finance and Investment Committee.

Month 2 2014/15 financial performance

8. The reported year to date and full year forecast expenditure position is set out below. The planned full year numbers have been adjusted by £137m to ensure that financial performance is measured against our available resources, and this is reflected in overspends in currently projected forecast outturns (FOT). This will be resolved as part of the plan finalisation described above.

2014/15 Month 2	Net expenditure			
	Plan	FOT	Under/ (over) spend	
£m or %				
CCGs	65,755	65,841	(86)	-0.1%
Direct Commissioning	28,183	28,252	(69)	-0.2%
Running, programme costs and other	3,354	3,340	14	0.4%
Total before technical adjustments	97,292	97,433	(141)	-0.1%

9. At this stage of the year there is little robust activity information on which to base accruals for actual provider costs and to identify trends for forecasting the balance of year. As a consequence, there is a significant degree of estimation in the reported year to date spend and in the forecast outturn for the year across CCGs and specialised commissioning. Whilst there are few significant variances in reported expenditure beyond the planning adjustments at this stage, there are increasing concerns that emergency activity volumes may be running significantly ahead of plan in some parts of the country. If this persists, it will have a material impact on delivery of the financial plan as well as posing challenges for operational delivery by providers.
10. £250m of system-wide resilience funding, which was allowed for in the NHS England Mandate, is currently included in the planned and forecast "other" costs pending transfer to CCGs, who will deploy this through local System Resilience Groups (SRGs). We announced recently that a further £150m funding will be made available for this purpose, providing additional resource for SRGs as well as an allowance for centrally managed measures mainly relating to ambulance services, NHS 111 and additional specialised beds. A further £250m will be allocated to NHS England Area Teams to secure additional elective activity in order to improve performance on 18 week referral to treatment standards, clear backlog and reduce the number of patients waiting for longer than they should. Funding for the second tranche of resilience investment and for the additional elective activity will be provided

by the Department of Health. This is not yet included in the forecast, but it will have a neutral financial impact, as it will be directly matched by expenditure on front line services. Further detail of these initiatives can be found in the 2014/15 Commissioning Round Update paper.

11. 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.

12. **Conclusion**

The Board is asked to:

- note the current status of 2014/15 plans and budgets and discuss any further action required;
- authorise the Finance and Investment Committee to approve the finalised plans; and
- note the Month 2 position and discuss risks, mitigations and any further action required.

Paul Baumann
Chief Financial Officer
July 2014

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

	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	51.7	55.7	4.0	0.1%	G	308.7	310.2	1.5	0.0%	G
Midlands & East	15.9	15.2	(0.8)	(0.0%)	G	105.5	103.5	(2.0)	(0.0%)	G
London	23.2	25.5	2.4	0.1%	G	133.2	140.5	7.3	0.1%	G
South	10.4	10.7	0.3	0.0%	G	78.4	85.0	6.6	0.0%	G
Social Care	0.0	0.0	0.0	0.0%	G	0.0	0.0	0.0	0.0%	G
Planned surplus gap	0.0	0.0	0.0	0.0%		78.3	(21.0)	(99.3)	0.0%	
Total Local Surplus	101.2	107.1	5.9	0.1%	G	704.0	618.2	(85.9)	(0.1%)	A
Direct Commissioning										
Specialised Commissioning	(9.7)	(8.0)	1.7	0.1%	G	0.0	(65.1)	(65.1)	(0.5%)	A
Armed Forces	0.0	0.0	0.0	0.1%	G	0.4	0.4	0.0	0.0%	G
Health & Justice	1.1	1.4	0.3	0.4%	G	7.4	7.4	0.0	0.0%	G
Primary Care	33.1	41.0	7.9	0.4%	G	218.6	219.6	1.0	0.0%	G
Secondary and Community Dental Care	(2.0)	(3.5)	(1.5)	(1.2%)	R	(11.5)	(12.5)	(1.0)	(0.1%)	A
Public Health	(0.3)	(0.9)	(0.6)	(0.2%)	A	0.0	(3.8)	(3.9)	(0.2%)	A
Other Commissioning	0.0	(0.0)	(0.0)	0.0%	G	0.0	(0.0)	(0.0)	0.0%	G
Total Direct Commissioning	22.3	30.1	7.8	0.2%	G	215.0	146.0	(69.0)	(0.2%)	A
NHS England Running Costs	0.0	0.5	0.5	0.6%	G	(75.0)	(64.8)	10.2	1.7%	G
Total National Commissioning	22.3	30.6	8.3	0.2%	G	140.0	81.2	(58.8)	(0.2%)	A
Other										
Programme costs and other	0.0	6.6	6.6	7.5%	G	0.0	(3.6)	(3.6)	0.1%	G
Use of draw down	(62.9)	(61.7)	1.2	(1.9%)	R	(377.5)	(370.5)	7.0	(1.9%)	R
Total Other	(62.9)	(55.1)	7.8	0.1%	G	(377.5)	(374.0)	3.4	0.1%	G
Grand Total	60.5	82.6	22.0	0.1%	G	466.6	325.3	(141.3)	(0.1%)	A

QIPP Summary

	Full Year		Year To Date					Forecast Outturn			
	QIPP Target £m	As % of Allocation	Plan £m	Actual £m	Var £m	Var %	RAG	Actual £m	Var £m	Var %	RAG
Local QIPP											
North	338.2	1.7%	46.9	47.2	0.3	0.7%	G	345.5	7.3	2.2%	G
Midlands and East	519.7	2.7%	64.7	59.1	(5.6)	(8.6%)	A	500.8	(18.9)	(3.6%)	G
London	314.8	3.0%	44.9	44.6	(0.4)	(0.8%)	G	310.8	(3.9)	(1.2%)	G
South	436.9	2.7%	58.1	52.0	(6.1)	(10.5%)	A	415.1	(21.8)	(5.0%)	G
Total Local QIPP	1,609.6	2.4%	214.7	202.9	(11.7)	(5.5%)	A	1,572.3	(37.3)	(2.3%)	G
Direct Commissioning QIPP											
Specialised	319.4	2.3%	55.7	54.0	(1.7)	(3.1%)	G	319.06	0.33	(0.1%)	G
Health & Justice	4.7	1.0%	0.6	0.6	0.0	7.1%	A	4.93	0.24	5.0%	G
Armed Forces	-	-	0.0	0.0	0.0	-		0.00	0.00	-	
Primary Care	115.6	1.0%	14.6	14.6	0.1	0.4%	G	112.96	2.68	(2.3%)	G
Secondary & Community Dental	16.1	2.0%	2.5	1.8	(0.7)	(27.5%)	R	13.84	2.22	(13.8%)	A
Public Health	14.6	0.9%	4.2	4.9	0.7	17.2%	A	18.11	3.48	23.8%	G
Total DC QIPP	470.4	1.7%	77.5	75.9	(1.6)	(2.0%)	G	468.90	1.52	(0.3%)	G
NHS England Running Costs					0.0	-				-	
Total National Commissioning QIPP	470.4	1.7%	77.5	75.9	(1.6)	(2.0%)	G	468.90	1.52	(0.3%)	G
TOTAL QIPP	2,080.0	2.2%	292.2	278.9	(13.3)	(4.6%)	G	2,041.15	38.81	(1.9%)	G

NHS England Running Costs 2014/15

	Year to Date					Forecast Outturn Before Further Actions				
	Plan £m	Actual £m	Var £m	Var %	RAG	Plan £m	Forecast £m	Var £m	Var %	RAG
Chief Nursing	1.9	2.0	(0.1)	(4.1%)	R	12.5	12.4	0.1	0.5%	G
Chief Operating Officer	38.3	36.9	1.4	3.8%	G	232.3	232.3	(0.0)	(0.0%)	G
Commissioning Development	0.8	0.4	0.4	50.7%	G	8.2	8.2	0.0	0.0%	G
Reserves / transition costs	0.3	0.4	(0.0)	(7.2%)	R	12.8	12.8	0.0	0.0%	G
Finance	6.4	5.6	0.8	13.0%	G	49.8	49.8	(0.0)	(0.0%)	G
Medical	2.6	1.9	0.8	28.8%	G	15.9	15.9	0.0	0.0%	G
Depreciation/Other	2.2	0.8	1.4	63.0%	G	13.0	13.0	0.0	0.0%	G
Patients & Information	2.8	2.8	(0.0)	(0.3%)	A	18.5	18.5	(0.0)	(0.0%)	G
Policy	3.2	2.2	1.0	30.4%	G	19.4	19.4	0.0	0.0%	G
Transformation	11.6	11.8	(0.2)	(2.0%)	R	71.4	71.4	0.0	0.0%	G
TOTAL NHSE RUNNING COSTS	70.1	64.7	5.4	7.7%	G	453.7	453.6	0.1	0.0%	G
IQ (Clinical Improvement)	2.0	2.1	(0.0)	(1.0%)	R	12.2	12.2	0.0	0.0%	G
TOTAL excl PCS	72.2	66.8	5.4	7.5%	G	465.9	465.9	0.1	0.0%	G
PCS	10.0	14.9	(4.9)	(49.0%)	R	135.2	125.1	10.1	7.5%	G
TOTAL	82.2	81.7	0.5	0.6%	G	601.1	591.0	10.2	1.7%	G

NHS England Programme Costs 2014/15

	Year to Date					Forecast Outturn Before Further Actions				
	Plan £m	Actual £m	Var £m	Var %	RAG	Plan £m	Forecast £m	Var £m	Var %	RAG
Nursing	0.7	0.7	(0.0)	(1.8%)	R	24.2	24.2	(0.0)	(0.2%)	A
Chief Operating Officer	9.6	7.3	2.3	24.4%	G	82.1	81.7	0.4	0.5%	G
Clinical Excellence Awards	5.1	5.0	0.0	0.7%	G	174.0	174.0	0.0	0.0%	G
Commissioning Development	0.7	0.8	(0.0)	(5.8%)	R	10.1	10.1	0.0	0.0%	G
Finance	0.0	0.0	0.0	95.7%	G	2.0	2.0	0.0	0.0%	G
Innovation Health & Wellbeing	3.1	3.2	(0.1)	(3.4%)	R	25.6	25.6	0.1	0.3%	G
Medical (other)	4.2	3.8	0.4	9.2%	G	107.8	107.8	0.0	0.0%	G
NHS Direct/111	4.2	3.8	0.3	8.2%	G	46.8	46.8	0.0	0.0%	G
IQ (Clinical Improvement)	5.7	2.7	3.0	52.5%	G	34.2	34.2	0.0	0.0%	G
Leadership Academy	12.5	12.5	0.0	0.0%	G	67.7	67.7	0.0	0.0%	G
Other Reserves	0.0	0.0	0.0	0.0%	G	(1.5)	(1.5)	0.0	0.0%	G
Other budgets	4.0	4.2	(0.1)	(3.6%)	R	51.1	51.1	0.0	0.0%	G
Patients & Information	4.1	4.0	0.1	1.7%	G	60.0	64.1	(4.1)	(6.8%)	R
Policy Programme	0.4	0.0	0.3	87.1%	G	2.4	2.4	0.0	0.0%	G
Contingency	0.0	0.1	(0.0)	(80.0%)	R	44.6	48.9	0.0	0.0%	G
Provider Support	21.0	21.0	0.0	0.0%	G	204.0	204.0	0.0	0.0%	G
TOTAL NHSE PROGRAMME COSTS	75.3	69.1	6.2	8.2%	G	935.0	943.0	(3.6)	(0.4%)	A