

BOARD PAPER - NHS ENGLAND

Title: Consolidated 2014/15 Year-end Financial Report

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Purpose of paper:

- To update the Board on the financial results for 2014/15.

The Board is invited to:

- Note financial position for 2014/15.

Introduction

1. This paper sets out the year-end financial results for 2014/15. In summary we met our financial objectives, delivered a balanced budget, strengthened cost controls and improved our performance on efficiency realisation.

2014/15 full year financial performance

2. Vigorous action was taken throughout 2014/15 to manage to our budget not least by driving out savings wherever possible. Whilst this has resulted in a small planned underspend, the underlying commissioning position remains pressured.
3. The underspend against the original plan for 2014/15, which included the benefit of £400m of prior year surpluses, amounted to 0.3%.

2014/15 Month 13

£m or %

	Net expenditure			
	Plan	Actual	Under/(over) spend	
CCGs/ Quality Premium	67,069	66,917	151	0.2%
Social care	1,100	1,100	0	0.0%
Direct Commissioning	28,291	28,274	16	0.1%
Running, programme costs and other	1,607	1,456	151	9.4%
Total	98,066	97,747	319	0.3%
Remove AME/Technical items	(35)	(85)	50	
Total RDEL under/(over) spend	98,032	97,663	369	
Remove ring-fenced under/(over) spend	(160)	(73)	(87)	
Total non ring-fenced RDEL under/(over) spend	97,872	97,590	282	

4. Across the 211 CCGs, there was a small underspend of £151m (0.2% of allocation). This position benefitted from significant one-off items which have materially contributed to the underspend. Firstly, CCGs have reassessed their rate of spending against legacy continuing healthcare claims, resulting in £156m of the originally estimated 2014-15 liability moving to future years. Secondly, payments under the Quality Premium scheme for CCGs were £66m lower than planned. Excluding these items, there was a small net overspend within the CCG sector. Limiting the overspend required considerable deferral of investment, both by some CCGs seeking to minimise their own adverse variances to plan and by others in support of the overall NHS position.
5. Individual CCG performance varied considerably, with the 10 CCGs with the greatest positive variances from plan delivering a combined underspend of £155m, whilst the 10 CCGs with the greatest negative variances delivered a combined overspend of £171m.
6. The final position returned by Specialised Commissioning was an overspend of £214m, substantially down on last year, £136m of this related to overspends on the Cancer Drugs Fund which has subsequently been scaled back. Across the

main areas of commissioning there was an overspend of £119m (0.9% of area team budgets), partially offset by central programme underspends of £40.4m. The core commissioning overspend of 0.9% against plan is a marked improvement on the overspend in 2013/14, which is the direct result of tighter controls over expenditure and strengthening of QIPP delivery introduced during 2014/15.

7. The underlying performance in other direct commissioning areas was an operational underspend of £35m, in addition to a number of non-recurrent benefits.
8. Central budgets for running and programme costs, and other central lines, were underspent by £151m (9.4%), largely as a result of an internal review to drive out savings in anticipation of the structural rationalisation and reprioritisation implemented for 2015/16.
9. £2.1bn of savings through commissioner-driven QIPP were planned for 2014/15; actual delivery is £1.8bn, which equates to an 87% achievement of the plan for the year. In 2013/14 delivery was £1.7bn (85% of plan); therefore the 2014/15 performance represents an improved level of delivery, driven by a higher level of delivery in specialised commissioning.
10. The tables in Annex A show the financial performance by commissioning sector as well as more detailed information relating to Quality, Innovation, Productivity & Prevention (QIPP) and NHS England running costs and central programme spend.

Paul Baumann
Chief Financial Officer

Annex A

Table 1: Summary of 2014/15 expenditure by area of commissioning

Expenditure for 2014/15	Expenditure			
	Plan £m	Actual £m	Var £m	Var % of allocation
CCG Expenditure				
North	20,547.5	20,493.3	54.2	0.3 %
Midlands & East	19,479.1	19,527.4	(48.3)	(0.2%)
London	10,573.2	10,490.6	82.6	0.8 %
South	16,403.2	16,405.9	(2.7)	(0.0%)
Quality Premium*	65.6	0.0	65.6	57.8 %
Total Local Surplus	67,068.6	66,917.2	151.3	0.2 %
Direct Commissioning Expenditure				
Specialised Commissioning	13,954.8	14,168.6	(213.8)	(1.5%)
Armed Forces	46.1	46.3	(0.3)	(0.6%)
Health & Justice	457.8	449.5	8.3	1.8 %
Primary Care & Secondary Dental	12,254.2	12,046.6	207.6	1.7 %
Public Health	1,577.8	1,563.3	14.5	0.9 %
Social Care	1,100.0	1,100.0	0.0	0.0 %
Total Direct Commissioning Surplus	29,390.6	29,374.3	16.3	0.1 %
Other (excluding Technical)				
NHS England Running Costs	601.1	551.1	50.0	9.5 %
CSUs	0.0	0.0	0.0	0.0 %
NHS England Central Programme Costs	932.5	829.5	103.0	11.0 %
Other	73.7	75.2	(1.6)	(2.1%)
Total Other (excluding Technical)	1,607.3	1,455.9	151.5	13.0 %
Total before Technical Adjustments	98,066.4	97,747.3	319.1	0.3 %
Remove AME/ Technical items	(34.6)	(84.7)	50.1	
Total RDEL under/(over) spend	98,031.8	97,662.6	369.2	
Remove ring-fenced (under)/over spend	(160.0)	(73.1)	(86.9)	
Total non-ring-fenced RDEL under/(over) spend	97,871.8	97,589.5	282.3	

*QP is added to the relevant CCGs' planned expenditure when earned; the £66m planned expenditure held centrally represents the proportion of the available QP monies not earned by CCGs

Annex A

Table 2: QIPP summary

	Actual QIPP				2013-14 Comparators			
	Plan £m	Actual £m	Var £m	Achieved %	Outturn			Achieved vs plan %
					Actual £m	13/14 v 14/15 £m	% Increase / (Decrease)	
CCG QIPP								
North	338.1	302.0	(36.2)	89.3 %	348.9	(46.9)	(13.5%)	94.6 %
Midlands and East	519.7	419.1	(100.6)	80.6 %	446.7	(27.6)	(6.2%)	81.4 %
London	314.7	295.4	(19.3)	93.9 %	309.5	(14.1)	(4.6%)	91.1 %
South	436.9	360.7	(76.2)	82.6 %	300.9	59.8	19.9 %	79.7 %
Total	1,609.4	1,377.1	(232.3)	85.6 %	1,406.0	(28.9)	(2.1%)	86.0%
Direct Commissioning QIPP								
Specialised	308.5	289.3	(19.2)	93.8 %	170.0	119.3	70.2 %	84.2 %
Health & Justice	5.1	5.0	(0.2)	97.1 %	6.4	(1.4)	(22.6%)	93.2 %
Armed Forces	0.0	0.0	0.0		0.0	0.0		
Primary Care and Secondary Dental	133.3	121.1	(12.3)	90.8 %	124.7	(3.7)	(2.9%)	83.6 %
Public Health	18.3	17.5	(0.8)	95.7 %	14.5	3.0	20.5 %	65.5 %
Total	465.2	432.8	(32.4)	93.0 %	315.6	117.2	37.1%	83.1%
TOTAL QIPP	2,074.7	1,809.9	(264.7)	87.2 %	1,721.6	88.3	5.1 %	85.4 %
Of which transformational	847.8	644.5	(203.2)	76.0 %	652.2	(7.6)	(1.2%)	73.5 %

Annex A

Table 3: NHS England Running Costs 2014/15

	Expenditure			
	Plan £m	Actual £m	Var £m	Var %
Medical	14.2	11.7	2.6	18.1%
NHS IQ	10.2	10.2	(0.1)	(0.8%)
Nursing	11.7	10.2	1.5	12.9%
Commissioning Operations	237.1	225.1	12.0	5.1%
Patients & Information	18.5	16.2	2.3	12.5%
Finance	50.8	41.6	9.2	18.1%
Commissioning Strategy	22.7	18.7	4.0	17.8%
Transformation & Corp Office	67.4	67.8	(0.4)	(0.5%)
Chair & Chief Executive Group	1.4	1.4	0.0	1.8%
Reserves / transition costs	19.0	23.5	(4.5)	(23.9%)
Depreciation/Other	13.0	9.6	3.4	26.2%
TOTAL excl PCS	465.9	435.9	30.1	6.5%
PCS	135.2	115.2	20.0	14.8%
TOTAL Running Costs	601.1	551.1	50.0	8.3%

Annex A

Table 4: NHS England Programme Costs 2014/15

	Expenditure			
	Plan £m	Actual £m	Var £m	Var %
Medical	106.1	101.5	4.6	4.4%
Innovation Health & Wealth	25.6	24.9	0.7	2.8%
Improvement Body	34.2	25.2	9.1	26.5%
Nursing	17.9	13.3	4.6	25.6%
Commissioning Operations	101.2	91.0	10.1	10.0%
Patients & Information	60.0	50.4	9.6	0.0%
NHS Direct/111	46.1	30.9	15.1	32.9%
Finance	2.0	0.8	1.2	58.6%
Commissioning Strategy	4.9	3.1	1.8	36.0%
Transformation & Corp Office	9.8	9.2	0.6	6.5%
Leadership Academy	67.7	67.7	0.0	0.0%
Clinical Excellence Awards	174.0	161.5	12.5	7.2%
Provider Support	206.0	219.9	(13.9)	(6.7%)
Other Programmes	51.1	25.1	26.0	50.9%
Other Reserves	(1.5)	0.0	(1.5)	(100.0%)
Contingency	20.3	(5.0)	25.3	124.9%
Depreciation	0.0	6.5	(6.5)	0.0%
Specialist Pharmacy Services	7.1	3.5	3.6	50.2%
TOTAL NHSE PROGRAMME COSTS	932.5	829.5	103.0	11.0%