

BOARD PAPER - NHS ENGLAND

Title: Consolidated Month 4, 2015/16 Financial Report.
Lead Director: Paul Baumann, Chief Financial Officer.
Purpose of Paper: <ul style="list-style-type: none">• To update the Board on the financial position for month 4 2015/16.
The Board is invited to: <ul style="list-style-type: none">• Note the financial position for month 4.

**Consolidated Month 4, 2015/16 Financial Report
NHS England Board – 24 September 2015**

1.0 PURPOSE

1.1 This paper summarises the financial position at month 4, 2015/16.

2.0 CONTEXT

2.1 The commissioning system has agreed plans to spend an in-year allocation of £100,754m, which is supplemented by a further £579m of prior year surplus drawdown to give a total planned expenditure of £101,333m.

2.2 The figures in this report are derived from the consolidated financial reports of clinical commissioning groups (CCGs) and direct commissioning units, which have been reviewed and assured by local offices and the regional teams.

3.0 ANALYSIS

Overall Financial Position

3.1 Table 1 summarises the year to date and full year forecast expenditure for NHS England as at month 4:

Table 1

	Net expenditure							
	Plan £m	YTD £m	Under/(over) spend		Plan £m	FOT £m	Under/(over) spend	
			£m	%			£m	%
CCGs	23,954	23,959	(5)	0.0%	72,050	72,048	2	0.0%
Direct Commissioning	8,839	8,857	(18)	-0.2%	27,308	27,380	(72)	-0.3%
Running, programme costs and other	376	349	27	7.2%	1,975	1,892	83	7.2%
Total before Technical Adjustments	33,169	33,165	5	0.0%	101,333	101,320	13	0.0%
Technical and ring-fenced adjustments					(166)	(68)	(98)	
Total non ring-fenced RDEL under/(over) spend					101,167	101,252	(85)	-0.1%

3.2 Overall at month 4, year to date headline expenditure is £5m (less than 0.1%) below plan. There are small (less than 1%) overspends across 35 CCGs and on the Cancer Drugs Fund which are being offset by underspends in Direct Commissioning and other central budgets.

3.3 The full year forecast currently shows a similar position comprised of a forecast overspend on the cancer drugs fund budget of £70m, offset by an underspend against other central costs. The main component of the central cost underspend is the release of centrally held depreciation reserves of £78m¹, designed to mitigate the impact of excluding the expected underspend on depreciation, for reporting against the core performance metric, non-ring fenced RDEL.

3.4 Of the 22 CCGs with planned deficits, all are forecasting to achieve their annual plan, and there are no CCGs forecasting unplanned deficits. There are currently two CCGs forecasting a position worse than their annual plan; both are being monitored closely by their local offices and regional teams and have been required to submit financial recovery plans.

3.5 Further detail on the overall financial position can be found in the appendices, including a breakdown of running costs (Appendix C) and programme costs (Appendix D).

¹ CCG budgets are managed on an IFRS basis and so do not recognise the ring fencing of different categories of expenditure which are important for Treasury accounting purposes. For the purposes of Treasury accounting depreciation is a ring-fenced budget but this division is not recognised in CCG accounts, so in effect underspends against depreciation are offset against spend in other areas. Depreciation charges are then removed when reporting against the non-ring-fenced-RDEL limit, which is adjusted for in the overall NHS England reporting.

Quality, Innovation, Productivity & Prevention (QIPP)

3.6 In aggregate commissioners are planning for QIPP of £2.2bn, which equates to 2.2% of allocations. Commissioners are forecasting at month 4 that £2.1bn of this will be delivered, a delivery rate of 95%, with the forecast under-delivery mainly relating to CCGs. In 2014/15, the actual delivery rate for the year was 87% against a target of £2.1bn. Further detail on QIPP performance can be found in Appendix B.

Risks and Mitigations

3.7 The risks and mitigations identified by CCGs, regional teams and the national team result in an amount of net risk of £183m against the bottom line forecast position, mainly reflecting activity volume risks. Work is ongoing to identify mitigations in order to secure delivery of the in-year break even plan. A detailed review by the Executive Team is scheduled for early October 2015, and the results will be reported at the next Board meeting.

4.0 RECOMMENDATION

4.1 The Board is asked to note the financial position for month 4.

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Date: September 2015

Summary of Year to Date and Forecast Expenditure by Area of Commissioning

2015/16 - Month 4 (July 2015) Net Expenditure	Year to Date Net Expenditure				Forecast Net Expenditure			
	Plan £m	Actual £m	Var £m	Var %	Plan £m	Forecast £m	Var £m	Var %
Local Net Expenditure								
North	7,297.6	7,295.7	1.9	0.0 %	21,972.2	21,975.5	(3.2)	0.0 %
Midlands & East	7,117.3	7,123.8	(6.5)	(0.1%)	21,300.2	21,300.2	0.0	0.0 %
London	3,718.0	3,718.1	(0.1)	0.0 %	11,294.4	11,294.1	0.3	0.0 %
South	5,821.6	5,821.5	0.0	0.0 %	17,396.3	17,399.4	(3.1)	0.0 %
Quality Premium	0.0	0.0	0.0	0.0 %	87.0	79.0	8.0	9.2 %
Total Local Net Expenditure	23,954.5	23,959.1	(4.6)	0.0 %	72,050.0	72,048.2	1.8	0.0 %
Direct Commissioning								
Specialised Commissioning	4,739.4	4,775.8	(36.4)	(0.8%)	14,730.4	14,802.4	(72.0)	(0.5%)
Armed Forces	15.2	15.2	0.0	0.0 %	47.1	47.1	0.0	0.0 %
Health & Justice	162.1	162.0	0.2	0.1 %	493.1	493.1	0.0	0.0 %
Primary Care & Secondary Dental	3,408.9	3,397.1	11.8	0.3 %	10,387.2	10,387.2	0.0	0.0 %
Public Health	513.4	506.8	6.6	1.3 %	1,650.3	1,650.3	0.0	0.0 %
Social Care	0.0	0.0	0.0	0.0 %	0.0	0.0	0.0	0.0 %
Total Direct Commissioning Surplus	8,839.0	8,856.9	(17.8)	(0.2%)	27,308.0	27,380.1	(72.0)	(0.3%)
Other (excluding Technical)								
NHS England Running Costs	155.0	155.0	0.1	0.1 %	486.0	481.2	4.8	1.0 %
CSUs	0.0	(3.0)	3.0	100.0 %	0.0	0.0	0.0	0.0 %
NHS England Central Programme Costs	203.3	192.2	11.1	5.5 %	907.9	909.9	(2.0)	(0.2%)
Other Central Costs	17.7	4.6	13.1	74.1 %	581.0	500.5	80.5	13.9 %
Movement on Central Cumulative Surplus	0.0	0.0	0.0	0.0 %	0.0	0.0	0.0	0.0 %
Total Other (excluding Technical)	376.0	348.7	27.3	7.2 %	1,974.9	1,891.6	83.3	4.2 %
Total before Technical Adjustments	33,169.5	33,164.7	4.8	0.0 %	101,333.0	101,319.9	13.1	0.0 %
Remove AME/Technical items					0.0	2.2	(2.2)	
Total RDEL under/(over) spend					101,333.0	101,322.0	10.9	0.0%
Remove ring-fenced under/(over) spend					(166.0)	(70.0)	(96.0)	
Total non-ring-fenced RDEL under/(over) spend					101,167.0	101,252.0	(85.1)	(0.1%)

Summary of Year to Date and Forecast QIPP Performance by Area of Commissioning

	Year To Date QIPP				Forecast QIPP				
	Plan £m	Actual £m	Var £m	Achieved %	Plan £m	As % of Allocation	Forecast £m	Var £m	Achieved %
Local QIPP									
North	113.8	107.2	(6.5)	94.3 %	450.6	2.0%	420.1	(30.5)	93.2 %
Midlands and East	138.5	137.0	(1.5)	98.9 %	527.5	2.5%	514.1	(13.4)	97.5 %
London	82.3	82.0	(0.3)	99.7 %	261.0	2.3%	258.1	(3.0)	98.9 %
South	136.2	117.9	(18.3)	86.6 %	499.7	2.9%	441.4	(58.3)	88.3 %
Total Local QIPP	470.7	444.1	(26.6)	94.4 %	1,738.8	2.4%	1,633.7	(105.1)	94.0 %
Direct Commissioning QIPP									
Specialised	104.7	107.0	2.3	102.2 %	354.5	2.4%	355.0	0.6	100.2 %
Health & Justice	3.0	3.1	0.0	100.2 %	7.1	1.4%	6.2	(0.9)	87.3 %
Armed Forces	0.0	0.0	0.0	0.0 %	0.0	0.0%	0.0	0.0	0.0 %
Primary Care and Secondary Dental	23.0	17.8	(5.2)	77.5 %	90.8	0.8%	80.8	(10.0)	89.0 %
Public Health	2.0	1.9	(0.1)	96.6 %	6.6	0.4%	6.3	(0.3)	95.3 %
Total DC QIPP	132.7	129.8	(3.0)	97.7 %	458.9	1.6%	448.3	(10.6)	97.7 %
TOTAL QIPP	603.5	573.9	(29.6)	95.1 %	2,197.7	2.2%	2,082.0	(115.8)	94.7 %
Of which transformational	253.5	239.3	(14.2)	94.4 %	963.9	0.9%	951.0	(12.9)	98.7 %

QIPP - Quality, Innovation, Productivity and Prevention Programme

Summary of Year to Date and Forecast NHS England Running Costs Expenditure

	Year to Date Net Expenditure				Forecast Net Expenditure			
	Plan £m	Actual £m	Var £m	Var %	Plan £m	Forecast £m	Var £m	Var %
Medical	3.6	3.4	0.2	4.2%	10.7	10.7	0.0	0.0%
NHS IQ	2.5	1.6	0.9	35.2%	7.4	7.3	0.1	1.4%
Nursing	3.3	3.1	0.2	4.9%	10.0	10.0	0.0	0.0%
Commissioning Operations	70.6	68.0	2.6	3.6%	220.7	220.7	0.0	0.0%
Patients & Information	4.8	4.6	0.2	3.8%	14.8	14.8	0.0	0.0%
Finance	15.0	12.5	2.5	16.8%	45.1	45.1	0.0	0.0%
Commissioning Strategy	5.1	4.7	0.4	8.6%	16.0	16.1	(0.1)	(0.6%)
Transformation & Corp Office	18.1	20.0	(1.9)	(10.4%)	54.1	54.8	(0.7)	(1.3%)
Chair & Chief Executive Group	0.5	0.5	0.0	5.7%	1.6	1.6	0.0	0.0%
Reserves / transition costs	0.0	0.4	(0.4)	100.0%	18.0	18.0	0.0	0.0%
Depreciation/Other	5.0	2.8	2.2	44.0%	20.0	9.0	11.0	55.0%
TOTAL excl PCS	128.4	121.6	6.8	5.3%	418.4	408.0	10.3	2.5%
PCS	26.6	33.4	(6.8)	(25.6%)	67.7	73.2	(5.5)	(8.1%)
TOTAL Running Costs	155.0	155.0	0.0	0.0%	486.1	481.2	4.9	1.0%

Summary of Year to Date and Forecast NHS England Programme Costs Expenditure

	Year to Date Net Expenditure				Forecast Net Expenditure			
	Plan £m	Actual £m	Var £m	Var %	Plan £m	Forecast £m	Var £m	Var %
Medical	26.8	25.5	1.3	4.9%	96.2	95.3	0.9	0.9%
Innovation Health & Wealth	0.0	0.0	0.0	0.0%	0.0	0.0	0.0	0.0%
NHS IQ	5.3	1.1	4.2	79.2%	15.9	16.8	(0.9)	(5.7%)
Nursing	3.6	1.7	1.9	52.8%	30.4	30.4	0.0	0.0%
Commissioning Operations	20.3	19.0	1.3	6.4%	94.3	94.4	(0.1)	(0.1%)
Commissioning Development	0.0	0.0	0.0	0.0%	0.0	0.0	0.0	0.0%
Patients & Information	13.0	10.9	2.1	16.2%	54.1	54.1	0.0	0.0%
NHS Direct/111	8.5	8.3	0.2	2.4%	25.5	25.5	0.0	0.0%
Finance	1.0	0.5	0.5	50.0%	8.6	4.8	3.8	44.2%
Commissioning Strategy	10.3	7.7	2.6	25.2%	65.1	65.1	0.0	0.0%
Transformation & Corp Office	1.8	1.9	(0.1)	(5.6%)	8.1	8.1	0.0	0.0%
Leadership Academy	22.4	22.4	0.0	0.0%	46.2	46.2	0.0	0.0%
Clinical Excellence Awards	12.9	13.0	(0.1)	(0.8%)	166.0	166.0	0.0	0.0%
Provider Support	52.2	52.2	0.0	0.0%	158.0	158.0	0.0	0.0%
Other Programmes	14.4	14.4	0.0	0.0%	65.2	54.3	10.9	16.7%
Other Reserves	0.0	0.0	0.0	0.0%	0.0	0.0	0.0	0.0%
Contingency	0.0	0.0	0.0	0.0%	41.9	41.9	0.0	0.0%
Specialist Pharmacy Services	2.3	0.8	1.5	65.2%	7.0	7.0	0.0	0.0%
TOTAL excl Depreciation	194.8	179.4	15.4	7.9%	882.5	867.9	14.6	1.7%
Depreciation	8.4	12.7	(4.3)	(51.0%)	25.3	42.0	(16.7)	(66.0%)
TOTAL Programme Costs	203.2	192.1	11.1	5.5%	907.8	909.9	(2.1)	(0.2%)