

BOARD PAPER - NHS ENGLAND

Title: Consolidated Month 6, 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 6 2015/16
The Board is invited to: <ul style="list-style-type: none">• Note the financial position for month 6

**Consolidated Month 6, 2015/16 Financial Report
NHS England Board – 20 November 2015**

1.0 PURPOSE

1.1 This paper summarises the financial position at month 6, 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. In month 5, planned expenditure was increased by £134m to reflect the additional Mental Health funding that is anticipated when the mandate reopens resulting in a revised planned expenditure figure of £101,467m.

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 6:

Table 1

	Net expenditure							
	Plan	YTD	Under/(over) spend		Plan	FOT	Under/(over) spend	
	£m	£m	£m	%	£m	£m	£m	%
CCGs	35,873	35,922	(49)	(0.1%)	72,134	72,190	(56)	(0.1%)
Direct Commissioning	13,259	13,286	(27)	(0.2%)	27,291	27,332	(41)	(0.2%)
Running, programme costs and other	631	584	47	7.5%	2,042	1,885	157	7.5%
Total before Technical Adjustments	49,763	49,792	(29)	(0.1%)	101,467	101,407	60	0.1%
Technical and Ring-fenced adjustments					(167)	(36)	(131)	
Total non ring-fenced RDEL under/(over) spend					101,300	101,371	(71)	(0.1%)

3.2 Overall at month 6, year to date headline expenditure is £29m (0.1%) above plan. 47 CCGs are reporting year to date overspends, of which 12 are greater than 1%. The direct commissioning variance is a result of a £77m (1.2%) overspend in specialised commissioning including £56m Cancer Drugs Fund (CDF) which is being offset by underspends in other areas of direct commissioning. The commissioning overspend is being offset by underspends on NHS England including the part year effect of the release of the depreciation offset reserve.

3.3 The full year forecast currently shows a very near breakeven position (0.1%) which includes a forecast overspend in CCGs (see para 3.4) and in specialised commissioning is offset by forecast underspends in other areas of direct commissioning and NHS England central costs. The main component of the central cost underspend is the release of centrally held “depreciation offset” 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. At bottom line level, the forecast overspend is £71m (0.1%).

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.

- 3.4 There are currently 19 CCGs forecasting a position worse than their annual plan, of which 3 are forecasting unplanned deficits. Of the 22 CCGs with planned deficits, 2 are forecasting a deterioration in their position and 1 is forecasting an improvement to achieve breakeven.
- 3.5 The regional teams are continuing to focus on the financially challenged CCGs and to support them to improve their financial position wherever possible. Financial recovery plans either have been or are being developed in all cases of material variance. The regional teams will also continue to monitor CCGs in a stronger financial position to identify possible upsides that may emerge later in the year.
- 3.6 A 'deep dive' review of the month 5 financial position was conducted by the Executive Team to test whether the forecast outturn was a fair reflection of the likely financial position for the year. Where relevant, adjustments have been reflected in the forecast outturn at month 6.
- 3.7 Further detail on the overall financial position can be found in the appendices, including a detailed summary of year to date and forecast expenditure (Appendix A), a breakdown of running costs (Appendix B) and programme costs (Appendix C).

Quality, Innovation, Productivity & Prevention (QIPP)

- 3.8 In aggregate commissioners are planning for QIPP of £2.2bn, which equates to 2.2% of allocations. Commissioners are forecasting at month 6 that £2.0bn of this will be delivered, a delivery rate of 91%, with the forecast under-delivery mainly relating to CCGs and primary care. 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 D.

Risks and Mitigations

- 3.9 The risks and mitigations identified by CCGs, regional teams and the national team result in a risk adjusted forecast non ring-fenced RDEL underspend of £39m. The Executive Team continues to closely monitor the financial position with a view to securing delivery of the in-year break even plan.

4.0 RECOMMENDATION

- 4.1 The Board is asked to note the financial position for month 6.

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Date: October 2015

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

2015/16 - Month 6 (September 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	10,918.0	10,930.7	(12.7)	(0.1%)	22,016.1	22,039.1	(23.0)	(0.1%)
Midlands & East	10,642.4	10,658.7	(16.3)	(0.2%)	21,319.8	21,319.8	0.0	0.0 %
London	5,593.9	5,593.5	0.4	0.0 %	11,299.4	11,299.2	0.3	0.0 %
South	8,718.4	8,739.1	(20.6)	(0.2%)	17,411.8	17,453.2	(41.3)	(0.2%)
Quality Premium	0.0	0.0	0.0	0.0 %	87.0	79.0	8.0	9.2 %
Total Local Net Expenditure	35,872.7	35,921.9	(49.2)	(0.1%)	72,134.1	72,190.2	(56.1)	(0.1%)
Direct Commissioning								
Specialised Commissioning	7,114.2	7,191.1	(76.9)	(1.1%)	14,718.4	14,811.5	(93.1)	(0.6%)
Armed Forces	22.5	22.4	0.1	0.4 %	46.6	46.6	0.0	0.0 %
Health & Justice	241.7	238.0	3.6	1.5 %	492.7	487.7	4.9	1.0 %
Primary Care & Secondary Dental	5,098.1	5,060.4	37.7	0.7 %	10,383.5	10,339.4	44.1	0.4 %
Public Health	783.1	774.5	8.6	1.1 %	1,650.2	1,647.3	2.9	0.2 %
Social Care	0.0	0.0	0.0	0.0 %	0.0	0.0	0.0	0.0 %
Total Direct Commissioning Surplus	13,259.5	13,286.4	(26.9)	(0.2%)	27,291.3	27,332.5	(41.2)	(0.2%)
Other (excluding Technical)								
NHS England Running Costs	230.7	231.4	(0.7)	(0.3%)	486.0	488.4	(2.4)	(0.5%)
CSUs	(0.0)	(0.2)	0.2	100.0 %	0.0	0.0	0.0	0.0 %
NHS England Central Programme Costs	374.1	349.2	24.9	6.7 %	1,074.5	989.5	85.0	7.9 %
Other Central Costs	26.5	3.8	22.7	85.7 %	481.2	406.9	74.4	15.5 %
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)	631.2	584.1	47.1	7.5 %	2,041.8	1,884.8	156.9	7.7 %
Total before Technical Adjustments	49,763.4	49,792.4	(29.0)	(0.1%)	101,467.2	101,407.5	59.7	0.1 %
Remove AME/Technical items					(0.9)	40.4	(41.2)	
Total RDEL under/(over) spend					101,466.3	101,447.9	18.5	0.0%
Remove ring-fenced under/(over) spend					(166.0)	(76.6)	(89.4)	
Total non-ring-fenced RDEL under/(over) spend					101,300.3	101,371.3	(70.9)	(0.1%)

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	5.4	5.4	0.0	0.0%	10.7	10.7	0.0	0.0%
NHS IQ	3.7	3.4	0.3	7.0%	7.4	7.4	0.0	0.0%
Nursing	4.8	4.5	0.3	5.4%	10.5	10.5	0.0	0.0%
Commissioning Operations	107.1	106.3	0.8	0.7%	221.9	221.7	0.2	0.1%
Patients & Information	7.2	7.0	0.2	2.8%	14.8	14.8	0.0	0.0%
Finance	22.5	18.7	3.8	16.9%	45.1	45.1	0.0	0.0%
Commissioning Strategy	7.8	7.1	0.7	8.8%	16.0	16.0	0.0	0.0%
Transformation & Corp Office	27.2	28.7	(1.5)	(5.5%)	54.2	54.9	(0.7)	(1.3%)
Chair & Chief Executive Group	0.8	0.7	0.1	12.5%	1.6	1.6	0.0	0.0%
Reserves / transition costs	0.0	(4.5)	4.5	100.0%	17.4	17.4	0.0	0.0%
Depreciation/Other	7.5	7.9	(0.4)	(5.5%)	20.0	14.4	5.6	28.0%
TOTAL excl PCS	194.0	185.2	8.8	4.5%	419.6	414.5	5.1	2.5%
PCS	36.7	46.2	(9.5)	(25.9%)	66.4	73.9	(7.5)	(11.3%)
TOTAL Running Costs	230.7	231.4	(0.7)	(0.3%)	486.0	488.4	(2.4)	(0.5%)

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	44.3	42.9	1.4	3.1%	125.0	124.1	0.9	0.7%
NHS IQ	8.0	6.7	1.3	0.0%	15.9	16.6	(0.6)	0.0%
Nursing	5.8	4.1	1.7	29.6%	29.6	29.4	0.2	0.7%
Commissioning Operations	39.9	32.0	7.9	19.8%	132.0	124.0	8.0	6.1%
Patients & Information	27.7	18.8	8.9	32.2%	64.2	58.1	6.1	9.5%
NHS Direct/111	12.7	9.7	3.0	0.0%	25.5	25.5	0.0	0.0%
Finance	2.4	1.0	1.4	58.9%	10.7	6.9	3.8	35.6%
Commissioning Strategy	21.7	16.6	5.1	23.5%	66.9	64.5	2.4	3.5%
Transformation & Corp Office	4.6	3.6	1.0	21.9%	11.9	11.9	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	21.6	21.6	0.0	0.0%	166.0	147.5	18.5	11.1%
Provider Support	120.3	120.3	0.0	0.0%	158.0	158.0	0.0	0.0%
Other Programmes	28.4	28.5	(0.1)	(0.2%)	65.2	50.6	14.6	22.4%
Other Reserves	0.0	0.0	0.0	0.0%	87.5	39.6	47.9	54.7%
Contingency	0.0	0.0	0.0	0.0%	37.7	37.7	0.0	0.0%
Specialist Pharmacy Services	1.6	1.6	0.0	0.0%	7.0	7.0	0.0	0.0%
TOTAL excl Depreciation	361.4	329.8	31.6	0.0%	1,049.3	947.6	101.7	9.7%
Depreciation	12.7	19.4	(6.7)	(52.8%)	25.3	41.9	(16.7)	(65.9%)
TOTAL Programme Costs	374.1	349.2	24.9	6.7%	1,074.6	989.5	85.0	7.9%

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	180.4	163.1	(17.3)	90.4 %	450.6	2.0%	393.0	(57.6)	87.2 %
Midlands and East	221.3	207.5	(13.8)	93.8 %	527.5	2.5%	500.8	(26.7)	94.9 %
London	124.7	121.7	(3.0)	97.6 %	261.0	2.3%	256.3	(4.7)	98.2 %
South	217.2	181.7	(35.5)	83.7 %	504.0	2.9%	418.4	(85.6)	83.0 %
Total Local QIPP	743.6	674.0	(69.6)	90.6 %	1,743.1	2.4%	1,568.5	(174.6)	90.0 %
Direct Commissioning QIPP									
Specialised	162.4	163.5	1.1	100.7 %	354.4	2.4%	355.1	0.7	100.2 %
Health & Justice	4.1	4.1	0.0	100.0 %	7.1	1.4%	7.1	0.0	100.0 %
Armed Forces	0.0	0.0	0.0		0.0	0.0%	0.0	0.0	
Primary Care and Secondary Dental	35.0	29.7	(5.3)	84.9 %	90.8	0.8%	72.8	(18.0)	80.2 %
Public Health	3.0	2.9	(0.1)	96.7 %	6.6	0.4%	6.3	(0.3)	95.5 %
Total DC QIPP	204.5	200.2	(4.3)	97.9 %	458.9	1.6%	441.3	(17.6)	96.2 %
TOTAL QIPP	948.1	874.2	(73.9)	92.2 %	2,202.0	2.2%	2,009.8	(192.2)	91.3 %
Of which transformational	403.4	365.2	(38.3)	90.5 %	964.5	0.9%	883.6	(80.9)	91.6 %

QIPP - Quality, Innovation, Productivity and Prevention Programme