

BOARD PAPER - NHS ENGLAND

Title: Consolidated Month 7, 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 7 2015/16
The Board is invited to: <ul style="list-style-type: none">• Note the financial position for month 7

**Consolidated Month 7, 2015/16 Financial Report
NHS England Board – 17 December 2015**

1.0 PURPOSE

1.1 This paper summarises the financial position at month 7, 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. Planned expenditure has increased in-year by £137m, resulting in a revised planned expenditure figure of £101,470m. This is mainly to reflect the additional Mental Health funding that is anticipated when the mandate reopens. We expect this to be finalised imminently.

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 7:

Table 1

	Net expenditure							
	Plan	YTD	Under/(over) spend		Plan	FOT	Under/(over) spend	
	£m	£m	£m	%	£m	£m	£m	%
CCGs	41,910	41,978	(68)	(0.2%)	72,253	72,300	(47)	(0.1%)
Direct Commissioning	15,430	15,463	(33)	(0.2%)	27,220	27,251	(31)	(0.1%)
Running, programme costs and other	749	683	66	8.9%	1,997	1,823	174	8.7%
Total before Technical Adjustments	58,089	58,124	(35)	(0.1%)	101,470	101,374	96	0.1%
Technical and Ring-fenced adjustments					(170)	(43)	(127)	
Total non ring-fenced RDEL under/(over) spend					101,300	101,331	(31)	(0.0%)

3.2 Overall at month 7, year to date headline expenditure is £35m (0.1%) above plan. 45 CCGs are reporting year to date overspends, of which 13 are greater than 1%. The direct commissioning variance is a result of an £89m (1.1%) overspend in specialised commissioning including £73m for Cancer Drugs Fund (CDF) which is being offset by underspends in other areas of direct commissioning. The commissioning overspend is being offset by underspends in 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 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 resource Departmental Expenditure Limit (RDEL). At bottom line level, the forecast overspend is £31m (0.0%).

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 21 CCGs forecasting a position worse than their annual plan, of which five are forecasting unplanned deficits. There are eight CCGs forecasting a position better than their annual plan. Of the 22 CCGs with planned deficits, two are forecasting a deterioration in their position and one 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 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)

- 3.7 In aggregate commissioners are planning for QIPP of £2.2bn, which equates to 2.2% of allocations. Commissioners are forecasting at month 7 that £2.0bn of this will be delivered, a delivery rate of 90%, 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

- 3.8 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 £135m. The Executive Team continues to monitor the financial position closely with a view to securing delivery of the in-year break-even plan and realising all available opportunities to improve on the contribution of the commissioning sector to overall financial balance across the Department of Health group in light of the significant aggregate deficit currently projected by providers.

4.0 RECOMMENDATION

- 4.1 The Board is asked to note the financial position for month 7.

Author: Paul Baumann, Chief Financial Officer
Date: October 2015

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

2015/16 - Month 7 (October 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	12,769.0	12,782.0	(13.0)	(0.1%)	22,069.0	22,080.5	(11.5)	(0.1%)
Midlands & East	12,433.5	12,464.6	(31.1)	(0.3%)	21,336.5	21,339.0	(2.5)	0.0 %
London	6,531.7	6,530.6	1.1	0.0 %	11,323.6	11,323.4	0.2	0.0 %
South	10,175.7	10,200.7	(25.0)	(0.2%)	17,436.5	17,477.8	(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	41,909.8	41,977.8	(68.0)	(0.2%)	72,252.7	72,299.7	(47.0)	(0.1%)
Direct Commissioning								
Specialised Commissioning	8,297.9	8,387.1	(89.2)	(1.1%)	14,636.8	14,733.0	(96.2)	(0.7%)
Armed Forces	28.9	29.2	(0.3)	(0.9%)	54.1	54.1	0.0	0.0 %
Health & Justice	281.7	278.6	3.1	1.1 %	493.2	488.1	5.1	1.0 %
Primary Care & Secondary Dental	5,958.4	5,915.9	42.5	0.7 %	10,385.7	10,332.0	53.7	0.5 %
Public Health	862.6	852.3	10.3	1.2 %	1,650.2	1,644.3	5.9	0.4 %
Social Care	0.0	0.0	0.0	0.0 %	0.0	0.0	0.0	0.0 %
Total Direct Commissioning Expenditure	15,429.6	15,463.0	(33.4)	(0.2%)	27,219.9	27,251.4	(31.5)	(0.1%)
Other (excluding Technical)								
NHS England Running Costs	268.5	267.3	1.2	0.4 %	486.0	491.7	(5.6)	(1.2%)
CSUs	(0.0)	(0.5)	0.5	100.0 %	0.0	0.0	0.0	0.0 %
NHS England Central Programme Costs	450.0	413.1	36.9	8.2 %	1,062.5	957.2	105.3	9.9 %
Other Central Costs	30.9	3.1	27.8	89.9 %	448.9	373.9	75.0	16.7 %
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)	749.5	683.0	66.5	8.9 %	1,997.5	1,822.8	174.7	8.7 %
Total before Technical Adjustments	58,088.9	58,123.8	(34.9)	(0.1%)	101,470.0	101,373.9	96.1	0.1 %
Remove AME/Technical items					(3.7)	34.5	(38.2)	
Total RDEL under/(over) spend					101,466.3	101,408.5	57.9	0.1%
Remove ring-fenced under/(over) spend					(166.0)	(77.3)	(88.7)	
Total non-ring-fenced RDEL under/(over) spend					101,300.3	101,331.1	(30.8)	(0.0%)

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	6.3	5.7	0.6	9.5%	10.7	10.7	0.0	0.0%
NHS IQ	4.3	3.9	0.4	9.3%	7.4	7.4	0.0	0.0%
Nursing	5.6	5.3	0.3	5.4%	10.5	10.5	0.0	0.0%
Commissioning Operations	124.9	123.9	1.0	0.8%	221.9	220.0	1.9	0.9%
Patients & Information	8.4	8.3	0.1	1.2%	14.8	14.7	0.1	0.7%
Finance	26.6	21.8	4.8	18.0%	45.1	45.1	0.0	0.0%
Commissioning Strategy	9.2	8.4	0.8	8.7%	16.0	15.8	0.2	1.3%
Transformation & Corp Office	31.7	32.2	(0.5)	(1.6%)	54.2	54.9	(0.7)	(1.3%)
Chair & Chief Executive Group	0.9	0.8	0.1	11.1%	1.6	1.6	0.0	0.0%
Reserves / transition costs	0.0	(5.7)	5.7	100.0%	17.4	11.9	5.5	31.6%
Depreciation/Other	8.8	9.0	(0.2)	(2.3%)	20.0	14.4	5.6	28.0%
TOTAL excl PCS	226.7	213.6	13.1	5.8%	419.6	407.0	12.6	2.5%
PCS	41.8	53.7	(11.9)	(28.5%)	66.5	84.7	(18.2)	(27.4%)
TOTAL Running Costs	268.5	267.3	1.2	0.4%	486.1	491.7	(5.6)	(1.2%)

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	58.1	55.1	3.0	5.2%	125.0	123.1	1.9	1.5%
NHS IQ	9.3	7.8	1.5	0.0%	15.9	16.5	(0.6)	0.0%
Nursing	7.1	4.9	2.2	31.0%	29.6	29.2	0.4	1.4%
Commissioning Operations	44.3	32.7	11.6	26.2%	120.4	113.5	6.9	5.7%
Patients & Information	32.1	21.7	10.4	32.4%	64.2	58.1	6.1	9.5%
NHS Direct/111	14.5	10.4	4.1	0.0%	25.1	25.1	0.0	0.0%
Finance	2.8	1.2	1.6	57.1%	10.7	6.9	3.8	35.5%
Commissioning Strategy	26.7	17.5	9.2	34.5%	66.9	64.2	2.7	4.0%
Transformation & Corp Office	5.4	4.0	1.4	25.9%	11.9	11.9	0.0	0.0%
Leadership Academy	33.5	33.5	0.0	0.0%	46.2	46.2	0.0	0.0%
Clinical Excellence Awards	38.0	38.0	0.0	0.0%	166.0	147.5	18.5	11.1%
Provider Support	127.1	127.1	0.0	0.0%	158.0	158.0	0.0	0.0%
Other Programmes	34.3	34.2	0.1	0.3%	60.7	46.0	14.7	24.2%
Other Reserves	0.0	0.0	0.0	0.0%	87.5	29.6	57.9	66.2%
Contingency	0.0	0.0	0.0	0.0%	42.3	32.3	10.0	23.6%
Specialist Pharmacy Services	2.3	2.3	0.0	0.0%	7.0	7.0	0.0	0.0%
TOTAL excl Depreciation	435.5	390.4	45.1	0.0%	1,037.4	915.1	122.3	11.8%
Depreciation	14.5	22.7	(8.2)	(56.6%)	25.1	42.1	(17.0)	(67.7%)
TOTAL Programme Costs	450.0	413.1	36.9	8.2%	1,062.5	957.2	105.3	9.9%

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	222.3	190.2	(32.1)	85.6 %	450.6	2.0%	371.0	(79.6)	82.3 %
Midlands and East	270.2	248.0	(22.2)	91.8 %	527.5	2.5%	494.0	(33.5)	93.6 %
London	146.8	143.2	(3.6)	97.5 %	261.0	2.3%	254.5	(6.5)	97.5 %
South	261.6	220.4	(41.2)	84.3 %	504.0	2.9%	414.5	(89.5)	82.2 %
Total Local QIPP	900.9	801.8	(99.1)	89.0 %	1,743.1	2.4%	1,534.0	(209.1)	88.0 %
Direct Commissioning QIPP									
Specialised	193.7	194.7	1.0	100.5 %	354.4	2.4%	346.7	(7.7)	97.8 %
Health & Justice	4.6	4.7	0.1	102.2 %	7.1	1.4%	7.6	0.5	107.0 %
Armed Forces	0.0	0.0	0.0		0.0	0.0%	0.0	0.0	
Primary Care and Secondary Dental	42.2	36.2	(6.0)	85.8 %	90.8	0.8%	75.8	(15.0)	83.5 %
Public Health	3.6	3.5	(0.1)	97.2 %	6.6	0.4%	6.1	(0.5)	92.4 %
Total DC QIPP	244.1	239.1	(5.0)	98.0 %	458.9	1.6%	436.2	(22.7)	95.1 %
TOTAL QIPP	1,145.0	1,040.9	(104.1)	90.9 %	2,202.0	2.2%	1,970.2	(231.8)	89.5 %
Of which transformational	491.8	429.1	(62.7)	87.3 %	964.5	0.9%	826.4	(138.2)	85.7 %

QIPP - Quality, Innovation, Productivity and Prevention Programme