

BOARD PAPER - NHS ENGLAND

Title: Consolidated Month 8, 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 8 2015/16
The Board is invited to: <ul style="list-style-type: none">• Note the financial position for month 8

**Consolidated Month 8, 2015/16 Financial Report
NHS England Board – 28 January 2016**

1.0 PURPOSE

1.1 This paper summarises the financial position at month 8, 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 drawdown to give a total planned expenditure of £101,333m. Planned expenditure has increased in-year by £139m, resulting in a revised planned expenditure figure of £101,472m. This is mainly to reflect the additional Mental Health funding which has now been confirmed by the Department of Health in the 2015-16 revised financial directions issued in December 2015.

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 8:

Table 1

	Net expenditure							
	Plan	YTD	Under/(over) spend		Plan	FOT	Under/(over) spend	
	£m	£m	£m	%	£m	£m	£m	%
CCGs	47,920.0	47,991.0	(71.0)	(0.1%)	72,332.4	72,383.7	(51.3)	(0.1%)
Direct Commissioning	17,587.0	17,613.0	(26.0)	(0.1%)	27,231.6	27,234.1	(2.5)	(0.0%)
Running, programme costs and other	870.0	788.0	82.0	9.4%	1,908.0	1,680.4	227.6	11.9%
Total before Technical Adjustments	66,377.0	66,392.0	(15.0)	(0.0%)	101,472.0	101,298.2	173.8	0.2%
Technical and Ring-fenced adjustments					(171.6)	(142.4)	(29.2)	
Total non ring-fenced RDEL under/(over) spend					101,300.4	101,155.8	144.6	0.1%

3.2 Overall at month 8, year to date headline expenditure is £15m (0.0%) above plan. 45 CCGs are reporting year to date overspends, of which 14 are greater than 1%. The direct commissioning variance is a result of a £95m (1.0%) overspend in specialised commissioning including £81m 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 an underspend of £174m (0.2%) 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 RDEL. The financial position has also benefitted from the release of provisions relating to legacy CHC claims totalling £129m, the majority of which is reflected in technical and ring fenced adjustments. At bottom line level, the forecast underspend is £145m (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 HM Treasury accounting purposes. Under 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 24 CCGs forecasting a position worse than their annual plan, of which 8 are forecasting unplanned deficits. There are 18 CCGs forecasting a position better than their annual plan. 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 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 of programme costs (Appendix C).

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 8 that £1.9bn of this will be delivered, a delivery rate of 88%, with the forecast under-delivery spread across CCGs, primary care and specialised commissioning. 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

- 3.7 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 £207m, including a total underspend of £164m relating to legacy CHC claims.
- 3.8 NHS England is statutorily required not to exceed its allocated funding totals. We are on track to meet this obligation in 2015/16. NHS England is not legally responsible for ensuring providers of NHS funded services balance their books (accountability sits with individual trust Boards and NHS Improvement), or for ensuring the Department of Health meets its overall Revenue and Capital Departmental Expenditure Limits. This reflects the fact that Parliament has not assigned NHS England direct powers to ensure the Department of Health's overall budget is balanced. Nevertheless, the Executive Team continues to monitor the financial position closely with a view to 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 projected by providers. We are actively seeking to increase our underspend this year to assist the overall Department of Health position.

4.0 RECOMMENDATION

- 4.1 The Board is asked to note the financial position for month 8.

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Date: January 2016

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

2015/16 - Month 8 (November 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	14,616.3	14,629.6	(13.3)	(0.1%)	22,092.6	22,093.3	(0.7)	0.0 %
Midlands & East	14,211.9	14,241.3	(29.4)	(0.2%)	21,365.1	21,379.0	(13.9)	(0.1%)
London	7,467.8	7,466.6	1.2	0.0 %	11,329.6	11,329.3	0.3	0.0 %
South	11,624.0	11,653.6	(29.6)	(0.3%)	17,458.1	17,510.1	(52.0)	(0.3%)
Quality Premium	0.0	0.0	0.0	0.0 %	87.0	72.0	15.0	17.2 %
Total Local Net Expenditure	47,920.0	47,991.1	(71.1)	(0.1%)	72,332.4	72,383.7	(51.3)	(0.1%)
Direct Commissioning								
Specialised Commissioning	9,484.6	9,580.0	(95.4)	(1.0%)	14,646.7	14,728.3	(81.5)	(0.6%)
Armed Forces	33.7	33.7	0.0	0.0 %	54.1	54.1	0.0	0.0 %
Health & Justice	322.3	318.8	3.5	1.1 %	493.2	488.1	5.1	1.0 %
Primary Care & Secondary Dental	6,812.3	6,760.4	51.9	0.8 %	10,390.9	10,328.3	62.6	0.6 %
Public Health	933.9	920.1	13.8	1.5 %	1,646.7	1,635.4	11.3	0.7 %
Social Care	0.0	0.0	0.0	0.0 %	0.0	0.0	0.0	0.0 %
Total Direct Commissioning Expenditure	17,586.8	17,613.0	(26.2)	(0.1%)	27,231.6	27,234.1	(2.5)	0.0 %
Other (excluding Technical)								
NHS England Running Costs	306.1	308.5	(2.4)	(0.8%)	486.0	485.6	0.4	0.1 %
CSUs	(0.0)	(2.5)	2.5	100.0 %	0.0	0.0	0.0	0.0 %
NHS England Central Programme Costs	528.7	483.0	45.7	8.6 %	1,042.3	926.6	115.7	11.1 %
Other Central Costs	35.3	(0.5)	35.8	101.3 %	379.7	268.2	111.5	29.4 %
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)	870.1	788.5	81.6	9.4 %	1,908.0	1,680.4	227.6	11.9 %
Total before Technical Adjustments	66,376.9	66,392.6	(15.7)	0.0 %	101,472.0	101,298.2	173.8	0.2 %
Remove AME/Technical items					(5.6)	(64.9)	59.3	
Total RDEL under/(over) spend					101,466.4	101,233.3	233.1	0.2%
Remove ring-fenced under/(over) spend					(166.0)	(77.5)	(88.5)	
Total non-ring-fenced RDEL under/(over) spend					101,300.4	101,155.8	144.6	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	7.2	6.8	0.4	5.4%	10.7	10.7	0.0	0.0%
NHS IQ	4.9	4.4	0.5	10.3%	7.4	7.4	0.0	0.0%
Nursing	6.4	6.1	0.3	5.2%	10.5	10.3	0.2	1.9%
Commissioning Operations	143.2	141.3	1.9	1.3%	221.9	218.8	3.1	1.4%
Patients & Information	9.8	9.6	0.2	1.8%	14.7	14.7	0.0	0.0%
Finance	30.1	22.9	7.2	23.9%	45.1	40.4	4.7	10.4%
Commissioning Strategy	10.7	9.7	1.0	9.2%	16.0	16.1	(0.1)	(0.6%)
Transformation & Corp Office	36.2	36.4	(0.2)	(0.6%)	54.3	54.3	0.0	0.0%
Chair & Chief Executive Group	1.1	0.9	0.2	14.0%	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	10.0	10.0	0.0	0.0%	20.0	14.4	5.6	28.0%
TOTAL excl PCS	259.4	242.5	16.9	6.5%	419.6	400.6	19.0	2.5%
PCS	46.7	66.0	(19.3)	(41.3%)	66.4	85.0	(18.6)	(28.0%)
TOTAL Running Costs	306.1	308.5	(2.4)	(0.8%)	486.0	485.6	0.4	0.1%

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	75.9	71.9	4.0	5.3%	125.0	124.1	0.9	0.7%
NHS IQ	8.6	7.3	1.3	0.0%	13.0	13.0	0.0	0.0%
Nursing	10.2	7.7	2.5	24.5%	21.7	21.1	0.6	2.8%
Commissioning Operations	51.9	39.4	12.5	24.1%	108.2	101.2	7.0	6.5%
Patients & Information	35.3	23.7	11.6	32.9%	62.9	51.0	11.9	18.9%
NHS Direct/111	16.6	11.3	5.3	0.0%	25.1	25.1	0.0	0.0%
Finance	6.7	1.4	5.3	79.1%	10.7	6.9	3.8	35.5%
Commissioning Strategy	32.1	23.7	8.4	26.2%	66.9	59.8	7.1	10.6%
Transformation & Corp Office	8.8	4.9	3.9	44.3%	16.0	16.0	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	61.6	61.6	0.0	0.0%	166.0	147.5	18.5	11.1%
Provider Support	129.7	129.7	0.0	0.0%	158.0	158.0	0.0	0.0%
Other Programmes	38.4	38.2	0.2	0.5%	60.7	45.9	14.8	24.4%
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	2.4	2.4	0.0	0.0%	7.0	7.0	0.0	0.0%
TOTAL excl Depreciation	511.7	456.7	55.0	0.0%	1,017.2	884.7	132.5	13.0%
Depreciation	17.0	26.3	(9.3)	(54.9%)	25.1	41.9	(16.8)	(67.1%)
TOTAL Programme Costs	528.7	483.0	45.7	8.6%	1,042.3	926.6	115.7	11.1%

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	265.1	220.2	(44.9)	83.1 %	450.6	2.0%	364.4	(86.2)	80.9 %
Midlands and East	319.9	290.6	(29.3)	90.8 %	527.5	2.5%	488.9	(38.6)	92.7 %
London	169.0	163.7	(5.3)	96.9 %	261.0	2.3%	252.8	(8.2)	96.9 %
South	306.7	254.6	(52.1)	83.0 %	504.0	2.9%	402.2	(101.8)	79.8 %
Total Local QIPP	1,060.7	929.1	(131.6)	87.6 %	1,743.1	2.4%	1,508.3	(234.8)	86.5 %
Direct Commissioning QIPP									
Specialised	225.0	211.5	(13.5)	94.0 %	354.4	2.4%	340.2	(14.2)	96.0 %
Health & Justice	5.1	5.3	0.2	103.9 %	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	49.6	41.6	(8.0)	83.9 %	90.8	0.8%	75.7	(15.1)	83.4 %
Public Health	4.2	4.0	(0.2)	95.2 %	6.6	0.4%	6.3	(0.3)	95.5 %
Total DC QIPP	283.9	262.4	(21.5)	92.4 %	458.9	1.6%	429.8	(29.1)	93.7 %
TOTAL QIPP	1,344.6	1,191.5	(153.1)	88.6 %	2,202.0	2.2%	1,938.1	(263.9)	88.0 %
Of which transformational	582.0	475.0	(107.0)	81.6 %	964.5	0.9%	784.3	(180.2)	81.3 %

QIPP - Quality, Innovation, Productivity and Prevention Programme