

BOARD PAPER - NHS ENGLAND

Title: Consolidated Month 9, 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 9 2015/16
The Board is invited to: <ul style="list-style-type: none">• Note the financial position for month 9

**Consolidated Month 9, 2015/16 Financial Report
NHS England Board – 26 February 2016**

PURPOSE

1. This paper summarises the financial position at month 9, 2015/16.

CONTEXT

2. 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 at the beginning of the financial year of £101,333m.
3. The revised financial directions issued by the Department of Health in December 2015 have resulted in a net reduction in planned expenditure to £101,071m in month 9. This movement is predominantly the result of the transfer of £428m to Local Authorities for the commissioning of Section 7a Public Health services for 0–5 year olds with effect from 1st October 2015. This is partially offset by £133m additional Mental Health funding.
4. 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. The month 9 financial position has also been subjected to a ‘deep dive’ review process, to provide additional assurance as to the robustness of the forecast outturn.

ANALYSIS

Overall Financial Position

5. Table 1 summarises the year to date and full year forecast expenditure for NHS England as at month 9:

Table 1

	Net expenditure							
	Plan	YTD	Under/(over) spend		Plan	FOT	Under/(over) spend	
	£m	£m	£m	%	£m	£m	£m	%
CCGs	54,020.1	54,087.3	(67.2)	(0.1%)	72,416.4	72,438.5	(22.1)	(0.0%)
Direct Commissioning	19,818.9	19,836.1	(17.2)	(0.1%)	26,796.9	26,752.9	44.0	0.2%
Running, programme costs and other	1,086.2	899.7	186.5	17.2%	1,857.4	1,589.4	268.0	14.4%
Total before Technical Adjustments	74,925.2	74,823.1	102.1	0.1%	101,070.7	100,780.8	289.9	0.3%
Technical and Ring fenced adjustments					(188.2)	(192.9)	4.7	
Total non-ring fenced RDEL under/(over) spend					100,882.5	100,587.9	294.6	0.3%

6. Overall at month 9, year to date headline expenditure is £102m (0.1%) below plan. 45 CCGs are reporting year to date overspends, of which 11 are greater than 1%. The direct commissioning variance is a result of a £117m (1.1%) overspend in specialised commissioning including £92m 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.
7. The full year forecast currently shows an underspend of £290m (0.3%) which includes a forecast overspend in CCGs (see para 8) and in specialised commissioning offset by forecast underspends in other areas of direct commissioning and NHS England central costs. A large 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. This underspend also includes £156m of slippage on NHS England programmes which has been realised in order to contribute to the overall financial balance across the Department of Health group (see para 12). Further to this, the financial position has benefitted from lower than expected expenditure on settlements relating to legacy Continuing Healthcare claims totalling £164m, the majority of which is reflected in technical and ring fenced adjustments. At bottom line level, the forecast underspend is £295m (0.3%).

8. There are 35 CCGs forecasting a position better than their annual plan and 27 CCGs forecasting a position worse than their annual plan. 30 CCGs are forecasting cumulative deficits, 9 of which are unplanned, taking the total forecast for cumulative deficits to £544m.
9. 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)

10. In aggregate commissioners are planning for QIPP of £2.2bn, which equates to 2.2% of allocations. Commissioners are forecasting at month 9 that £2.0bn of this will be delivered, a delivery rate of 89%, with the forecast under-delivery predominantly spread across 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

11. 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 £413m, including a total underspend of £179m relating to legacy CHC claims and £176m relating to central budgets.
12. As noted at the January meeting, we are actively seeking to maximise our contribution to the overall Department of Health position notwithstanding our distinct accountability for the commissioning sector. We will therefore continue to take any opportunities to improve our bottom line position over the remainder of the fiscal year.

RECOMMENDATION

13. The Board is asked to note the financial position for month 9.

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Date: February 2016

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.

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

2015/16 - Month 9 (December 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	16,490.8	16,489.3	1.5	0.0 %	22,147.5	22,134.5	13.0	0.1 %
Midlands & East	16,002.7	16,042.1	(39.4)	(0.2%)	21,398.1	21,424.3	(26.2)	(0.1%)
London	8,421.6	8,419.9	1.7	0.0 %	11,356.3	11,336.3	20.0	0.2 %
South	13,105.0	13,136.0	(31.0)	(0.2%)	17,500.3	17,543.4	(43.1)	(0.2%)
Quality Premium	0.0	0.0	0.0	0.0 %	14.2	0.0	14.2	100.0 %
Total Local Net Expenditure	54,020.1	54,087.3	(67.2)	(0.1%)	72,416.4	72,438.5	(22.1)	0.0 %
Direct Commissioning								
Specialised Commissioning	10,739.6	10,856.2	(116.6)	(1.1%)	14,646.7	14,756.3	(109.6)	(0.7%)
Armed Forces	38.3	37.6	0.7	1.8 %	54.1	54.1	0.0	0.0 %
Health & Justice	363.1	359.3	3.8	1.0 %	493.2	487.0	6.2	1.3 %
Primary Care & Secondary Dental	7,669.9	7,591.0	78.9	1.0 %	10,384.6	10,252.8	131.8	1.3 %
Public Health	1,008.0	992.0	16.0	1.6 %	1,218.3	1,202.7	15.6	1.3 %
Total Direct Commissioning Expenditure	19,818.9	19,836.1	(17.2)	(0.1%)	26,796.9	26,752.9	44.0	0.2 %
Other (excluding Technical)								
NHS England Running Costs	343.7	341.7	2.0	0.6 %	486.0	483.9	2.1	0.4 %
CSUs	0.0	(3.9)	3.9	100.0 %	0.0	0.0	0.0	0.0 %
NHS England Central Programme Costs	702.7	555.1	147.6	21.0 %	1,051.0	894.6	156.4	14.9 %
Other Central Costs	39.8	6.8	33.0	82.9 %	320.4	210.9	109.5	34.2 %
Total Other (excluding Technical)	1,086.2	899.7	186.5	17.2 %	1,857.4	1,589.4	268.0	14.4 %
Total before Technical Adjustments	74,925.2	74,823.1	102.1	0.1 %	101,070.7	100,780.8	289.9	0.3 %
Remove AME/Technical items					(22.2)	(115.5)	93.3	
Total RDEL under/(over) spend					101,048.5	100,665.3	383.2	0.4%
Remove ring-fenced under/(over) spend					(166.0)	(77.4)	(88.6)	
Total non-ring fenced RDEL under/(over) spend					100,882.5	100,587.9	294.6	0.3%

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	8.1	7.6	0.5	6.2%	10.7	10.7	0.0	0.0%
NHS IQ	5.6	4.9	0.7	12.5%	7.4	7.4	0.0	0.0%
Nursing	7.6	7.1	0.5	6.6%	10.5	9.9	0.6	5.7%
Commissioning Operations	161.2	158.2	3.0	1.9%	221.8	218.4	3.4	1.5%
Patients & Information	11.0	11.0	0.0	0.0%	14.7	14.7	0.0	0.0%
Finance	33.8	26.9	6.9	20.4%	45.1	39.9	5.2	11.5%
Commissioning Strategy	11.7	11.0	0.7	6.0%	16.3	15.9	0.4	2.5%
Transformation & Corp Office	40.7	36.8	3.9	9.6%	54.3	54.3	0.0	0.0%
Chair & Chief Executive Group	1.2	1.0	0.2	16.7%	1.6	1.6	0.0	0.0%
Reserves / transition costs	0.0	(7.3)	7.3	100.0%	17.1	11.9	5.2	30.4%
Depreciation/Other	11.3	11.0	0.3	2.7%	20.0	14.4	5.6	28.0%
TOTAL excl PCS	292.2	268.2	24.0	8.2%	419.5	399.1	20.4	2.5%
PCS	51.5	73.5	(22.0)	(42.7%)	66.5	84.8	(18.3)	(27.5%)
TOTAL Running Costs	343.7	341.7	2.0	0.6%	486.0	483.9	2.1	0.4%

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	82.5	76.9	5.6	6.8%	125.0	124.0	1.0	0.8%
NHS IQ	9.7	8.3	1.4	0.0%	13.0	13.0	0.0	0.0%
Nursing	11.9	9.6	2.3	19.3%	21.7	21.1	0.6	2.8%
Commissioning Operations	60.1	51.6	8.5	14.1%	108.1	102.3	5.8	5.4%
Patients & Information	41.5	26.9	14.6	35.2%	62.9	48.5	14.4	22.9%
NHS Direct/111	18.7	15.4	3.3	0.0%	25.1	25.1	0.0	0.0%
Finance	8.1	2.0	6.1	75.3%	10.7	6.9	3.8	35.5%
Commissioning Strategy	37.5	26.5	11.0	29.3%	66.9	59.8	7.1	10.6%
Transformation & Corp Office	9.8	6.1	3.7	37.8%	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	96.1	96.1	0.0	0.0%	166.0	147.5	18.5	11.1%
Provider Support	144.4	144.4	0.0	0.0%	158.0	158.0	0.0	0.0%
Other Programmes	40.8	24.9	15.9	39.0%	60.7	25.9	34.8	57.3%
Other Reserves	60.9	0.0	60.9	0.0%	90.5	29.6	60.9	67.3%
Contingency	25.0	0.0	25.0	0.0%	48.0	23.0	25.0	52.1%
Specialist Pharmacy Services	3.2	3.2	0.0	0.0%	7.0	5.6	1.4	0.0%
TOTAL excl Depreciation	683.7	525.4	158.3	0.0%	1,025.8	852.5	173.3	16.9%
Depreciation	19.0	29.7	(10.7)	(56.3%)	25.2	42.1	(16.9)	(67.1%)
TOTAL Programme Costs	702.7	555.1	147.6	21.0%	1,051.0	894.6	156.4	14.9%

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	309.0	247.4	(61.6)	80.1 %	450.6	2.0%	361.9	(88.7)	80.3 %
Midlands and East	370.4	337.5	(32.9)	91.1 %	527.5	2.5%	485.8	(41.7)	92.1 %
London	193.0	186.2	(6.8)	96.5 %	261.0	2.3%	252.7	(8.3)	96.8 %
South	352.5	281.1	(71.4)	79.7 %	504.0	2.9%	407.3	(96.7)	80.8 %
Total Local QIPP	1,224.9	1,052.2	(172.7)	85.9 %	1,743.1	2.4%	1,507.7	(235.4)	86.5 %
Direct Commissioning QIPP									
Specialised	256.7	245.4	(11.3)	95.6 %	354.4	2.4%	352.9	(1.5)	99.6 %
Health & Justice	5.6	5.9	0.3	105.4 %	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	57.1	46.9	(10.2)	82.1 %	90.8	0.8%	75.7	(15.1)	83.4 %
Public Health	4.8	4.6	(0.2)	95.8 %	6.6	0.5%	6.3	(0.3)	95.5 %
Total DC QIPP	324.2	302.8	(21.4)	93.4 %	458.9	1.7%	442.5	(16.4)	96.4 %
TOTAL QIPP	1,549.1	1,355.0	(194.1)	87.5 %	2,202.0	2.2%	1,950.2	(251.8)	88.6 %
Of which transformational	673.3	534.8	(138.5)	79.4 %	964.5	0.9%	770.0	(194.5)	79.8 %

QIPP - Quality, Innovation, Productivity and Prevention Programme