

**BOARD PAPER - NHS ENGLAND**

<b>Title:</b> Consolidated Month 10, 2015/16 Financial Report
<b>Lead Director:</b> Paul Baumann, Chief Financial Officer
<b>Purpose of Paper:</b> <ul style="list-style-type: none"><li>• To update the Board on the financial position for month 10 2015/16</li></ul>
<b>The Board is invited to:</b> <ul style="list-style-type: none"><li>• Note the financial position for month 10</li></ul>

**Consolidated Month 10, 2015/16 Financial Report  
NHS England Board – 31 March 2016**

**PURPOSE**

1. This paper summarises the financial position at month 10, 2015/16.

**CONTEXT**

2. The commissioning system has agreed plans to spend an in-year allocation of £100,492m, which is supplemented by a further £579m of prior year drawdown to give a total planned expenditure of £101,071m. This includes the adjustments made following the issue of revised financial directions by the Department of Health (DH) in December 2015.
3. 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.
4. 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.

**ANALYSIS**

**Overall Financial Position**

5. Table 1 summarises the year to date and full year forecast expenditure for NHS England as at month 10:

**Table 1**

	Net expenditure							
	Plan	YTD	Under/(over) spend		Plan	FOT	Under/(over) spend	
	£m	£m	£m	%	£m	£m	£m	%
CCGs	60,080.3	60,133.0	(52.7)	(0.1%)	72,475.0	72,496.0	(21.0)	(0.0%)
Direct Commissioning	21,992.4	22,023.0	(30.6)	(0.1%)	26,763.8	26,699.1	64.7	0.2%
Running, programme costs and other	1,181.3	948.4	232.9	19.7%	1,832.4	1,459.8	372.6	20.3%
<b>Total before Technical Adjustments</b>	<b>83,254.0</b>	<b>83,104.4</b>	<b>149.6</b>	<b>0.2%</b>	<b>101,071.2</b>	<b>100,654.9</b>	<b>416.3</b>	<b>0.4%</b>
Technical and Ringfenced adjustments					(188.8)	(211.8)	23.0	
<b>Total non-ringfenced RDEL under/(over) spend</b>					<b>100,882.4</b>	<b>100,443.1</b>	<b>439.3</b>	<b>0.4%</b>

6. Overall at month 10, year to date headline expenditure is £150m (0.2%) below plan. 42 CCGs are reporting year to date overspends, of which 12 are greater than 1%. The direct commissioning variance is a result of a £142m (1.2%) overspend in specialised commissioning including £110m 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 £416m (0.4%) 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 £78m<sup>1</sup>, designed to mitigate the impact of excluding the expected underspend on depreciation, for reporting against the core performance metric, non-ringfenced RDEL. This underspend also includes £241m of slippage on NHS England programmes. This reflects five main one-off benefits; reduced redundancy and transition costs; underspends on two DH managed budgets hosted by NHS England; unplanned rates rebates; slippage on a number of directorate programme budgets; and freezing of contingencies to support the overall DH financial position. Further to this, the financial position has benefitted from lower than expected expenditure on settlements relating to legacy continuing healthcare claims totalling £182m, the majority of which is reflected in technical and ringfenced adjustments. At bottom line level, the forecast underspend is £439m (0.4%).

8. There are 46 CCGs forecasting a position better than their annual plan and 30 CCGs forecasting a position worse than their annual plan. 29 CCGs are forecasting cumulative deficits, 8 of which are unplanned.
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 10 that £1.9bn of this will be delivered, a delivery rate of 87%, 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-ringfenced RDEL underspend of £479m.
12. As noted at previous meetings, 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 10.

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**Date:** March 2016

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<sup>1</sup> 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 ringfenced 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-ringfenced 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 10 (January 2016) Net Expenditure	Year to Date Net Expenditure				Forecast Net Expenditure			
	Plan £m	Actual £m	Var £m	Var %	Plan £m	Forecast £m	Var £m	Var %
<b>Local Net Expenditure</b>								
North	18,347.5	18,346.0	1.5	0.0 %	22,170.9	22,163.5	7.4	0.0 %
Midlands & East	17,782.8	17,819.0	(36.2)	(0.2%)	21,398.7	21,423.8	(25.1)	(0.1%)
London	9,399.4	9,385.6	13.8	0.1 %	11,394.6	11,373.4	21.2	0.2 %
South	14,550.6	14,582.4	(31.8)	(0.2%)	17,496.6	17,535.3	(38.7)	(0.2%)
Quality Premium <sup>2</sup>	0.0	0.0	0.0	0.0 %	14.2	0.0	14.2	100.0 %
<b>Total Local Net Expenditure</b>	<b>60,080.3</b>	<b>60,133.0</b>	<b>(52.7)</b>	<b>(0.1%)</b>	<b>72,475.0</b>	<b>72,496.0</b>	<b>(21.0)</b>	<b>0.0 %</b>
<b>Direct Commissioning</b>								
Specialised Commissioning	11,956.2	12,097.9	(141.7)	(1.2%)	14,646.6	14,754.3	(107.7)	(0.7%)
Armed Forces	42.9	42.3	0.6	1.4 %	54.1	54.1	0.0	0.0 %
Health & Justice	403.5	399.4	4.1	1.0 %	492.1	485.8	6.3	1.3 %
Primary Care & Secondary Dental	8,514.0	8,421.8	92.2	1.1 %	10,353.5	10,204.2	149.3	1.4 %
Public Health	1,075.8	1,061.6	14.2	1.3 %	1,217.5	1,200.7	16.8	1.4 %
<b>Total Direct Commissioning Expenditure</b>	<b>21,992.4</b>	<b>22,023.0</b>	<b>(30.6)</b>	<b>(0.1%)</b>	<b>26,763.8</b>	<b>26,699.1</b>	<b>64.7</b>	<b>0.2 %</b>
<b>Other (excluding Technical)</b>								
NHS England Running Costs	381.0	380.3	0.7	0.2 %	486.0	473.2	12.8	2.6 %
CSUs	0.0	(3.8)	3.8	100.0 %	0.0	2.1	(2.1)	0.0 %
NHS England Central Programme Costs	756.1	564.8	191.3	25.3 %	1,045.6	804.7	240.9	23.0 %
Other Central Costs	44.2	7.1	37.1	83.9 %	300.8	179.8	121.0	40.2 %
<b>Total Other (excluding Technical)</b>	<b>1,181.3</b>	<b>948.4</b>	<b>232.9</b>	<b>19.7 %</b>	<b>1,832.4</b>	<b>1,459.8</b>	<b>372.6</b>	<b>20.3 %</b>
<b>Total before Technical Adjustments</b>	<b>83,254.0</b>	<b>83,104.4</b>	<b>149.6</b>	<b>0.2 %</b>	<b>101,071.2</b>	<b>100,654.9</b>	<b>416.3</b>	<b>0.4 %</b>
Remove AME/Technical items					(22.8)	(136.6)	113.8	
<b>Total RDEL under/(over) spend</b>					<b>101,048.4</b>	<b>100,518.3</b>	<b>530.1</b>	<b>0.5%</b>
Remove ringfenced under/(over) spend					(166.0)	(75.2)	(90.8)	
<b>Total non-ringfenced RDEL under/(over) spend</b>					<b>100,882.4</b>	<b>100,443.1</b>	<b>439.3</b>	<b>0.4%</b>

<sup>2</sup> Quality Premium is added to the planned expenditure (and income) of CCGs in the lines above when earned. This line shows the element of annual Quality Premium budget which has not been earned.

**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	9.0	8.5	0.5	5.6%	10.7	10.4	0.3	2.8%
NHS IQ	6.2	5.6	0.6	9.7%	7.4	7.4	0.0	0.0%
Nursing	8.4	7.8	0.6	7.1%	10.5	9.9	0.6	5.7%
Commissioning Operations	179.3	175.6	3.7	2.1%	222.3	218.3	4.0	1.8%
Patients & Information	12.2	12.1	0.1	0.8%	14.7	14.7	0.0	0.0%
Finance	37.6	30.1	7.5	19.9%	45.1	39.9	5.2	11.5%
Commissioning Strategy	13.2	12.1	1.1	8.3%	16.3	15.8	0.5	3.1%
Transformation & Corp Office	45.2	44.4	0.8	1.8%	54.3	52.5	1.8	3.3%
Chair & Chief Executive Group	1.3	1.1	0.2	15.4%	1.6	1.6	0.0	0.0%
Reserves / transition costs	0.0	(7.5)	7.5	100.0%	16.6	1.9	14.7	88.6%
Depreciation/Other	12.5	12.1	0.4	3.2%	20.0	14.3	5.7	28.5%
<b>TOTAL excl PCS</b>	<b>324.9</b>	<b>301.9</b>	<b>23.0</b>	<b>7.1%</b>	<b>419.5</b>	<b>386.7</b>	<b>32.8</b>	<b>2.5%</b>
PCS	56.1	78.4	(22.3)	(39.8%)	66.5	86.5	(20.0)	(30.1%)
<b>TOTAL Running Costs</b>	<b>381.0</b>	<b>380.3</b>	<b>0.7</b>	<b>0.2%</b>	<b>486.0</b>	<b>473.2</b>	<b>12.8</b>	<b>2.6%</b>

**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	95.7	89.3	6.4	6.7%	125.4	124.5	0.9	0.7%
NHS IQ	10.8	9.1	1.7	0.0%	13.0	12.5	0.5	0.0%
Nursing	12.8	10.4	2.4	18.8%	21.3	19.3	2.0	9.3%
Commissioning Operations	67.6	57.3	10.3	15.2%	104.4	92.9	11.5	11.0%
Patients & Information	46.1	30.3	15.8	34.3%	62.9	44.4	18.5	29.4%
NHS Direct/111	20.9	16.7	4.2	0.0%	25.1	22.2	2.9	0.0%
Finance	8.9	2.0	6.9	77.5%	10.7	6.9	3.8	35.8%
Commissioning Strategy	43.5	28.9	14.6	33.6%	66.9	49.4	17.5	26.2%
Transformation & Corp Office	13.2	10.4	2.8	21.2%	16.0	16.0	(0.0)	(0.3%)
Leadership Academy	44.7	44.7	0.0	0.0%	46.2	46.2	0.0	0.0%
Clinical Excellence Awards	91.2	91.2	0.0	0.0%	166.0	145.0	21.0	12.6%
Provider Support	147.5	147.5	0.0	0.0%	158.0	158.0	0.0	0.0%
Other Programmes	42.4	(9.8)	52.2	123.1%	60.7	(14.1)	74.8	123.2%
Other Reserves	60.9	0.0	60.9	0.0%	90.5	28.0	62.5	69.1%
Contingency	25.0	0.0	25.0	0.0%	46.5	8.0	38.5	82.8%
Specialist Pharmacy Services	3.8	3.8	0.0	0.0%	7.0	5.6	1.4	0.0%
<b>TOTAL excl Depreciation</b>	<b>735.0</b>	<b>531.8</b>	<b>203.2</b>	<b>0.0%</b>	<b>1,020.3</b>	<b>764.7</b>	<b>255.6</b>	<b>25.0%</b>
Depreciation	21.1	33.0	(11.9)	(56.4%)	25.3	40.0	(14.7)	(58.1%)
<b>TOTAL Programme Costs</b>	<b>756.1</b>	<b>564.8</b>	<b>191.3</b>	<b>25.3%</b>	<b>1,045.6</b>	<b>804.7</b>	<b>240.9</b>	<b>23.0%</b>

**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	355.1	279.2	(75.9)	78.6 %	450.6	2.0%	354.4	(96.2)	78.7 %
Midlands and East	422.1	381.9	(40.2)	90.5 %	527.5	2.5%	486.9	(40.6)	92.3 %
London	215.5	209.8	(5.7)	97.4 %	261.0	2.3%	254.4	(6.6)	97.5 %
South	402.1	316.4	(85.7)	78.7 %	504.0	2.9%	404.4	(99.6)	80.2 %
<b>Total Local QIPP</b>	<b>1,394.8</b>	<b>1,187.3</b>	<b>(207.5)</b>	<b>85.1 %</b>	<b>1,743.1</b>	<b>2.4%</b>	<b>1,500.1</b>	<b>(243.0)</b>	<b>86.1 %</b>
Direct Commissioning QIPP									
Specialised	289.2	279.3	(9.9)	96.6 %	354.4	2.4%	343.1	(11.3)	96.8 %
Health & Justice	6.1	6.4	0.3	104.9 %	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	64.4	52.2	(12.2)	81.1 %	90.8	0.8%	68.3	(22.5)	75.2 %
Public Health	5.4	5.2	(0.2)	96.3 %	6.6	0.5%	6.3	(0.3)	95.5 %
<b>Total DC QIPP</b>	<b>365.1</b>	<b>343.1</b>	<b>(22.0)</b>	<b>94.0 %</b>	<b>458.9</b>	<b>1.7%</b>	<b>425.3</b>	<b>(33.6)</b>	<b>92.7 %</b>
<b>TOTAL QIPP</b>	<b>1,759.9</b>	<b>1,530.4</b>	<b>(229.5)</b>	<b>87.0 %</b>	<b>2,202.0</b>	<b>2.2%</b>	<b>1,925.4</b>	<b>(276.6)</b>	<b>87.4 %</b>
Of which transformational	769.9	601.2	(168.6)	78.1 %	964.5	0.9%	752.7	(211.8)	78.0 %

**QIPP - Quality, Innovation, Productivity and Prevention Programme**