

BOARD PAPER - NHS ENGLAND

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

**Consolidated 2015/16 Year-end Financial Report
NHS England Board – 26 May 2016**

PURPOSE & CONTEXT

1. This paper summarises the provisional NHS England financial position at month 12 2015/16.
2. The final year-end financial position is subject to review by the National Audit Office as part of the external audit of the NHS England Group Annual Report and Accounts for 2015/16.
3. Once these numbers are confirmed, the Department of Health (DH) will consolidate the NHS England financial performance with their own results, the position of NHS Providers and that of a variety of other national bodies. The consolidated financial position will then be presented to Parliament and published when the DH report and accounts are laid in July.
4. The commissioning system agreed plans to spend an in-year allocation of £100,542m, which was supplemented by a further £579m of prior year drawdown to give a total planned expenditure of £101,121m for 2015/16. This includes the adjustments made following the issue of revised financial directions by the Department of Health (DH) in December 2015.
5. The figures in this report are derived from the consolidated financial accounts of clinical commissioning groups (CCGs) and direct commissioning units, which were received on time and in full on 29th April and are now being reviewed by the relevant external auditors.
6. NHS England is statutorily required not to exceed its allocated funding totals. We have met this obligation with regards to each individual financial limits set in the Mandate for 2015/16. In addition, whilst NHS England has no legal responsibility for ensuring that providers of NHS funded services or the Department of health achieve financial balance, we have taken every opportunity to maximise our contribution to the overall group position in light of the scale of provider deficits which have arisen during the year.

ANALYSIS

Overall Financial Position

7. Table 1 summarises the year-end expenditure position for NHS England:

Table 1

	Net expenditure			
	Plan	Outturn	Under/(over) spend	
	£m	£m	£m	%
CCGs	72,548.0	72,564.0	(16.0)	(0.0%)
Direct Commissioning	26,806.2	26,723.8	82.4	0.3%
Running, programme costs and other	1,766.4	1,310.1	456.3	25.8%
Total before Technical Adjustments	101,120.6	100,597.9	522.7	0.5%
Technical and Ringfenced adjustments	(238.2)	(314.9)	76.7	
Total non-ringfenced RDEL under/(over) spend	100,882.4	100,283.0	599.4	0.6%

8. Overall the headline expenditure was £523m (0.5%) below plan, whilst the underspend on the key non-ringfenced RDEL measure amounted to £599m (0.6%). Further detail by area of expenditure is shown in Appendices A-C, and the significant components are described below:

- 8.1. At the year-end, 62 CCGs reported underspends totalling £122m against their annual plan and 39 CCGs reported overspends totalling £151m. The overall CCG position benefitted from a £13m underspend on Quality Premium. 31 CCGs finished the year with cumulative deficits, 10 of which were unplanned. The measures to improve CCG resilience, which we have taken in 2015/16, have resulted in fewer overspends and a reduction in the scale of individual financial deficits (in 2015/16 the largest CCG overspend was 5% compared to 10% in 2014/15).
- 8.2. For the first time in recent history, specialised commissioning achieved a small underspend (£14m) on its operational performance, reflecting the significant programme of measures undertaken over the last two years to improve management processes and controls.
- 8.3. The Cancer Drugs Fund (CDF) overspent by £126m (37%) despite reprioritisations undertaken during the year. A new approach to prioritisation and management of drugs within the fund will be introduced in July 2016 following the recent consultation process in partnership with NICE to seek to ensure that the fund remains within the agreed envelope of £340m.
- 8.4. The £242m underspend in central programme costs is due primarily to reduced redundancy and transition costs, underspends on two DH managed budgets hosted by NHS England, unplanned rates rebates, underspends on a number of directorate programme budgets and the freezing of contingencies. The bulk of these variances relate to non-recurrent budgets and income available to NHS England in 2015/16, and the recurrent elements have been reflected in reduced central budgets for 2016/17.
- 8.5. Other central budgets were underspent by £219m, primarily reflecting the release of centrally held “depreciation offset” reserves¹ and deferral of transformation investment into 2016/17.
- 8.6. The other significant underspend in 2015/16 was on settlements relating to legacy Continuing Healthcare (CHC) claims. This amounted to £192m, of which £33m is in the “other central costs” and £159m is shown in “AME/Technical items”. In light of the experience in 2014/15 and 2015/16 the budget in 2016/17 has been reduced to reflect the likely levels of claim settlement.
9. In summary, NHS England has improved the group position through an underspend on the core performance metric of £599m. However, as set out in the preceding paragraphs, the major contributions to this underspend were either non-recurrent in nature or have been adjusted for in budget-setting for 2016/17 to maximise the funding available for front-line services and primary care transformation in a year of exceptional challenge for the NHS.

Quality, Innovation, Productivity & Prevention (QIPP)

10. In aggregate commissioners planned for QIPP of £2.2bn, which equated to 2.2% of allocations. By the year-end £1.9bn of this had been delivered, a delivery rate of 87% . In 2014/15, the actual delivery rate for the year was also 87% against a target of £2.1bn. Further detail on QIPP performance can be found in Appendix D.

RECOMMENDATION

11. The Board is asked to note the year-end financial results for 2015/16.

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¹ CCG budgets are managed on an IFRS basis and so do not recognise the ringfencing 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 any 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.

Date: May 2016

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

Year ended 31 March 2016 Net Expenditure	Outturn Net Expenditure			
	Plan £m	Actual £m	Var £m	Var %
Local Net Expenditure				
North	22,208.0	22,200.9	7.1	0.0 %
Midlands & East	21,411.5	21,448.3	(36.8)	(0.2)%
London	11,393.7	11,367.2	26.5	0.2 %
South	17,521.7	17,547.6	(25.9)	(0.1)%
Quality Premium ²	13.1	0.0	13.1	0.0 %
Total Local Net Expenditure	72,548.0	72,564.0	(16.0)	0.0 %
Direct Commissioning				
Specialised Commissioning excluding Cancer Drugs Fund	14,308.2	14,294.4	13.8	0.1 %
Cancer Drugs Fund	340.0	465.7	(125.7)	(37.0)%
Armed Forces	54.1	54.1	0.0	0.0 %
Health & Justice	492.0	483.0	9.0	1.8 %
Primary Care & Secondary Dental	10,395.0	10,232.3	162.7	1.6 %
Public Health	1,216.9	1,194.3	22.6	1.9 %
Total Direct Commissioning Expenditure	26,806.2	26,723.8	82.4	0.3 %
Other (excluding Technical)				
NHS England Running Costs	485.9	485.2	0.7	0.1 %
CSUs	0.0	5.0	(5.0)	100.0 %
NHS England Central Programme Costs	1,047.5	806.1	241.4	23.0 %
Other Central Costs	233.0	13.8	219.2	94.1 %
Total Other (excluding Technical)	1,766.4	1,310.1	456.3	25.8 %
Total before Technical Adjustments	101,120.6	100,597.9	522.7	0.5 %
Remove AME/Technical items	(72.2)	(226.2)	154.0	
Total RDEL under/(over) spend	101,048.4	100,371.7	676.7	0.7%
Remove ringfenced under/(over) spend	(166.0)	(88.7)	(77.3)	
Total non-ringfenced RDEL under/(over) spend	100,882.4	100,283.0	599.4	0.6%

² 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

Summary of Year to Date and Forecast NHS England Running Costs Expenditure

	Outturn Net Expenditure			
	Plan £m	Actual £m	Var £m	Var %
Medical	10.7	10.4	0.3	2.8%
NHS IQ	7.4	6.7	0.7	9.5%
Nursing	10.5	9.8	0.7	6.7%
Commissioning Operations	222.1	216.3	5.8	2.6%
Patients & Information	14.7	14.4	0.3	2.0%
Finance	45.1	39.3	5.8	12.9%
Commissioning Strategy	16.3	15.3	1.0	6.1%
Transformation & Corp Office	54.4	55.2	(0.8)	(1.5%)
Chair & Chief Executive Group	1.6	1.4	0.2	12.5%
Reserves / transition costs	16.6	8.3	8.3	100.0%
Depreciation/Other	20.0	14.2	5.8	29.0%
TOTAL excl PCS	419.4	391.3	28.1	6.7%
PCS	66.5	93.9	(27.4)	(41.2%)
TOTAL Running Costs	485.9	485.2	0.7	0.1%

Summary of Year to Date and Forecast NHS England Programme Costs Expenditure

	Outturn Net Expenditure			
	Plan £m	Actual £m	Var £m	Var %
Medical	126.3	120.7	5.6	4.5%
NHS IQ	13.0	12.2	0.8	6.2%
Nursing	21.3	17.1	4.2	19.7%
Commissioning Operations	108.9	95.5	13.4	12.3%
Patients & Information	62.9	44.6	18.3	29.1%
NHS Direct/111	25.1	21.6	3.5	13.9%
Finance	10.7	5.0	5.7	53.4%
Commissioning Strategy	66.0	50.6	15.4	23.2%
Transformation & Corp Office	16.0	15.1	0.9	5.0%
Leadership Academy	46.2	44.7	1.5	3.2%
Clinical Excellence Awards	166.0	153.9	12.1	7.3%
Provider Support	157.9	155.1	2.8	1.8%
Other Programmes	60.7	(26.3)	87.0	143.4%
Other Reserves	90.4	15.7	74.7	82.7%
Contingency	43.8	34.8	9.0	20.5%
Specialist Pharmacy Services	7.0	5.6	1.4	20.0%
TOTAL excl Depreciation	1,022.2	765.9	256.3	25.1%
Depreciation	25.3	40.0	(14.7)	(58.1%)
TOTAL Programme Costs	1,047.5	805.9	241.6	23.1%

Summary of Year to Date and Forecast QIPP Performance by Area of Commissioning

	Outturn QIPP			
	Plan £m	Actual £m	Var £m	Achieved %
Local QIPP				
North	450.6	346.7	(103.9)	76.9 %
Midlands and East	527.5	471.7	(55.8)	89.4 %
London	261.0	257.2	(3.8)	98.5 %
South	504.0	404.7	(99.3)	80.3 %
Total Local QIPP	1,743.1	1,480.3	(262.8)	84.9 %
Direct Commissioning QIPP				
Specialised	354.4	350.4	(4.0)	98.9 %
Health & Justice	0.0	0.0	0.0	100.0 %
Armed Forces	7.1	7.4	0.3	104.2 %
Primary Care and Secondary Dental	90.8	67.9	(22.9)	74.8 %
Public Health	6.6	6.4	(0.2)	97.0 %
Total DC QIPP	458.9	432.1	(26.8)	94.2 %
TOTAL QIPP	2,202.0	1,912.4	(289.6)	86.8 %
Of which transformational	964.5	733.9	(230.6)	76.1 %

QIPP - Quality, Innovation, Productivity and Prevention Programme