

BOARD PAPER - NHS ENGLAND

Title: Consolidated Month 2 2017/18 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 2 2017/18, the forecast for the year and the associated risks of delivery
The Board is invited to: <ul style="list-style-type: none">Note the financial position for month 2

CONSOLIDATED MONTH 2 2017/18 FINANCIAL REPORT

PURPOSE

1. This paper summarises the year to date and forecast position at month 2, 2017/18.

CONTEXT

Plan Summary

2. Table 1 presents the planned expenditure for 2017/18 across the commissioning system, based on the plans submitted on 30 March 2017. It shows how the commissioning system plans to spend a total allocation of £110bn, which includes £400m of prior year drawdown. The summary is presented on an in-year basis, so excludes any historical underspends that are not available to be spent in 2017/18, and any historic deficits. The plan summary is presented on an RDEL basis and so includes depreciation charges, whereas these are excluded from the monthly reporting shown in table 2.

Table 1.

2017/18 In-Year plans	Total In-Year Allocation (including drawdown) £m	Planned Expenditure £m	Under / (Over) Spend £m
Commissioning Budgets			
Clinical Commissioning Groups	79,507	79,925	(418)
Specialised Commissioning	16,614	16,614	0
Primary Care & Secondary Dental	6,320	6,320	0
Other Direct Commissioning	1,612	1,610	2
Total Commissioning Budgets	104,054	104,470	(416)
NHS England Central Budgets	4,846	4,830	16
Drawdown	400	-	400
Total NHS England before technical adjustments	109,300	109,300	-
AME/Technical ¹	660	660	-
Total NHS England In-Year plan	109,960	109,960	-

3. These figures are supported by the individual financial plans of each CCG and direct commissioning unit, the assurance process for which has now been concluded, however a small number of CCGs (those contributing the highest amount to the overspend reflected above) were asked to resubmit their plans setting themselves a more challenging savings target. These resubmissions are not yet reflected in the figures above.

¹ The NHS England Mandate includes two technical financial targets; £360m Annually Managed Expenditure (AME) limit for provision movements and other impairments, and £300m Technical accounting limit (eg for capital grants). These limits are ringfenced and cannot be used to support core patient services, which comprise our Revenue Departmental Expenditure Limit (RDEL).

4. The £4.8bn of planned expenditure for central NHS England budgets includes running and programme costs (£544m and £860m respectively) as well as centrally managed resources for provider sustainability and system transformation, including GP Forward View implementation.
5. The CCG expenditure for the year includes plans for non-recurrent investment expenditure of 1% of allocations, of which half is currently uncommitted in order to provide a contribution of £360m to a system risk reserve to support the wider health system if required. NHS England will add £200m to this, funded from drawdown or from other central sources should sufficient drawdown not be available.

ANALYSIS

Overall Financial Position

6. 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, and from the monthly financial reports on central budgets.
7. Table 2 summarises the year to date and full year forecast expenditure for NHS England as at month 2. The information is presented on a non-ringfenced RDEL basis, and so excludes £166m of ringfenced allocation which is included in the plan figures in table 1.

Table 2

Net Expenditure	Year to Date				Forecast Outturn			
	Plan £m	Actual £m	Under/(over) spend		Plan £m	FOT £m	Under/(over) spend	
			£m	%			£m	%
CCGs	13,157.2	13,166.8	(9.6)	(0.1%)	79,924.9	79,898.7	26.2	0.0%
Direct Commissioning	3,893.2	3,890.2	3.0	0.1%	24,566.7	24,566.8	(0.1)	(0.0%)
NHSE Running & central programme costs (excl. depreciation)	193.3	163.4	29.9	15.5%	4,619.3	4,639.3	(20.0)	(0.4%)
Other including technical and ringfenced adjustments	10.7	9.1	1.6		23.0	34.0	(11.0)	
Total non-ringfenced RDEL under/(over) spend	17,254.4	17,229.5	24.9	0.1%	109,133.9	109,138.8	(4.9)	(0.0%)

8. Overall at month 2, NHS England is reporting a year to date underspend of £25m (0.1%). A 0.1% overspend on CCGs is offset by underspends on other areas of direct commissioning and NHS England central budgets.
9. The full year forecast, excluding the release of the 0.5% CCG risk reserve, shows a bottom line position that is broadly in line with plan (an overspend of less than 0.1%). The underspend being reported in CCGs is a result of four organisations reflecting the impact of the Capped Expenditure Process in their forecast. To ensure that the forecast position is presented on a consistent basis, the underspend has been neutralised in central budgets.
10. At month 2, commissioners are forecasting that £3.4bn of their savings plans will be delivered. This represents a 37% increase in the value of commissioner savings compared to 2016/17.

11. Alongside the forecast, NHS England monitors financial risks and available mitigations. A high level of risk was identified during planning, predominantly reflecting the higher level of ambition with regard to efficiency gains. At month 2, the level of locally reported net risk has reduced, in part as a result of the national efficiency programme, but it is expected that a proportion of this risk will crystallise into forecasts over the year.
12. CCGs are reporting net risk of £443m at month 2, which relates principally to contract over-performance/shortfalls on efficiency schemes.
13. All CCGs facing potential overspends are fully engaged in mitigating actions, with additional intervention where necessary by NHS England regional teams. A number of central mitigations have also been identified which result in a net risk of £356m, excluding the £560m risk reserve.
14. Further detail on the overall financial position can be found in the appendices. This includes 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) and further detail on commissioner efficiency performance (Appendix D). Detailed financial performance information is also published on the NHS England website on a quarterly basis (<https://www.england.nhs.uk/publications/financial-performance-reports/>).

RECOMMENDATION

15. The Board is asked to note the financial position for month 2.

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

	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	3,957.5	3,961.3	(3.8)	(0.1%)	24,057.9	24,038.0	19.9	0.1 %
Midlands & East	3,860.8	3,867.6	(6.8)	(0.2%)	23,407.1	23,407.1	0.0	0.0 %
London	2,096.5	2,096.8	(0.3)	(0.0%)	12,761.7	12,761.4	0.3	0.0 %
South	3,242.4	3,241.1	1.3	0.0 %	19,608.2	19,602.2	6.0	0.0 %
Quality Premium ¹	0.0	0.0	0.0	0.0 %	90.0	90.0	0.0	0.0 %
Total Local Net Expenditure	13,157.2	13,166.8	(9.6)	(0.1%)	79,924.9	79,898.7	26.2	0.0 %
Direct Commissioning								
Specialised Commissioning	2,600.3	2,600.1	0.2	0.0 %	16,614.2	16,614.2	0.0	0.0 %
Armed Forces	10.3	10.3	0.0	0.0 %	64.3	64.3	0.0	0.0 %
Health & Justice	88.0	87.9	0.1	0.1 %	558.7	558.7	0.0	0.0 %
Primary Care & Secondary Dental	1,045.7	1,042.9	2.8	0.3 %	6,342.6	6,342.7	(0.1)	(0.0%)
Public Health	148.9	149.0	(0.1)	(0.1%)	986.9	986.9	0.0	0.0 %
Total Direct Commissioning Expenditure	3,893.2	3,890.2	3.0	0.1 %	24,566.7	24,566.8	(0.1)	(0.0%)
NHS England Other (excluding depreciation & technical)								
NHS England Running Costs (excl. depreciation)	74.0	69.6	4.4	5.9 %	470.7	470.1	0.6	0.1 %
NHS England Central Programme Costs (excl. depreciation)	119.3	95.5	23.8	19.9 %	806.5	807.2	(0.7)	(0.1%)
CSUs net margin	0.0	(1.7)	1.7	100.0 %	0.0	0.0	0.0	0.0 %
Other Central Budgets (including provider STF) ²	0.0	0.0	0.0	0.0 %	3,342.1	3,362.0	(19.9)	(0.6%)
Total NHS England Other (excluding depreciation & technical)	193.3	163.4	29.9	15.5 %	4,619.3	4,639.3	(20.0)	(0.4%)
NHS England depreciation charges	10.7	10.7	0.0		126.0	64.2	61.8	
Remove ringfenced under/(over) spend (depreciation and impairments)					(166.0)	(82.2)	(83.8)	
Remove AME/Technical items		(1.6)	1.6		63.0	52.0	11.0	
Total non-ringfenced RDEL under/(over) spend	17,254.4	17,229.5	24.9	0.1%	109,133.9	109,138.8	(4.9)	(0.0%)

Note 1 - 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 yet been earned.

Note 2 - Expenditure relating to awards under the provider element of the Sustainability and Transformation Fund is assumed to be in line with the full allocation of £1.8bn. The related income for trusts is fully accounted for in the provider position reported by NHS Improvement - either within individual organisations' results and forecasts or as a separate line to the extent that it is either not yet allocated or not earned under the relevant award criteria.

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	2.8	2.5	0.3	10.8%	16.8	16.8	0.0	0.0%
Nursing	1.4	1.1	0.3	22.2%	8.3	8.3	0.0	0.0%
Operations and Information	35.7	33.9	1.8	5.0%	217.1	216.4	0.7	0.3%
Specialised Commissioning	2.8	2.8	0.0	0.0%	17.2	17.2	0.0	0.0%
Finance	6.6	5.6	1.0	15.1%	39.3	39.3	0.0	0.0%
Commissioning Strategy	2.3	1.9	0.4	17.7%	14.3	14.3	0.0	0.0%
Transformation & Corp Operations	12.0	11.3	0.7	5.8%	71.6	71.6	0.0	0.0%
PCS	10.2	10.4	(0.2)	(2.0%)	61.5	61.5	0.0	0.0%
Chair & Chief Executive Group	0.2	0.2	0.0	8.8%	1.3	1.3	0.0	0.0%
Contingency	0.0	(0.1)	0.1	0.0%	23.3	23.4	(0.1)	(0.5%)
TOTAL excl Depreciation	74.0	69.6	4.4	5.9%	470.7	470.1	0.6	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	9.2	3.9	5.3	57.7%	139.7	139.7	0.0	0.0%
Nursing	4.6	1.8	2.8	60.5%	31.9	31.9	0.0	0.0%
Operations and Information	23.2	15.9	7.3	31.6%	159.0	159.7	(0.7)	(0.5%)
Specialised Commissioning	2.9	1.4	1.5	51.4%	16.7	16.7	0.0	0.0%
Finance	1.3	0.4	0.9	69.7%	10.8	10.8	0.0	0.0%
Commissioning Strategy	15.4	11.5	3.9	25.1%	104.4	104.4	0.0	0.0%
Transformation & Corp Operations	1.2	1.0	0.2	13.3%	10.6	10.6	0.0	0.0%
Clinical Excellence Awards	7.1	7.1	0.0	0.0%	141.0	141.0	0.0	0.0%
Provider Support	42.7	42.7	0.0	0.0%	117.6	117.6	0.0	0.0%
Other Programmes	11.7	11.7	0.0	0.0%	39.4	39.4	0.0	0.0%
Rates and fraud recovery income	0.0	(1.9)	1.9	100.0%	0.0	0.0	0.0	0.0%
Other Reserves	0.0	0.0	0.0	0.0%	0.0	0.0	0.0	0.0%
Contingency	0.0	0.0	0.0	0.0%	35.4	35.4	0.0	0.0%
TOTAL excl Depreciation	119.3	95.5	23.8	19.9%	806.5	807.2	(0.7)	(0.1%)

Summary of Year to Date and Forecast Commissioner Efficiency Performance by Area of Commissioning

	Year to Date Commissioner Efficiency				Forecast Commissioner Efficiency						2016/17		Percentage Increase	
	Plan £m	Actual £m	Var £m	Achieved %	Plan £m	As % of Allocation	Forecast £m	As % of Allocation	Var £m	Achieved %	Outturn £m	As % of Allocation	Planned %	Forecast %
Local														
North	131.3	115.7	(15.6)	88.1 %	788.6	3.3%	779.0	3.2%	(9.6)	98.8 %	462.0	2.6%	70.7%	68.6%
Midlands and East	131.3	116.0	(15.3)	88.3 %	990.7	4.2%	984.1	4.2%	(6.5)	99.3 %	701.7	3.4%	41.2%	40.3%
London	62.6	55.7	(6.9)	88.9 %	485.2	3.8%	465.5	3.6%	(19.7)	95.9 %	284.2	2.7%	70.7%	63.8%
South	71.0	50.4	(20.6)	71.0 %	713.6	3.7%	662.2	3.5%	(51.4)	92.8 %	541.7	3.8%	31.7%	22.3%
Total Local	396.2	337.8	(58.4)	85.3 %	2,978.1	3.8%	2,890.8	3.6%	(87.3)	97.1 %	1,989.6	2.6%	49.7%	45.3%
Direct Commissioning														
Specialised	59.2	59.2	0.0	100.0 %	423.1	2.5%	423.1	2.5%	0.0	100.0 %	325.7	2.7%	29.9%	29.9%
Health & Justice	0.7	0.7	0.0	100.5 %	3.5	0.6%	3.6	0.6%	0.0	100.1 %	6.4	1.2%	0.0%	0.0%
Armed Forces	0.0	0.0	0.0	0.0 %	0.0	0.0%	0.0	0.0%	0.0	0.0 %	0.0	0.0%	0.0%	0.0%
Primary Care and Secondary Dental	18.4	13.9	(4.5)	75.6 %	135.9	1.9%	108.8	1.5%	(27.1)	80.1 %	175.6	2.7%	-22.6%	-38.0%
Public Health	2.9	2.6	(0.2)	91.8 %	8.9	0.9%	7.4	0.8%	(1.5)	83.2 %	7.8	0.8%	13.6%	-5.5%
Total Direct Commissioning	81.2	76.4	(4.8)	94.1 %	571.4	2.3%	542.9	2.1%	(28.5)	95.0 %	515.5	2.0%	10.8%	5.3%
Total Commissioner Efficiency	477.4	414.2	(63.2)	86.8 %	3,549.5	3.4%	3,433.7	3.3%	(115.8)	96.7 %	2,505.1	2.4%	41.7%	37.1%
Of which transformational	182.3	151.8	(30.5)	83.3 %	1,640.6	2.1%	1,710.6	2.1%	70.0	104.3 %	965.8	0.9%	69.9%	77.1%