

BOARD PAPER - NHS ENGLAND

Title:

Consolidated Month 4 2017/18 Financial Report

Lead Director:

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Purpose of Paper:

- To update the Board on the financial position for month 4 2017/18, the forecast for the year and the associated risks of delivery

The Board is invited to:

- Note the financial position for month 4

CONSOLIDATED MONTH 4 2017/18 FINANCIAL REPORT

PURPOSE

1. This paper summarises the year to date and forecast position at month 4, 2017/18.

CONTEXT

1. The commissioning system is planning to spend a total RDEL allocation of £109.3bn, which includes £400m of prior year drawdown, plus a further £660m for AME/Technical items¹ giving a total in-year allocation of £110.0bn. This excludes any historical underspends that are not available to be spent in 2017/18.
2. 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 is holding a further £200m uncommitted risk reserve centrally.

ANALYSIS

Overall Financial Position

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, and from the monthly financial reports on central budgets.
4. Table 1 summarises the year to date and full year forecast expenditure for NHS England as at month 4. The information is presented on a non-ringfenced RDEL basis.

Table 1

Net Expenditure	Year to Date				Forecast Outturn			
	Plan £m	Actual £m	Under/(over) spend		Plan £m	FOT £m	Under/(over) spend	
			£m	%			£m	%
CCGs	26,590.2	26,648.7	(58.5)	(0.2%)	80,235.2	80,252.7	(17.5)	(0.0%)
Direct Commissioning	7,882.8	7,873.1	9.7	0.1%	24,516.0	24,515.7	0.3	0.0%
NHSE Running & central programme costs (excl. depreciation)	531.9	428.5	103.4	19.4%	4,510.6	4,413.5	97.1	2.2%
Other including technical and ringfenced adjustments	7.1	15.3	(8.2)		20.3	91.0	(70.7)	
Total non-ringfenced RDEL under/(over) spend	35,012.0	34,965.6	46.4	0.1%	109,282.1	109,272.9	9.2	0.0%

5. Overall at month 4, an overspend on CCGs is offset by underspends on direct commissioning and NHS England central budgets.

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

6. The full year forecast, which excludes any benefit from the release of the risk reserve, shows a bottom line position that is broadly in line with plan (an underspend of less than 0.1%). The forecast also reflects greater pressure than expected from the impact of the technical and ringfenced adjustments relating to provision movements and depreciation, both of which are adjusted for when reporting against the core non-ringfenced RDEL measure.
7. At month 4, commissioners are forecasting that £3.4bn of their savings plans will be delivered. This represents a 37% increase in the expected value of commissioner savings compared to 2016/17.
8. 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 4, £370m of net risk is being reported. This net risk assessment excludes the benefit of the risk reserve which is being held uncommitted by CCGs and NHS England.
9. 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.

RECOMMENDATION

10. The Board is asked to note the financial position for month 4.

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	8,016.3	8,027.5	(11.2)	(0.1%)	24,179.7	24,179.6	0.1	0.0 %
Midlands & East	7,806.5	7,833.0	(26.5)	(0.3%)	23,504.8	23,504.8	0.0	0.0 %
London	4,248.5	4,251.2	(2.7)	(0.1%)	12,847.7	12,847.6	0.1	0.0 %
South	6,518.9	6,537.0	(18.1)	(0.3%)	19,613.0	19,630.7	(17.7)	(0.1%)
Quality Premium ¹	0.0	0.0	0.0	0.0 %	90.0	90.0	0.0	0.0 %
Total Local Net Expenditure	26,590.2	26,648.7	(58.5)	(0.2%)	80,235.2	80,252.7	(17.5)	(0.0%)
Direct Commissioning								
Specialised Commissioning	5,308.6	5,306.5	2.1	0.0 %	16,585.3	16,585.3	0.0	0.0 %
Armed Forces	20.6	20.6	0.0	0.0 %	64.1	64.1	0.0	0.0 %
Health & Justice	182.2	182.6	(0.4)	(0.2%)	568.0	568.0	0.0	0.0 %
Primary Care & Secondary Dental	2,076.7	2,070.6	6.1	0.3 %	6,319.7	6,319.8	(0.1)	(0.0%)
Public Health	294.7	292.8	1.9	0.6 %	978.9	978.5	0.4	0.0 %
Total Direct Commissioning Expenditure	7,882.8	7,873.1	9.7	0.1 %	24,516.0	24,515.7	0.3	0.0 %
NHS England Other (excluding depreciation & technical)								
NHS England Running Costs (excl. depreciation)	149.1	136.8	12.3	8.2 %	463.7	455.2	8.5	1.8 %
NHS England Central Programme Costs (excl. depreciation)	229.7	143.7	86.0	37.4 %	856.0	767.4	88.6	10.4 %
CSUs net margin	2.0	(3.1)	5.1	255.0 %	2.0	2.0	0.0	0.0 %
Other Central Budgets (including provider STF ²)	151.1	151.1	0.0	0.0 %	3,188.9	3,188.9	0.0	0.0 %
Total NHS England Other (excluding depreciation & technical)	531.9	428.5	103.4	19.4 %	4,510.6	4,413.5	97.1	2.2 %
NHS England depreciation charges	40.9	24.7	16.2		129.1	79.4	49.7	
Remove ringfenced under/(over) spend (depreciation and impairments)	(53.0)	(31.5)	(21.5)		(166.0)	(98.5)	(67.5)	
Remove AME/Technical items	19.2	22.1	(2.9)		57.2	110.1	(52.9)	
Total non-ringfenced RDEL under/(over) spend	35,012.0	34,965.6	46.4	0.1%	109,282.1	109,272.9	9.2	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	5.0	4.5	0.5	9.4%	15.0	14.2	0.8	5.6%
Nursing	2.6	2.2	0.4	16.7%	8.1	7.0	1.1	14.3%
Operations and Information	73.6	70.0	3.4	4.8%	223.1	221.0	2.1	1.0%
Specialised Commissioning	5.7	5.6	0.1	1.9%	17.2	16.8	0.4	2.1%
Finance	13.8	12.1	1.7	12.0%	40.0	39.6	0.4	0.9%
Strategy & Innovation	3.3	2.7	0.6	19.4%	10.5	9.5	1.0	9.1%
Transformation & Corp Operations	24.2	22.5	1.7	7.0%	71.5	71.5	0.0	0.0%
PCS	20.5	21.2	(0.7)	(3.6%)	61.5	63.2	(1.7)	(2.8%)
Chair & Chief Executive Group	0.4	0.4	0.0	5.7%	1.3	1.3	0.0	0.0%
Contingency	0.0	(4.4)	4.4	100.0%	15.5	11.1	4.4	28.6%
TOTAL excl Depreciation	149.1	136.8	12.3	8.2%	463.7	455.2	8.5	1.8%

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	27.3	13.7	13.6	49.7%	123.2	123.2	0.0	0.0%
Nursing	8.9	6.3	2.6	29.0%	30.2	30.2	0.0	0.0%
Operations and Information	60.8	40.1	20.7	34.1%	228.0	228.3	(0.3)	(0.1%)
Specialised Commissioning	6.0	3.7	2.3	38.6%	18.4	18.4	0.0	0.0%
Finance	2.6	0.8	1.8	68.6%	11.1	11.1	0.0	0.0%
Strategy & Innovation	28.6	24.5	4.1	14.2%	80.6	80.6	0.0	0.0%
Transformation & Corp Operations	3.6	2.4	1.2	32.1%	17.0	17.0	0.0	0.0%
Clinical Excellence Awards	13.6	13.6	0.0	0.0%	141.0	141.0	0.0	0.0%
Provider Support	55.6	55.6	0.0	0.0%	117.6	117.6	0.0	0.0%
Other Programmes	22.7	22.7	0.0	0.0%	36.6	36.6	0.0	0.0%
Other Income	0.0	(37.2)	37.2	100.0%	0.0	(86.4)	86.4	100.0%
Other Reserves	0.0	0.0	0.0	0.0%	0.0	0.0	0.0	0.0%
Contingency	0.0	(2.5)	2.5	0.0%	52.3	49.8	2.5	4.8%
TOTAL excl Depreciation	229.7	143.7	86.0	37.4%	856.0	767.4	88.6	10.4%

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	218.9	200.4	(18.5)	91.5 %	802.8	3.3%	764.5	3.1%	(38.3)	95.2 %	462.0	2.6%	73.8%	65.5%
Midlands and East	246.5	226.0	(20.5)	91.7 %	990.8	4.2%	974.8	4.2%	(16.0)	98.4 %	701.7	3.4%	41.2%	38.9%
London	117.1	105.1	(12.0)	89.8 %	505.1	3.9%	451.4	3.5%	(53.7)	89.4 %	284.2	2.7%	77.7%	58.8%
South	179.7	159.0	(20.7)	88.5 %	811.9	4.2%	697.4	3.6%	(114.5)	85.9 %	541.7	3.8%	49.9%	28.7%
Total Local	762.2	690.5	(71.7)	90.6 %	3,110.6	3.9%	2,888.1	3.6%	(222.5)	92.8 %	1,989.6	2.6%	56.3%	45.2%
Direct Commissioning														
Specialised	109.7	100.3	(9.4)	91.4 %	423.1	2.6%	423.1	2.6%	0.0	100.0 %	325.7	2.7%	29.9%	29.9%
Health & Justice	1.2	1.2	0.0	100.4 %	3.5	0.6%	3.3	0.5%	(0.2)	91.6 %	6.4	1.2%	0.0%	0.0%
Armed Forces	0.0	0.0	0.0	100.0 %	0.0	0.0%	0.0	0.0%	0.0	100.0 %	0.0	0.0%	0.0%	0.0%
Primary Care and Secondary Dental	37.3	29.5	(7.8)	79.1 %	135.9	1.9%	108.8	1.5%	(27.1)	80.1 %	175.6	2.7%	-22.6%	-38.0%
Public Health	4.0	3.4	(0.6)	85.9 %	8.8	0.9%	7.4	0.8%	(1.4)	84.1 %	7.8	0.8%	12.4%	-5.5%
Total Direct Commissioning	152.2	134.5	(17.8)	88.3 %	571.3	1.8%	542.6	1.7%	(28.7)	95.0 %	515.6	2.0%	10.8%	5.2%
Total Commissioner Efficiency	914.4	824.9	(89.5)	90.2 %	3,681.9	3.3%	3,430.7	3.1%	(251.2)	93.2 %	2,505.2	2.4%	47.0%	36.9%
Of which transformational	365.1	325.9	(39.2)	89.3 %	1,686.2	2.1%	1,585.1	2.1%	(101.1)	94.0 %	965.8	0.9%	74.6%	64.1%