

BOARD PAPER - NHS ENGLAND

Title:

Consolidated Month 7 2017/18 Financial Report

Lead Director:

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Purpose of Paper:

- To update the Board on the financial position for month 7 2017/18, the forecast for the year and the associated risks of delivery
- To note that CCGs are likely to end the year with a deficit in excess of £500m. We are working to identify sufficient non-recurrent central mitigations to cover this within an overall balanced position in 2017/18, but this is not yet secure, and a recurrent funding solution will be required in 2018/19, as central mitigations of this magnitude will not be available.

The Board is invited to:

- Note the financial position for month 7

CONSOLIDATED MONTH 7 2017/18 FINANCIAL REPORT

PURPOSE

1. This paper summarises the year to date and forecast position at month 7, 2017/18.

CONTEXT

2. 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.
3. 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. All of the figures presented in this report, including the discussion of risks and mitigations at paragraph 9, exclude the potential release of these reserves.

ANALYSIS

Overall Financial Position

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, and from the monthly financial reports on central budgets.
5. Table 1 summarises the year to date and full year forecast expenditure for NHS England as at month 7. 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	46,602.3	46,869.6	(267.3)	(0.6%)	80,501.0	80,663.5	(162.5)	(0.2%)
Direct Commissioning	13,992.4	13,967.1	25.3	0.2%	24,564.2	24,548.1	16.1	0.1%
NHSE Running & central programme costs (excl. depreciation)	1,048.3	854.3	194.0	18.5%	4,204.8	3,997.6	207.2	4.9%
Other including technical and ringfenced adjustments	12.3	18.0	(5.7)		11.9	54.1	(42.2)	
Total non-ringfenced RDEL under/(over) spend	61,655.3	61,709.0	(53.7)	(0.1%)	109,281.9	109,263.3	18.6	0.0%

6. CCGs have reported year to date overspends of £267m, affecting 95 CCGs, with 49 greater than 1% adverse to their plan. They are currently forecasting a year end

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.

position of £223m; however, our regular monitoring of risks and mitigations indicates further net risks of £550m, most of which are highly likely to crystallise over the course of the final months of the year. Whilst this includes some temporary issues with drug price pressures, the underlying position amounts to a deficit of around £500m. This factors in the mitigating actions of CCGs themselves and the additional intervention undertaken where necessary by NHS England regional teams. It is also important to note that the CCG position has arisen despite a £600m increase in the in-year delivery of efficiencies, which are forecast to reach an unprecedented level of 3.2%.

7. We are working hard to ensure that we have sufficient mitigations in central budgets to offset this position and deliver financial balance overall in the NHS England group, but as at Month 7, £385m of net risk remains unmitigated. This level of net risk is similar to that reported at the last meeting (reflecting the Month 4 position) but higher than at this point in 2016/17.
8. It is evident that a sustainable solution to the underlying deficit of £0.5bn will be required, if financial balance is to be achieved next year, as the bulk of the central mitigations in 2017/18 will be non-recurrent in nature.
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 (<https://www.england.nhs.uk/publications/financial-performance-reports/>).

RECOMMENDATION

10. The Board is asked to note the financial position for month 7 and in particular the implications for 2018/19 of the underlying deficit in the CCG sector.

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Date: November 2017

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	14,045.6	14,128.9	(83.3)	(0.6%)	24,281.0	24,329.3	(48.3)	(0.2%)
Midlands & East	13,674.9	13,750.4	(75.5)	(0.6%)	23,570.3	23,618.6	(48.3)	(0.2%)
London	7,462.3	7,484.4	(22.1)	(0.3%)	12,869.7	12,890.8	(21.1)	(0.2%)
South	11,419.5	11,505.9	(86.4)	(0.8%)	19,690.0	19,794.8	(104.8)	(0.5%)
Quality Premium ¹	0.0	0.0	0.0	0.0 %	90.0	30.0	60.0	66.7 %
Total Local Net Expenditure	46,602.3	46,869.6	(267.3)	(0.6%)	80,501.0	80,663.5	(162.5)	(0.2%)
Direct Commissioning								
Specialised Commissioning	9,473.5	9,473.5	0.0	0.0 %	16,603.4	16,603.4	0.0	0.0 %
Armed Forces	35.5	35.5	0.0	0.0 %	63.2	63.2	0.0	0.0 %
Health & Justice	321.5	320.4	1.1	0.3 %	566.8	566.7	0.1	0.0 %
Primary Care & Secondary Dental	3,626.1	3,605.3	20.8	0.6 %	6,353.1	6,337.4	15.7	0.2 %
Public Health	535.8	532.4	3.4	0.6 %	977.7	977.4	0.3	0.0 %
Total Direct Commissioning Expenditure	13,992.4	13,967.1	25.3	0.2 %	24,564.2	24,548.1	16.1	0.1 %
NHS England Other (excluding depreciation & technical)								
NHS England Running Costs (excl. depreciation)	260.9	236.4	24.5	9.4 %	463.7	443.1	20.6	4.4 %
NHS England Central Programme Costs (excl. depreciation)	431.5	272.0	159.5	37.0 %	853.2	716.6	136.6	16.0 %
CSUs net margin	2.0	(7.6)	9.6	480.0 %	2.0	2.0	0.0	0.0 %
Other Central Budgets (including provider STF) ²	353.9	353.5	0.4	0.1 %	2,885.9	2,835.9	50.0	1.7 %
Total NHS England Other (excluding depreciation & technical)	1,048.3	854.3	194.0	18.5 %	4,204.8	3,997.6	207.2	4.9 %
NHS England depreciation charges	74.4	45.7	28.7		129.1	78.9	50.2	
Remove ringfenced under/(over) spend (depreciation and impairer)	(95.6)	(57.3)	(38.3)		(166.0)	(97.2)	(68.8)	
Remove AME/Technical items	33.5	29.6	3.9		48.8	72.4	(23.6)	
Total non-ringfenced RDEL under/(over) spend	61,655.3	61,709.0	(53.7)	(0.1%)	109,281.9	109,263.3	18.6	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	5.5	5.0	0.5	9.1%	9.5	8.8	0.7	7.4%
Nursing	4.5	3.8	0.7	15.6%	7.7	7.1	0.6	7.8%
Operations and Information	130.6	124.8	5.8	4.4%	227.0	224.7	2.3	1.0%
Specialised Commissioning	10.6	10.4	0.2	1.9%	18.1	17.6	0.5	2.8%
Finance	23.8	20.7	3.1	13.0%	41.0	39.8	1.2	2.9%
Strategy & Innovation	6.6	5.6	1.0	15.2%	11.6	10.0	1.6	13.8%
Transformation & Corp Operations	42.0	38.4	3.6	8.6%	72.2	69.6	2.6	3.6%
PCS	36.5	38.3	(1.8)	(4.9%)	62.0	65.2	(3.2)	(5.2%)
Chair & Chief Executive Group	0.8	0.7	0.1	12.5%	1.3	1.3	0.0	0.0%
Contingency	0.0	(11.3)	11.3	100.0%	13.3	(1.0)	14.3	107.5%
TOTAL excl Depreciation	260.9	236.4	24.5	9.4%	463.7	443.1	20.6	4.4%

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	37.6	14.0	23.6	62.8%	70.9	66.0	4.9	6.9%
Nursing	12.4	8.0	4.4	35.5%	24.8	24.2	0.6	2.4%
Operations and Information	129.8	82.7	47.1	36.3%	264.4	253.2	11.2	4.2%
Specialised Commissioning	14.4	10.3	4.1	28.5%	24.8	23.1	1.7	6.9%
Finance	5.3	1.7	3.6	67.9%	16.4	15.9	0.5	3.0%
Strategy & Innovation	55.4	49.9	5.5	9.9%	93.3	91.0	2.3	2.5%
Transformation & Corp Operations	9.6	9.0	0.6	6.3%	18.2	18.1	0.1	0.5%
Clinical Excellence Awards	62.8	62.8	0.0	0.0%	141.0	141.0	0.0	0.0%
Provider Support	76.8	76.4	0.4	0.5%	117.6	117.0	0.6	0.5%
Other Programmes	27.4	27.4	0.0	0.0%	36.6	33.7	2.9	7.9%
Rates and fraud recovery income	0.0	(43.4)	43.4	100.0%	0.0	(85.0)	85.0	100.0%
Other Reserves	0.0	0.0	0.0	0.0%	0.0	0.0	0.0	0.0%
Contingency	0.0	(26.8)	26.8	100.0%	45.2	18.4	26.8	59.3%
TOTAL excl Depreciation	431.5	272.0	159.5	37.0%	853.2	716.6	136.6	16.0%

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	401.2	338.4	(62.8)	84.3 %	802.8	3.3%	672.1	2.7%	(130.7)	83.7 %	462.0	2.6%	73.8%	45.5%
Midlands and East	475.0	423.4	(51.6)	89.1 %	987.0	4.2%	891.0	3.8%	(96.0)	90.3 %	701.7	3.4%	40.7%	27.0%
London	240.3	203.8	(36.5)	84.8 %	505.1	3.9%	417.5	3.2%	(87.6)	82.7 %	284.2	2.7%	77.7%	46.9%
South	392.8	290.1	(102.7)	73.9 %	811.9	4.2%	606.4	3.1%	(205.5)	74.7 %	541.7	3.8%	49.9%	11.9%
Total Local	1,509.3	1,255.7	(253.6)	83.2 %	3,106.8	3.9%	2,587.0	3.2%	(519.8)	83.3 %	1,989.6	2.6%	56.1%	30.0%
Direct Commissioning														
Specialised	207.5	190.2	(17.3)	91.7 %	423.1	2.6%	423.2	2.6%	0.1	100.0 %	325.7	2.7%	29.9%	29.9%
Health & Justice	2.0	2.0	0.0	100.0 %	3.5	0.6%	3.6	0.6%	0.1	102.9 %	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	68.1	54.0	(14.1)	79.3 %	135.9	2.1%	102.0	1.6%	(33.9)	75.1 %	175.6	2.7%	(22.6%)	(41.9%)
Public Health	5.7	4.6	(1.1)	80.7 %	8.8	0.9%	7.4	0.8%	(1.4)	84.1 %	7.8	0.8%	12.3%	(5.5%)
Total Direct Commissioning	283.3	250.8	(32.5)	88.5 %	571.4	2.4%	536.1	2.2%	(35.2)	93.8 %	515.6	2.0%	10.8%	4.0%
Total Commissioner Efficiency	1,792.6	1,506.5	(286.1)	84.0 %	3,678.1	3.5%	3,123.1	3.0%	(555.0)	84.9 %	2,505.2	2.4%	46.8%	24.7%
Of which transformational	792.0	603.8	(188.2)	76.2 %	1,698.7	1.6%	1,324.8	1.3%	(373.9)	78.0 %	965.8	0.9%	75.9%	37.2%