

## NHS ENGLAND – BOARD PAPER

**Title:**

Consolidated Month 9 2017/18 Financial Report

**Lead Director:**

Paul Baumann, Chief Financial Officer

**Purpose of Paper:**

- To update the Board on the financial position for month 9 2017/18, the balanced forecast out-turn for the year, and the associated risks of delivery.
- To note that since the last Board meeting, and following the extra £337m 'winter funding' announced in the November Budget, we have agreed to make £317m available to NHS providers, including £150m to cover the 'extra' costs of winter, alongside £20m for primary care.
- To note that CCGs are likely to end the year with an underlying net deficit of c£400m, exacerbated by the impact of significant issues with generic drug pricing, which are outside the control of NHS organisations. We are working to identify sufficient non-recurrent central mitigations to cover this to deliver an overall balanced position in 2017/18, but this is not yet secure. A targeted funding solution is currently being developed for 2018/19, as central mitigations of this magnitude will not be available.

**The Board invited to:**

- The Board is asked to note the financial position for month 9 and in particular the implications for 2018/19 of the underlying deficit in the CCG sector.

# CONSOLIDATED MONTH 9 2017/18 FINANCIAL REPORT

## Purpose

1. This paper summarises the year to date and forecast position at month 9, 2017/18.

## Context

2. 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
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, exclude the potential release of these reserves. They also exclude historical underspends that are not available to be spent in 2017/18. The information is presented on a non-ringfenced RDEL basis.

## Overall Financial Position

4. Table 1 summarises the year to date and full year forecast expenditure for NHS England as at month 9.

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	59,968.3	60,438.8	(470.5)	(0.8%)	80,642.6	80,933.9	(291.3)	(0.4%)
Direct Commissioning	18,064.2	18,009.5	54.7	0.3%	24,533.6	24,487.9	45.7	0.2%
NHSE Running & central programme costs (excl. depreciation)	1,285.4	1,010.8	274.6	21.4%	4,388.0	4,102.5	285.5	6.5%
Other including technical and ringfenced adjustments	7.0	4.7	2.3		4.8	26.2	(21.4)	
<b>Total non-ringfenced RDEL under/(over) spend</b>	<b>79,324.9</b>	<b>79,463.8</b>	<b>(138.9)</b>	<b>(0.2%)</b>	<b>109,569.0</b>	<b>109,550.5</b>	<b>18.5</b>	<b>0.0%</b>

5. CCGs have reported year to date overspends of £471m, affecting 95 CCGs, with 67 greater than 1% adverse to their plan. They are currently forecasting a year end position of £351m (offset by £60m of unearned quality premium); however, our regular monitoring of risks and mitigations indicates further net risks of £428m, 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 £400-500m. 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 £519m increase in the in-year delivery of efficiencies.

6. We are working hard to ensure that we have sufficient mitigations in other budgets to offset this position and deliver financial balance overall in the NHS England group. As such, the level of net risk in the group position has decreased from the £385m reported to the Board at month 7 to £189m in month 9. However, this remains a higher level of risk than at this point in 2016/17.
7. It is evident that a sustainable solution to the underlying deficit 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.
8. 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 NHS England running costs (Appendix B) and 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/>).

## Recommendations

9. The Board is asked to note the financial position for month 9 and in particular the implications for 2018/19 of the underlying deficit in the CCG sector.

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**Date:** February 2018

### 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 %
<b>Local Net Expenditure</b>								
North	18,088.7	18,220.7	(132.0)	(0.7%)	24,317.6	24,417.8	(100.2)	(0.4%)
Midlands & East	17,575.1	17,731.4	(156.3)	(0.9%)	23,602.2	23,698.9	(96.7)	(0.4%)
London	9,624.7	9,654.9	(30.2)	(0.3%)	12,924.4	12,953.6	(29.2)	(0.2%)
South	14,679.8	14,831.8	(152.0)	(1.0%)	19,725.6	19,850.8	(125.2)	(0.6%)
Quality Premium <sup>1</sup>	0.0	0.0	0.0	0.0 %	72.8	12.8	60.0	82.4 %
<b>Total Local Net Expenditure</b>	<b>59,968.3</b>	<b>60,438.8</b>	<b>(470.5)</b>	<b>(0.8%)</b>	<b>80,642.6</b>	<b>80,933.9</b>	<b>(291.3)</b>	<b>(0.4%)</b>
<b>Direct Commissioning</b>								
Specialised Commissioning	12,224.4	12,224.5	(0.1)	(0.0%)	16,584.6	16,584.6	0.0	0.0 %
Armed Forces	45.6	45.6	0.0	0.0 %	63.2	63.2	0.0	0.0 %
Health & Justice	413.0	404.5	8.5	2.1 %	566.2	559.9	6.3	1.1 %
Primary Care & Secondary Dental	4,656.1	4,625.3	30.8	0.7 %	6,344.3	6,326.4	17.9	0.3 %
Public Health	725.1	709.6	15.5	2.1 %	975.3	953.8	21.5	2.2 %
<b>Total Direct Commissioning Expenditure</b>	<b>18,064.2</b>	<b>18,009.5</b>	<b>54.7</b>	<b>0.3 %</b>	<b>24,533.6</b>	<b>24,487.9</b>	<b>45.7</b>	<b>0.2 %</b>
<b>NHS England Other (excluding depreciation &amp; technical)</b>								
NHS England Running Costs (excl. depreciation)	333.5	308.3	25.2	7.6 %	460.6	440.8	19.8	4.3 %
NHS England Central Programme Costs (excl. depreciation)	548.5	363.2	185.3	33.8 %	843.2	664.5	178.7	21.2 %
CSUs net margin	4.9	(8.0)	12.9	263.3 %	4.9	4.9	0.0	0.0 %
Other Central Budgets (including provider STF) <sup>2</sup>	398.5	347.3	51.2	0.0 %	3,079.3	2,992.3	87.0	2.8 %
<b>Total NHS England Other (excluding depreciation &amp; technical)</b>	<b>1,285.4</b>	<b>1,010.8</b>	<b>274.6</b>	<b>21.4 %</b>	<b>4,388.0</b>	<b>4,102.5</b>	<b>285.5</b>	<b>6.5 %</b>
NHS England depreciation charges	96.9	59.1	37.8		129.1	77.7	51.4	
Remove ringfenced under/(over) spend (depreciation and impair	(124.2)	(74.4)	(49.8)		(166.0)	(97.0)	(69.0)	
Remove AME/Technical items	34.3	20.0	14.3		41.7	45.5	(3.8)	
<b>Total non-ringfenced RDEL under/(over) spend</b>	<b>79,324.9</b>	<b>79,463.8</b>	<b>(138.9)</b>	<b>(0.2%)</b>	<b>109,569.0</b>	<b>109,550.5</b>	<b>18.5</b>	<b>0.0%</b>

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 budgeted quality premium 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	4.8	4.3	0.5	10.4%	6.4	6.1	0.3	4.7%
Nursing	6.0	5.2	0.8	13.3%	8.1	7.4	0.7	8.6%
Operations and Information	169.2	161.8	7.4	4.4%	228.6	224.8	3.8	1.7%
Specialised Commissioning	14.3	14.3	0.0	0.0%	19.1	18.3	0.8	4.2%
Finance	37.1	33.0	4.1	11.1%	51.1	47.9	3.2	6.3%
Strategy & Innovation	8.7	7.6	1.1	12.6%	11.6	10.2	1.4	12.1%
Transformation & Corp Operations	45.7	42.1	3.6	7.9%	62.3	60.9	1.4	2.2%
PCS	46.7	49.1	(2.4)	(5.1%)	62.1	65.2	(3.1)	(5.0%)
Chair & Chief Executive Group	1.0	0.9	0.1	10.0%	1.3	1.3	0.0	0.0%
Contingency	0.0	(10.0)	10.0	100.0%	10.0	(1.3)	11.3	113.0%
<b>TOTAL excl Depreciation</b>	<b>333.5</b>	<b>308.3</b>	<b>25.2</b>	<b>7.6%</b>	<b>460.6</b>	<b>440.8</b>	<b>19.8</b>	<b>4.3%</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	26.3	12.8	13.5	51.3%	38.8	34.5	4.3	11.1%
Nursing	19.3	11.3	8.0	41.5%	29.2	27.2	2.0	6.8%
Operations and Information	181.2	125.3	55.9	30.8%	278.6	255.9	22.7	8.2%
Specialised Commissioning	20.9	13.4	7.5	35.9%	28.1	25.8	2.3	8.1%
Finance	9.5	6.4	3.1	32.6%	16.4	11.7	4.7	28.4%
Strategy & Innovation	66.0	59.8	6.2	9.4%	91.0	85.5	5.5	6.0%
Transformation & Corp Operations	12.4	11.6	0.8	6.5%	18.4	17.3	1.1	6.1%
Clinical Excellence Awards	71.2	71.2	0.0	0.0%	141.0	141.0	0.0	0.0%
Provider Support	93.1	92.6	0.5	0.5%	117.6	117.0	0.6	0.5%
Other Programmes	33.8	31.7	2.1	6.1%	36.6	33.8	2.8	7.7%
Rates and fraud recovery income	0.0	(45.6)	45.6	100.0%	0.0	(85.6)	85.6	100.0%
Other Reserves	0.0	0.0	0.0	0.0%	0.0	0.0	0.0	0.0%
Contingency	14.8	(27.3)	42.1	100.0%	47.5	0.4	47.1	99.2%
<b>TOTAL excl Depreciation</b>	<b>548.5</b>	<b>363.2</b>	<b>185.3</b>	<b>33.8%</b>	<b>843.2</b>	<b>664.5</b>	<b>178.7</b>	<b>21.2%</b>

APPENDIX D

**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	545.5	446.2	(99.3)	81.8 %	802.8	3.3%	638.2	2.6%	(164.6)	79.5 %	462.0	2.6%	73.8%	38.1%
Midlands and East	664.7	580.4	(84.3)	87.3 %	987.0	4.2%	865.7	3.7%	(121.3)	87.7 %	701.7	3.4%	40.7%	23.4%
London	341.7	280.1	(61.6)	82.0 %	505.1	3.9%	407.3	3.1%	(97.8)	80.6 %	284.2	2.7%	77.7%	43.3%
South	552.3	411.9	(140.4)	74.6 %	811.9	4.2%	597.8	3.1%	(214.1)	73.6 %	541.7	3.8%	49.9%	10.4%
<b>Total Local</b>	<b>2,104.2</b>	<b>1,718.6</b>	<b>(385.6)</b>	<b>81.7 %</b>	<b>3,106.8</b>	<b>3.9%</b>	<b>2,509.0</b>	<b>3.1%</b>	<b>(597.8)</b>	<b>80.8 %</b>	<b>1,989.6</b>	<b>2.6%</b>	<b>56.1%</b>	<b>26.1%</b>
Direct Commissioning														
Specialised	287.8	265.5	(22.3)	92.3 %	423.1	2.6%	381.6	2.4%	(41.5)	90.2 %	325.7	2.1%	29.9%	17.2%
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%
Health & Justice	2.6	2.6	0.0	100.0 %	3.5	0.6%	3.6	0.6%	0.1	102.9 %	6.4	1.2%	0.0%	0.0%
Primary Care and Secondary Dental	88.2	71.3	(16.9)	80.8 %	135.9	2.1%	104.4	1.6%	(31.5)	76.8 %	175.6	1.9%	(22.6%)	(40.6%)
Public Health	7.0	5.7	(1.3)	81.4 %	8.8	0.9%	7.4	0.8%	(1.4)	84.1 %	7.8	0.8%	12.3%	(5.5%)
<b>Total Direct Commissioning</b>	<b>385.6</b>	<b>345.1</b>	<b>(40.5)</b>	<b>89.5 %</b>	<b>571.4</b>	<b>2.4%</b>	<b>497.0</b>	<b>2.1%</b>	<b>(74.4)</b>	<b>87.0 %</b>	<b>515.6</b>	<b>2.0%</b>	<b>10.8%</b>	<b>(3.6%)</b>
<b>Total Commissioner Efficiency</b>	<b>2,489.8</b>	<b>2,063.7</b>	<b>(426.1)</b>	<b>82.9 %</b>	<b>3,678.2</b>	<b>3.5%</b>	<b>3,006.0</b>	<b>2.9%</b>	<b>(672.2)</b>	<b>81.7 %</b>	<b>2,505.2</b>	<b>2.4%</b>	<b>46.8%</b>	<b>20.0%</b>
Of which transformational	1,137.0	827.4	(309.6)	72.8 %	1,698.7	1.6%	1,234.4	1.2%	(464.3)	72.7 %	965.8	0.9%	75.9%	27.8%