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NHS ENGLAND – BOARD PAPER

Title:

Consolidated Month 07 2016/17 Financial Report

Lead Director:

Paul Baumann

Purpose of Paper:

To update the Commissioning Committee on the financial position for month 07 2016/17, the forecast for the year and the associated risks of delivery

The Board invited to:

Review the information in this report, consider the robustness of the forecast and related risks and mitigations, and therefore assure itself that NHS England is on track to meet its financial targets for the year

Commissioning Committee Paper Cover Sheet

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Date of Meeting: 16th December 2016

Author(s): Simon Currie

National Director clearance: Paul Baumann

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1. EXECUTIVE SUMMARY

1.1. Context

- 1.1.1. The headline figures in this report are on an IFRS (International Financial Reporting Standards) basis, which is the basis on which CCGs report. Adjustments are then made for Annually Managed Expenditure (AME), technical items and ringfenced spend (principally depreciation) to enable us to report on a non-ringfenced RDEL (Revenue Departmental Expenditure Limit) basis, which is the main measure for HM Treasury / Department of Health reporting. We are also required to report separately for admin and programme spend, which have separate limits within the overall non-ringfenced RDEL limit.
- 1.1.2. The commissioning system has agreed plans to spend an in-year allocation of £106,476m, including £250m of prior year drawdown, £166m for ringfenced depreciation and £651m for AME/Technical items. Overall, NHS England planned for an in-year breakeven position after drawdown.
- 1.1.3. **The Commissioning Committee is asked to** review the information in this report, consider the robustness of the forecast and related risks and mitigations, and therefore assure itself that NHS England is on track to meet its financial targets for the year.

1.2. Headline financial position (section 2.1)

- 1.2.1. At month 7, year to date expenditure is £221m above plan before adjusting for technical variances, with overspends in CCGs (£293m) and Specialised Commissioning (£59m) being partly offset by underspends in other areas of Direct Commissioning (£22m) and NHS England central budgets (£109m).
- 1.2.2. The full year headline forecast shows a broadly balanced financial position (an overspend of £7m - less than 0.1% - on a non-ringfenced RDEL basis). Key forecast outturn variances against plan are as follows:
- A £269m overspend on CCGs, partly offset by a £13m underspend on quality premium;
 - A £31m underspend on primary care after allowing for a £38m forecast overspend relating to the delay in the implementation of the new community pharmacy contract.
 - A £280m underspend on NHS England Central costs, the main elements of which are:
 - £91m – receipt of unplanned rates rebates and fraud recovery income; and
 - £156m – release of reserves and contingencies.
 - Technical and ringfenced adjustments totalling £74m removing the impact of AME/technical and depreciation, which include offsets for:
 - £60m - release of the centrally held depreciation reserve, taken to mitigate the impact of commissioners using ringfenced allocation for non-ringfenced activities; and
 - £50m - release of central funding for legacy continuing healthcare claims (CHC) to supplement funding from the CCG CHC risk pool.

1.3. Risks & Mitigations (section 2.2)

- 1.3.1. The risks and mitigations identified by CCGs, regional teams and the national team result in a net risk of £214m. This includes locally assessed risks net of local mitigations of £282m. These risks are partly offset by £67m of potential improvements to the forecast identified by the central finance team.
- 1.3.2. The £800m non-recurrent investment funding is currently being held uncommitted by CCGs and NHS England Commissioning Teams; decisions on the utilisation of this funding will be taken later in the year in the light of the emerging pattern of financial performance in both commissioners and providers across the NHS.

1.4. Triangulation with Activity (section 2.3)

- 1.4.1. The report includes an analysis of CCG acute activity, and its relationship with CCG acute spend. The overall growth in year to date CCG acute activity (using a price-weighted measure) is 4.9% against the previous year, which is consistent with the year-on-year increase in expenditure of 5.3%.
- 1.4.2. The variance analysis indicates that of the total (weighted activity) increase of 4.9% on the previous year, 2.9% is attributable to volume (equivalent to 2.0% when adjusted for the number of working days), 0.9% to a richer casemix and 1.0% to price increases (net of the tariff efficiency deflator).
- 1.4.3. At month 7 CCGs are reporting an overspend on acute against plan of £450m or 2.0%. This contrasts with a weighted activity variance of zero against plan. This mismatch appears to be due principally to failure to deliver QIPP savings reflected in financial plans but not in contracts or activity plans.

2. HEADLINES

2.1. Year to date & forecast position

Table 1

	Month 7 year to date expenditure				Full year forecast expenditure			
	Plan £m	Actual £m	Variance £m	Var %	Plan £m	Actual £m	Variance £m	Var %
CCGs/ Quality Premium	44,028.3	44,321.6	(293.3)	(0.7%)	76,308.5	76,564.1	(255.6)	(0.3%)
Specialised Commissioning	8,813.7	8,872.8	(59.1)	(0.7%)	15,535.3	15,535.3	0.0	0.0%
Primary Care & Secondary Dental	4,994.2	4,977.1	17.1	0.3%	8,585.6	8,554.3	31.3	0.4%
Other Direct Commissioning	832.7	827.8	4.9	0.6%	1,521.5	1,510.0	11.5	0.8%
NHSE Running, Programme Costs & Other Central Budgets (Excluding Depreciation)	1,377.5	1,247.0	130.5	9.5%	3,772.3	3,492.2	280.1	7.4%
Month 7 Headline expenditure position	60,046.4	60,246.3	(199.9)	(0.3%)	105,723.2	105,655.9	67.3	0.1%
NHS England depreciation charges	12.3	33.5	(21.2)		122.9	63.4	59.5	
Remove ring-fenced (under)/overspend					(166.0)	(88.6)	(77.4)	
Remove AME/ Technical items					(29.7)	26.5	(56.2)	
Total non-ringfenced RDEL expenditure	60,058.7	60,279.8	(221.1)	(0.4%)	105,650.4	105,657.2	(6.8)	(0.0%)

- 2.1.1. 93 CCGs are reporting year to date overspends, of which 53 are greater than 1%. Roughly half of these CCGs are assuming that they will be able to recover overspends, so their year to date overspend is not translating into a deterioration in their forecast outturn. 47 CCGs are forecasting positions worse than plan – in total a £269m overspend. This represents a £65m deterioration from the month 6 forecast which is consistent with the crystallising of risk expected following the recent deep dive. The overspend is partly offset by a £13m underspend on centrally held quality premium funding.
- 2.1.2. There is a year to date and forecast overspend across specialised commissioning hubs in the South which is being offset in the forecast by an underspend on central specialised commissioning budgets.
- 2.1.3. Primary care and secondary dental is reporting a year to date and forecast underspend across all regions except for London; the underspend relates principally to dental and admin budgets. These underspends are partly offset by a forecast overspend of £38m relating to the introduction of a revised community pharmacy contract by DH, which has been delayed from October to December.
- 2.1.4. The forecast underspend on NHS England central budgets includes £91m of unplanned rates rebates and fraud recovery income and £156m relating to the release of reserves and contingencies.
- 2.1.5. The £77m variance on ringfenced RDEL is the impact of removing the structural underspend on depreciation for non-ringfenced RDEL purposes, which is partially offset by the release of the £60m depreciation offset reserve shown in the line above.
- 2.1.6. The £56m AME/technical variance reflects the adjustment associated with eliminating the movement in provisions to reflect HM Treasury reporting requirements.

2.2. Risks and mitigations

Table 2

Month 7 Risks & Mitigations £m	CCGs / Quality Premium	Specialised	Primary Care & Secondary Dental	Other Direct Commissioning	NHSE Running, Programme & Other	Total
Headline forecast (over)/underspend	(256)	-	31	12	280	67
NHS England Depreciation charges					60	60
Surplus applicable to ring-fenced depreciation limit	(18)		(10)		(50)	(78)
Net AME movement included in forecast above	(43)				(13)	(56)
Forecast (over)/underspend - non-ringfenced RDEL	(317)	-	21	12	277	(7)
Locally Assessed Risks & Mitigations						
Risks	(1,006)	(73)	(114)	(4)		(1,197)
Mitigations	764	40	103	9		916
Locally Assessed Net Risk	(242)	(33)	(11)	5	-	(281)
Central Risks						
CSU risk					(9)	(9)
Central Mitigations						
Community Pharmacy reduction in margin payments	36					36
Income from counterfraud recoveries in primary care					7	7
Central programme & running cost underspend / contingency					33	33
Total Net Risk	(206)	(33)	(11)	5	31	(214)

2.2.1. A further £65m of CCG risk has crystallised in the forecast position at month 7. However, the remaining level of risk reported by CCGs indicates that there is likely to be further deterioration from plan in the latter part of the year. Key elements of local net risks include under delivery of efficiencies and acute contract pressures.

2.2.2. The risk relating to the delay in implementation of the new community pharmacy contract (previously being reported centrally) has moved into the local primary care position (see para 2.1.3). In addition to the net £38m overspend included in forecast, local offices have identified a potential additional cost pressure of £52m, which is included in the locally reported risks of £114m for primary care and secondary dental in Table 2 above. Further work is underway to understand the make-up of this risk and assess potential mitigations. We continue to anticipate a £36m clawback relating to CCG margin payments in 2015/16 which partially offsets this risk.

2.3. CCG Activity

2.3.1. The forecast CCG overspend is attributed principally to overspends on acute contracts. We have used national tariff to calculate a priced activity measure to allow comparisons to be made between activity and expenditure. To be consistent with norms for activity reporting, an increase is shown as positive in the table below (whereas an increase in spend is shown as negative elsewhere in this report).

Table 3

Price weighted activity to month 6	Actual vs plan		Actual vs 2015/16				Actual vs 15/16 volume variance - working day adjusted
	Volume variance	Total priced activity variance	Volume variance	Case mix variance	Price & MFF variance	Total price-activity variance	
1st OP attendances (consultant led)	(2.9%)	(3.8%)	7.3%	0.3%	2.9%	10.4%	5.6%
Follow up attendances (consultant led)	1.3%	(0.5%)	2.3%	0.6%	3.1%	6.0%	0.7%
Elective - inpatient	4.5%	4.2%	(1.1%)	2.4%	0.7%	1.9%	(2.6%)
Elective - day case	1.5%	1.9%	2.5%	0.6%	1.0%	4.1%	0.9%
A&E attendances (total)	(3.3%)	(1.4%)	3.7%	(1.9%)	1.9%	3.6%	3.7%
Non-elective	(1.0%)	(0.8%)	3.4%	1.5%	(0.4%)	4.5%	3.4%
Total priced activity variance	0.1%	0.0%	2.9%	0.9%	1.0%	4.9%	2.0%

Spend variance to month 7 compared with price weighted activity to month 6	Spend variance	Priced activity variance
Plan vs 2015/16	3.3%	4.9%
Actual vs 2015/16	5.3%	4.9%
Actual vs Plan	2.0%	0.0%

Note: Activity information lags the financial reporting cycle by one month; therefore activity information in this table relates to M6 whereas the financial information relates to M7.

2.3.2. The national activity profile is very similar to that reported at month 6. The key point to note is that the acute overspend is not reflected in the CCG acute activity, which can be seen in the last line of the summary table immediately above – the actual vs plan spend variance is higher than the activity variance.

2.3.3. Against the previous year, acute expenditure for the year to date has increased by 5.3%, which is consistent with the priced activity variance of 4.9% (broken out in more detail in the larger table). The variance analysis shows that 2.9% of this increase is attributable to volume, 0.9% to casemix and the balance to price.

2.3.4. Compared with plan to month 7, CCG acute expenditure is 2.0% higher, equivalent to £450m. This is in contrast to the activity position to month 6 which shows that planned activity is in line with plan overall. The difference is mainly due to failure to deliver QIPP savings reflected in financial plans but not contractualised and so not in activity plans.

3. CCG FINANCIAL OVERVIEW

Table 4

CCGs M7 Summary	Planned Expenditure £m	YTD Variance £m	Forecast Variance		Net (Risk) / Headroom	
			£m	%	£m	%
North	23,478.9	(67.5)	(53.6)	(0.2%)	(88.9)	(0.4%)
Midlands & East	22,234.8	(132.3)	(63.8)	(0.3%)	(34.2)	(0.2%)
London	11,809.1	(17.1)	(44.2)	(0.4%)	(30.2)	(0.3%)
South	18,695.7	(76.4)	(107.0)	(0.6%)	(118.6)	(0.6%)
Central	90.0	-	13.0	14.4%	66.0	73.3%
CCG TOTAL	76,308.5	(293.3)	(255.6)	(0.3%)	(205.8)	(0.3%)

CCGs M7 Summary	Month 7 Year to Date						Month 7 Forecast						Month 7 Forecast + Net Risk					
	Overspend		On Plan		Underspend		Overspend		On Plan		Underspend		Overspend		On Plan		Underspend	
	#	£m	#	£m	#	£m	#	£m	#	£m	#	£m	#	£m	#	£m	#	£m
North	28	(68.5)	34	-	4	1.1	17	(53.6)	49	-	0	0.0	35	(144.7)	29	-	2	2.2
Midlands & East	36	(134.0)	19	-	6	1.7	8	(71.6)	50	-	3	7.8	17	(107.7)	39	-	5	9.8
London	6	(21.0)	22	-	4	3.8	4	(44.2)	28	-	0	0.0	17	(85.4)	8	-	7	10.8
South	23	(76.9)	26	-	1	0.5	18	(107.0)	32	-	0	0.0	39	(225.5)	11	-	-	-
Central											13.0							79.0
CCG TOTAL	93	(300.4)	101	-	15	7.1	47	(276.4)	159	-	3	20.8	108	(563.3)	87	-	14	101.7

3.1.1. There are 93 CCGs reporting year to date overspends, of which 53 are greater than 1%. Half of these CCGs are assuming that they will be able to recover this position by the year end, resulting in 47 CCGs forecasting a position worse than their annual plan. In all cases of deterioration against plan, the CCG is required to develop a financial recovery plan and will be subjected to an increased level of regional scrutiny.

3.1.2. CCGs have identified £272m of net risk to their forecast position, predominantly relating to under-delivery of efficiencies and acute activity/contract pressures, but also including the impact of Funded Nursing Care costs following the increase in rates notified by DH. This results in a pressure of £190m, which many CCGs are struggling to absorb without impact on bottom line performance.

3.1.3. The worsening in the CCG forecast position from month 6 is consistent with expectations, and it is likely that the core forecast will see further material deteriorations from plan in the next two months. However, based on assessments by the regional teams, the level of net risk is likely to be overstated by up to £100m, of which £30m has been reflected in a national adjustment above and in Table 2.

3.1.4. The table on the following page lists the CCGs with forecast variances to plan at month 7.

Table 5

Region	CCG	In-Year Plan	YTD Variance	Forecast Variance		Net (Risk) / Mitigation		Movement from Month 6		16/17
		£m	£m	£m	% RRL	£m	% RRL	FOT	Net Risk	Closing DFT
		£m	£m	£m	% RRL	£m	% RRL	£m	£m	%
CCGs with material forecast adverse variances (47 CCGs)										
N	NHS Eastern Cheshire	(5.3)	(7.1)	(6.9)	(2.5%)	0.0	0.0%	0.0	0.0	(3.4%)
N	NHS Wirral	1.8	(8.5)	(9.4)	(1.9%)	(2.0)	(0.4%)	0.0	0.0	(2.3%)
N	NHS Harrogate and Rural District	0.0	(2.3)	(4.0)	(1.8%)	0.0	0.0%	(4.0)	3.9	2.3%
N	NHS North Lincolnshire	0.0	(2.6)	(4.0)	(1.8%)	0.0	0.0%	(4.0)	4.0	0.9%
N	NHS Southport and Formby	(4.0)	(1.7)	(3.0)	(1.7%)	(0.8)	(0.4%)	0.0	0.0	2.1%
N	NHS West Cheshire	(3.3)	(2.7)	(4.7)	(1.4%)	0.0	0.0%	0.0	0.0	(2.7%)
N	NHS Vale of York	(7.1)	(9.1)	(4.0)	(0.9%)	(6.8)	(1.6%)	0.0	0.0	2.1%
N	NHS Halton	0.1	(1.9)	(1.7)	(0.8%)	(0.1)	(0.1%)	0.0	0.1	3.0%
N	NHS Blackburn with Darwen	0.6	(0.7)	(1.9)	(0.8%)	(1.7)	(0.7%)	(1.9)	2.0	(2.4%)
N	NHS Liverpool	0.0	(1.5)	(6.4)	(0.7%)	(6.5)	(0.8%)	(6.4)	4.6	5.5%
N	NHS Greater Preston	(0.3)	(1.4)	(2.0)	(0.7%)	(2.4)	(0.8%)	(2.0)	2.2	(0.8%)
N	NHS West Lancashire	0.0	(0.5)	(0.8)	(0.5%)	(1.4)	(0.9%)	(0.8)	0.8	1.5%
N	NHS South Cheshire	(4.0)	(4.2)	(1.3)	(0.5%)	(1.0)	(0.4%)	0.0	0.0	(4.1%)
N	NHS South Sefton	0.0	(0.7)	(1.2)	(0.5%)	(0.9)	(0.4%)	0.0	(0.0)	5.6%
N	NHS Chorley and South Ribble	0.0	(0.6)	(1.0)	(0.4%)	(1.2)	(0.5%)	(1.0)	0.4	3.1%
N	NHS Vale Royal	(3.3)	(1.9)	(0.5)	(0.4%)	(1.0)	(0.7%)	0.0	0.0	(3.6%)
N	NHS St Helens	(3.2)	(4.4)	(0.7)	(0.2%)	(2.0)	(0.6%)	0.0	0.0	(0.2%)
M&E	NHS Stafford and Surrounds	0.0	(7.6)	(12.7)	(8.7%)	0.0	0.0%	(12.7)	11.7	(3.0%)
M&E	NHS Cannock Chase	(0.0)	(7.6)	(9.4)	(6.6%)	0.0	0.0%	(9.4)	9.4	(1.4%)
M&E	NHS Shropshire	(9.7)	(16.7)	(16.3)	(3.9%)	0.0	0.0%	0.0	0.0	(2.3%)
M&E	NHS Great Yarmouth & Waveney	3.2	(9.3)	(7.1)	(2.0%)	0.0	0.0%	0.0	0.0	0.7%
M&E	NHS Solihull	2.9	(6.9)	(5.2)	(1.7%)	0.0	0.0%	(5.2)	3.0	(3.5%)
M&E	NHS Cambridgeshire & Peterborough	(3.0)	(11.5)	(14.4)	(1.4%)	0.0	0.0%	0.0	0.0	(1.7%)
M&E	NHS Stoke on Trent	(1.7)	(6.3)	(4.0)	(1.0%)	0.0	0.0%	(4.0)	5.1	(0.6%)
M&E	NHS North Staffordshire	(1.7)	(4.4)	(2.7)	(1.0%)	0.0	0.0%	(2.7)	4.9	0.8%
L	NHS Havering	0.3	(6.4)	(17.1)	(4.5%)	0.5	0.1%	0.0	0.5	(2.1%)
L	NHS Barking & Dagenham	(0.6)	(3.9)	(10.7)	(3.6%)	0.5	0.2%	0.0	0.5	1.8%
L	NHS Redbridge	0.0	(2.4)	(10.7)	(2.8%)	0.5	0.1%	0.0	0.5	(1.2%)
L	NHS Croydon	(4.2)	(4.1)	(5.7)	(1.3%)	(9.1)	(2.1%)	0.0	1.0	(3.7%)
S	NHS South Gloucestershire	(6.5)	(9.4)	(13.2)	(4.8%)	(2.2)	(0.8%)	(7.9)	1.5	(3.8%)
S	NHS East Surrey	(6.9)	(6.7)	(7.5)	(4.0%)	(1.9)	(1.0%)	0.0	0.4	(3.4%)
S	NHS North Somerset	(4.3)	(5.9)	(7.3)	(2.8%)	(2.8)	(1.1%)	(1.8)	1.8	(1.4%)
S	NHS Somerset	0.0	(11.1)	(16.4)	(2.3%)	(4.0)	(0.6%)	(6.9)	6.9	(2.5%)
S	NHS Ashford	(0.1)	(2.8)	(3.7)	(2.3%)	0.0	0.0%	0.0	0.0	2.5%
S	NHS Kernow	(21.4)	(6.7)	(14.9)	(2.1%)	(7.8)	(1.1%)	0.0	0.2	1.5%
S	NHS North Hampshire	3.0	(3.4)	(4.2)	(1.7%)	(1.3)	(0.5%)	0.0	0.0	(4.7%)
S	NHS Dartford, Gravesham and Swanley	1.9	(0.6)	(5.3)	(1.5%)	0.0	0.0%	0.0	(0.0)	(3.2%)
S	NHS Fareham and Gosport	0.0	(1.8)	(3.1)	(1.2%)	0.0	0.0%	0.0	0.0	(4.1%)
S	NHS South Devon and Torbay	0.0	(2.3)	(4.0)	(1.0%)	(5.3)	(1.3%)	0.0	0.9	5.7%
S	NHS Bristol	(2.3)	(2.2)	(5.6)	(1.0%)	(3.5)	(0.6%)	0.0	0.0	1.2%
S	NHS Horsham and Mid Sussex	(0.2)	(4.5)	(2.4)	(0.9%)	(2.7)	(1.0%)	0.0	0.0	(2.8%)
S	NHS North West Surrey	0.0	(2.5)	(4.3)	(0.9%)	0.0	0.0%	0.0	1.6	(3.3%)
S	NHS Crawley	(0.1)	(1.6)	(1.4)	(0.9%)	(0.8)	(0.5%)	0.0	0.8	0.1%
S	NHS Swale	0.0	(0.8)	(1.4)	(0.9%)	(1.5)	(1.0%)	0.0	(0.6)	(1.4%)
S	NHS Coastal West Sussex	3.2	(6.3)	(6.7)	(0.9%)	(20.2)	(2.7%)	0.0	(12.9)	(2.4%)
S	NHS North, East, West Devon	(29.0)	(2.7)	(4.6)	(0.4%)	(12.7)	(1.2%)	0.0	0.0	0.1%
S	NHS South Eastern Hampshire	1.9	(0.5)	(0.9)	(0.3%)	0.0	0.0%	0.0	0.0	(4.2%)
Sub-total		(102.9)	(211.0)	(276.4)	(1.8%)	(102.0)	(0.5%)	(70.7)	54.9	(0.8%)
Other CCGs in special Measures		(17.2)	(2.2)	(0.0)	(0.0%)	(14.1)	(1.1%)	0.0	0.2	1.5%
Other CCGs under directions		(13.3)	(3.7)	0.0	0.0%	(36.6)	(1.1%)	0.0	(3.5)	0.3%
Other CCGs including central		(145.7)	(76.4)	20.8	0.0%	(53.1)	(0.2%)	5.3	14.2	0.4%
Sub-total		(176.2)	(82.3)	20.8	0.0%	(103.8)	(0.8%)	5.3	10.9	0.7%
Total all CCGs		(279.1)	(293.3)	(255.6)	(0.3%)	(205.8)	(0.3%)	(65.4)	65.8	(0.7%)

Special Measures
Issued Directions

4. DIRECT COMMISSIONING

4.1. Specialised Commissioning

Table 6

Specialised Commissioning M7 Summary	Planned Expenditure £m	YTD Variance £m	Forecast Variance		Net (Risk)/ Headroom £m
			£m	%	
North	4,337.2	0.0	0.0	0.0	0.0
Midlands & East	3,851.3	0.0	0.0	0.0	0.0
London	3,998.0	0.0	0.0	0.0	0.0
South	2,986.3	(66.1)	(30.0)	0.0	(33.1)
Specialised Subtotal	15,172.8	(66.1)	(30.0)	0.0	(33.1)
Central - Cancer Drugs Fund	6.8	0.0	0.0	0.0	0.0
Central - Other	355.7	7.0	30.0	0.1	0.1
Specialised TOTAL	15,535.3	(59.1)	0.0	0.1	(33.0)

- 4.1.1. The year to date variance in the South is due to activity pressures and efficiency under-delivery against a very challenging QIPP plan for the year of around 5% averaged across the three hubs. Month 7 continues to show a proportion of these pressures within the forecast position, with a further £33m of potential pressure reflected in the net risk. The South region continues to work on the recovery actions required to bring the YTD variance back towards the forecast position by the year end. The forecast overspend is offset by central underspends on Highly Specialised, Genomics and Commissioning through Evaluation.
- 4.1.2. The Hepatitis C budget is showing a breakeven position against plan. Blueteq applications to date indicate activity slightly below the run rate at month 7, with spend continuing to be validated using the new processes implemented in 2016/17. Run rates for the latter half of the year are at a higher level, and improved prices from tendering were required to cover the increased activity in order to remain within the available budget. Recent tender prices have remained in line with existing prices, thus posing a risk to the delivery of a breakeven position. The budget is being closely monitored in order that mitigating actions can be developed in-year to counteract any risk of overspend, in addition to risk-sharing with providers via the CQUIN initiative.
- 4.1.3. The guidance on how cancer drugs will be appraised and funded was issued to relevant NHS prescribers in July 2016. As part of the new arrangements a proportional rebate will be levied from all pharmaceutical companies receiving funding from the CDF budget in the event of an overspend on the total budget sum. In line with this expenditure control mechanism (ECM), the CDF budget is currently forecasting breakeven against plan. Drug companies have been provisionally advised that current expenditure trends indicate that the ECM will not need to be applied to contain spending within the £340m annual budget.

4.2. Primary care

Table 7

	Month 7 year to date expenditure				Full year forecast expenditure			
	Plan £m	Actual £m	Variance £m	Var %	Plan £m	Actual £m	Variance £m	Var %
Dental	1,724.1	1,700.8	23.3	1.4%	2,982.8	2,937.4	45.4	1.5%
General Practice	1,996.4	1,986.3	10.1	0.5%	3,562.4	3,553.8	8.6	0.2%
General Practice IT	7.4	7.5	(0.1)	(1.4%)	12.0	12.1	(0.1)	(0.8%)
Ophthalmic	315.8	315.6	0.2	0.1%	542.3	540.6	1.7	0.3%
Pharmacy	882.0	904.3	(22.3)	(2.5%)	1,334.5	1,375.0	(40.5)	(3.0%)
PM Challenge Fund	7.7	7.1	0.6	7.8%	20.3	20.1	0.2	1.0%
Property Costs	22.4	19.9	2.5	11.2%	43.6	36.6	7.0	16.1%
Revalidation	25.7	24.6	1.1	4.3%	44.1	41.6	2.5	5.7%
Other incl. admin	12.7	11.0	1.7	13.4%	43.6	37.1	6.5	14.9%
Total	4,994.2	4,977.1	17.1	0.3%	8,585.6	8,554.3	31.3	0.4%

4.2.1. The table above shows the profile of spend against the primary care budgets still held by NHS England, which total £8.6bn for 2016/17. There are a number of relatively small underspends in the year to date position. The only year to date pressure is reported against pharmacy spend, linked to the savings lost on the delayed community pharmacy contract. The total impact of that issue, included within the pharmacy forecast above, is expected to be £56m.

4.2.2. In addition to the £8.6bn of primary care resource analysed above, a further £3.8bn has been delegated to a total of 114 CCGs. At month 7 CCGs are showing an underspend of £1.4m, less than 0.1%, and are currently forecasting to underspend delegated primary care budgets by £14.2m, a 0.4% variance to plan.

5. RUNNING COSTS, PROGRAMME COSTS & OTHER

5.1. Running Costs

Table 8

	Month 7 year to date expenditure				Full year forecast expenditure			
	Plan £m	Actual £m	Variance £m	Var %	Plan £m	Actual £m	Variance £m	Var %
Medical	9.8	9.3	0.5	5.1%	16.9	16.3	0.6	3.6%
Nursing	4.3	4.0	0.3	7.0%	7.4	6.9	0.5	6.8%
Operations and Information	124.8	118.5	6.3	5.0%	216.5	213.5	3.0	1.4%
Specialised Commissioning	9.0	8.8	0.2	2.2%	15.5	15.2	0.3	1.9%
Finance	22.4	21.9	0.5	2.2%	38.3	38.2	0.1	0.3%
Commissioning Strategy	8.7	8.0	0.7	8.0%	14.9	14.0	0.9	6.0%
Transformation & Corp Operations	39.7	35.7	4.0	10.1%	69.7	69.9	(0.2)	(0.3%)
PCS	34.6	36.5	(1.9)	(5.5%)	61.7	62.5	(0.8)	(1.3%)
Chair & Chief Executive Group	0.8	0.7	0.1	12.5%	1.5	1.5	-	0.0%
Contingency/other	-	(9.3)	9.3	100.0%	12.0	0.7	11.3	94.2%
TOTAL excl Depreciation	254.1	234.1	20.0	7.9%	454.4	438.7	15.7	3.5%

5.1.1. The year to date underspend on running costs is due to non-recurrent slippage on pay costs arising from vacancies, primarily in Transformation & Corporate Operations and in Operations & Information. The £9m credit on contingency/other is due to an underspend against accruals for CSU closure costs, plus the release of other provisions and accruals that are no longer required.

5.1.2. The forecast outturn broadly reflects our expectation that the year to date trend will continue to the end of the year.

5.2. Programme Costs

Table 9

	Month 7 year to date expenditure				Full year forecast expenditure			
	Plan £m	Actual £m	Variance £m	Var %	Plan £m	Actual £m	Variance £m	Var %
Medical	58.5	39.3	19.2	32.8%	134.1	127.1	7.0	5.2%
Nursing	12.3	9.0	3.3	26.8%	24.5	23.8	0.7	2.9%
Operations and Information	80.3	61.9	18.4	22.9%	203.6	201.8	1.8	0.9%
Specialised Commissioning	8.5	4.6	3.9	45.9%	14.5	12.6	1.9	13.1%
Finance	3.3	2.6	0.7	21.2%	6.8	6.2	0.6	8.8%
Commissioning Strategy	60.7	54.2	6.5	10.7%	109.2	107.1	2.1	1.9%
Transformation & Corp Operations	5.7	3.3	2.4	42.1%	21.1	20.9	0.2	0.9%
Clinical Excellence Awards	64.1	64.1	-	0.0%	150.0	150.0	-	-
Provider Support	96.5	96.5	-	0.0%	123.0	123.0	-	-
Other Programmes	47.0	46.9	0.1	0.2%	61.9	62.1	(0.2)	(0.3%)
Rates and fraud recovery income	-	(17.9)	17.9	100.0%	-	(91.0)	91.0	100.0%
NHS E contribution to legacy CHC claims	-	(0.7)	0.7	100.0%	50.0	50.0	-	-
Contingency / Other	-	(25.9)	25.9	100.0%	22.5	(22.0)	44.5	197.8%
TOTAL excl Depreciation	436.9	337.9	99.0	22.7%	921.2	771.6	149.6	16.2%

5.2.1. The year to date underspend across the directorates is a result of slippage in programme delivery, particularly within Cancer and Diabetes transformation funds and NHS Digital contracts. The £26m credit on contingency/other is due to a net release of 2015/16 year-end accruals and release of provisions no longer required.

5.2.2. The forecast underspend is primarily due to a £44m underspend against contingency and £91m of unplanned income - rates rebates of £77m and counter fraud recoveries of £14m.

5.3. Other Costs and Reserves

Table 10

	Initial Allocation £m	Allocations (to)/from CCGs & programme £m	Residual Amount £m	Month 7 year to date expenditure		Full year forecast expenditure			
				Plan £m	Actual £m	Plan £m	Actual £m	Variance £m	Var %
Transformation	339.0	(238.8)	100.2	-	-	100.2	85.2	15.0	15.0%
Primary Care Investment (inc. PCTF)	309.5	(148.0)	161.5	-	-	161.5	161.5	-	0.0%
Mental Health	239.0	(206.3)	32.7	-	-	32.7	32.7	-	0.0%
Winter Resilience	50.0	(48.9)	1.1	-	0.5	1.1	1.1	-	0.0%
Other Funding	168.5	127.0	295.5	-	-	295.5	195.5	100.0	33.8%
Total Other Central Costs	1106.0	(515.0)	591.0	-	0.5	591.0	476.0	115.0	19.5%
Sustainability Fund			1,800.0	680.9	680.9	1,800.0	1,800.0	-	-

- 5.3.1. During the 2016/17 allocation process NHS England established a number of other central budgets as detailed above, which will ultimately be distributed across the commissioning system during 2016/17. The total at the start of the year was £1.1bn, of which £640m has now been distributed. In order to create a central risk reserve to offset the pressures in the CCG position we have transferred funds from other commissioning streams to 'Other Funding', which is why the residual amount for 'Other Funding' is higher than the initial allocation.
- 5.3.2. The year-end forecast assumes that the majority of these funds will be distributed to and spent by commissioners or providers by the end of the year. The forecast underspend relates to £15m of transformation funding, and £100m of risk reserve which has been released to offset the forecast overspends in CCGs in the forecast.
- 5.3.3. So far this year £340m of the sustainability and transformation funding has been paid to providers which relates to the first quarter. A further £340m has been accrued in month 7 for quarter 2 which has now largely been paid to providers.

Glossary of Terms

Accrual	An expense that has been incurred but not yet invoiced or paid for
AME	Annually Managed Expenditure
Blueteq	Decision support tool for PbR excluded drugs
CDEL	Capital Departmental Expenditure Limit
CDF	Cancer Drugs Fund
CHC	Continuing Health Care
CPAG	Clinical Priorities Advisory Group
CSU	Commissioning Support Unit
CYP(MH)	Children & Young People's Mental Health
DCO	Director of Commissioning Operations
DH	Department of Health
FOT	Forecast Outturn
IFRS	International Financial Reporting Standards
ISFE	Integrated Single Financial Environment
MAR	Monthly Activity Return
MFF	Market Forces Factor
NHSI	NHS Improvement
OACP	Organisational Alignment and Capability Programme
PCS	Primary Care Services
PCTF	Primary Care Transformation Fund
PMCF	Prime Ministers Challenge (GP Access) Fund
Provision	A liability resulting from a past event that is of uncertain timing or amount
RDEL	Revenue Departmental Expenditure Limit
Sitreps	Situation reports
SUS	Secondary Uses Service
YTD	Year to Date