

NHS England and NHS Improvement Board meetings held in common

Paper Title: Financial position month 4 2020/21

Agenda item: 3 (Public session)

Report by: Julian Kelly, Chief Financial Officer

Paper type: For discussion

Summary/recommendation:

The Boards are asked to note the month 4 2020/21 financial performance of the NHS, covering the period April-July 2020 inclusive.

1. Due to the COVID19 pandemic it was necessary to suspend the 2020/21 operational planning round and implement a revised and simplified financial framework for April to July inclusive. This temporary framework was, with the agreement of Government, extended to the end of September. Arrangements for October to March 2021 have now been finalised and issued to the NHS
2. There were three core elements to provider funding in the April-July period: a block payment based on 2019/20 CCG income, a prospective top-up payment based on 2019/20 expenditure run-rate, and a retrospective top-up to fund COVID-19 costs and any other additional costs and lost income.
3. Alongside this, CCG allocations were adjusted to reflect the impact of the interim financial regime described above and also adjusted for any expenditure funded nationally. Like providers, CCGs receive a retrospective top up to fund COVID-19 costs and other reasonable additional expenditure.
4. The provider financial position is compared against the national modelling used to establish the value of block contracts and prospective top-ups described above. The commissioner position is compared pro rata with the previously agreed mandate for 2020/21.
5. Overall, and consistent with the financial underwriting agreed with the Chancellor, the NHS has incurred additional COVID costs year-to-date of £5.6bn which has resulted in a year to date net extra spend of £5.1bn against the pre-COVID budget. This is driven by top up payments to providers and CCGs, predominantly in relation to additional COVID expenditure incurred, and nationally incurred COVID costs e.g. mobilisation of extra capacity.

Table 1: Month 4 2020/21 revenue position

Expenditure Basis	Net expenditure basis				Of which COVID £m
	Year to Date				
	Plan £m	Actual £m	Under/(over) spend £m	%	
Commissioning Sector					
Clinical Commissioning Groups	30,300.5	31,714.4	(1,413.9)	(4.7%)	1,039.9
CCG Total	30,300.5	31,714.4	(1,413.9)	(4.7%)	1,039.9
Direct Commissioning	8,548.9	8,887.3	(338.4)	(3.8%)	358.6
DC Retrospective top up	338.4	-	338.4		
Central running & programme costs	1,414.3	1,415.4	(1.1)	(0.1%)	116.0
NHSE Other	5.3	1,034.1	(1,028.8)		1,034.4
Provider Top Up	1,169.5	3,679.1	(2,509.6)		
Technical & ringfenced adjustments	(22.5)	(16.4)	(6.1)		
Commissioner Total - non-ringfenced RDEL	41,754.4	46,714.0	(4,959.5)	(12.2%)	2,548.8
Provider Sector					
Income Excl Top Up	(30,074.6)	(29,139.8)	(934.8)	(3.1%)	936.0
Pay	19,996.1	20,858.4	(862.3)	(4.3%)	981.6
Non Pay	11,077.3	11,332.1	(254.8)	(2.3%)	1,178.2
Non Operating Items	588.3	628.4	(40.1)	(6.8%)	
Block Top Up	(1,678.4)	(1,678.4)	(0.0)	(0.0%)	
Retrospective Top Up	-	(2,000.7)	2,000.7		
Providers Total - Adjusted Financial Position	(91.3)	(0.0)	(91.3)	(0.3%)	3,095.8
Technical adjustments					
Providers Total - Adjusted Financial Position	(91.3)	(0.0)	(91.3)	(0.3%)	3,095.8
Total combined position against Plan	41,663.2	46,713.9	(5,050.8)	(12.4%)	5,644.6

6. The financial impact of COVID on the provider sector to month 4 totals £2bn, including £936m of lost income, £982m of additional staff costs, and £1,178m of other COVID costs, which have been offset by reductions in expenditure in other areas of around £1.1bn.
7. The CCG position is reporting above-plan spend of £1.4bn of which the majority relates to additional COVID costs incurred. The residual variance is predominantly driven by higher prescribing costs and volumes in the first few months of the pandemic.
8. These numbers do not include the vast majority of additional costs of PPE and testing which were directly funded as a responsibility of the Department of Health and Social Care.

Government funding for the second half of the year

9. Additional funding from DHSC and HMT for months 7-12 will enable us to fund expected continued COVID costs and other indirect impacts on the NHS financial position, and has been incorporated into the system financial envelopes.
10. Following this we launched the financial framework for the second half of the year, and confirmed the related additional funding that will be made available to systems.