

NHS England and NHS Improvement Board meetings held in common

Paper Title: Financial position month 6 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 6 2020/21 financial performance of the NHS, covering the period April-September 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-September 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 £8.0bn which has resulted in a year to date net extra spend of £7.7bn 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 6 2020/21 revenue position

Expenditure Basis	Net expenditure basis				
	Year to Date				Of which COVID £m
	Plan £m	Actual £m	Difference £m %		
Commissioning Sector					
Clinical Commissioning Groups	45,447.6	47,708.7	(2,261.1)	(5.0%)	1,624.2
CCG Total	45,447.6	47,708.7	(2,261.1)	(5.0%)	1,624.2
Direct Commissioning	12,811.6	13,283.6	(472.0)	(3.6%)	526.3
DC Retrospective top up	472.0	-	472.0		
Central running & programme costs	2,304.4	2,239.6	64.9	2.8%	221.0
NHSE Other	2.0	1,364.3	(1,362.3)		1,366.7
Provider Top Up	1,754.2	5,753.3	(3,999.1)		
Technical & ringfenced adjustments	(32.8)	(22.0)	(10.7)		
Commissioner Total - non-ringfenced RDEL	62,759.1	70,327.5	(7,568.4)	(12.4%)	3,738.2
Provider Sector					
Income Excl Top Up	(45,155.3)	(43,701.5)	(1,453.8)	(3.2%)	1,440.1
Pay	29,994.2	31,391.1	(1,396.8)	(4.7%)	1,336.1
Non Pay	16,615.9	17,141.5	(525.6)	(3.2%)	1,506.1
Non Operating Items	882.4	922.2	(39.8)	(4.5%)	
Block Top Up	(2,474.1)	(2,474.1)	0.0	0.0%	
Retrospective Top Up	-	(3,279.2)	3,279.2		
Providers Total - Adjusted Financial Position	(136.9)	(0.0)	(136.9)	(0.3%)	4,282.4
Technical adjustments					
Providers Total - Adjusted Financial Position	(136.9)	(0.0)	(136.9)		4,282.4
Total combined position against Plan	62,622.2	70,327.5	(7,705.3)	(12.6%)	8,020.6

- The financial impact of COVID on the provider sector to month 6 totals £4.3bn, including £1,440m of lost income, £1,336m of additional pay costs, and £1,506m of other COVID costs, which have been offset by reductions in expenditure in other areas of around £1.0bn.
- The CCG position is reporting above-plan spend of £2.3bn of which £1.6bn directly relates to additional COVID costs incurred. The remaining variance is largely driven by higher prescribing costs and volumes than were reflected in CCG envelopes, additional investment in primary care co-commissioning and additional investment required to meet the Mental Health Investment Standard.
- NHS England & Improvement admin and programme costs report a year to date net underspend of £65m. There are underspends driven by vacancies, deferrals on programmes and costs being met from other budgets as part of the interim financial regime. These underspends are balanced against additional expenditure resulting from centrally incurred COVID costs including services commissioned from national independent and third sector organisations, and Nightingale costs.
- These numbers do not include the vast majority of additional costs of PPE and the Test and Trace programme which were directly funded as a responsibility of the Department of Health and Social Care.

Provider capital expenditure

10. The month 6 capital position for the provider sector is shown in the table below:

Table 2: Capital position at M6 by sector

	Year to Date		Variance to plan	
	Plan £m	Actual £m	£m	%
Acute	2,084	1,549	535	25.7%
Ambulance	67	45	22	32.8%
Community	42	31	11	26.2%
Mental Health	261	190	71	27.2%
Specialist	127	86	41	32.3%
Total CDEL including COVID	2,581	1,901	680	26.3%
Less Covid19	(429)	(388)	(41)	9.6%
Total CDEL excluding COVID	2,152	1,513	639	29.7%

11. Providers have spent £1.9bn on capital schemes to month 6 (£1.5bn excl. COVID) which is £680m below their plan at this stage of the year. It is expected that provider capital plans will have slowed at the beginning of the year as providers diverted resource to manage the COVID-19 response but will accelerate as the year progresses.
12. Additional capital funding including the £1.5bn announced in August 2020 in order to help prepare the NHS for winter and further outbreaks of coronavirus is only partly reflected in the table above as Memorandums of Understanding (MOU's) to allocate PDC funding to providers are being finalised and issued to Trusts.