

NHS England and NHS Improvement Board meetings held in common

Paper Title: Month 12 financial position update 2020/21

Agenda item: 4 (Public session)

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Paper type: For discussion

Organisation Objective:

NHS Mandate from Government	<input checked="" type="checkbox"/>	Statutory item	<input type="checkbox"/>
NHS Long Term Plan	<input type="checkbox"/>	Governance	<input type="checkbox"/>
NHS People Plan	<input type="checkbox"/>		

Executive summary:

This paper provides the Boards with an update on the joint draft year-end financial position across the commissioner and provider sectors.

Action required:

The Boards are asked to note the month 12 2020/21 financial performance of the NHS.

Context

1. This report shows an aggregated financial position for commissioner and provider sectors based on current reporting practices. The commissioner sector figures are presented on a non-ringfenced RDEL basis and include NHS England and Improvement central and corporate budgets. The provider sector figures are reported using Generally Accepted Accounting Principles on an adjusted financial position basis.
2. The figures in this report are based on the draft accounts position and are therefore subject to adjustment during the external audit period.
3. The covid-19 pandemic is without precedent in modern times and has put extreme pressure on the health service. In order to make sure that the NHS had the resources available to it to respond to the crisis, significant additional funding has been made available.
4. The novelty of some interventions as well as the high level of uncertainty and volatility of the Covid pandemic infection levels over the year has meant that estimates of impact have continued to evolve for national programmes and the reported position affecting both ringfenced funding and risk provisions.



Headline Financial Position

- Table 1 sets out the expenditure position to the end of March 2021 and shows a combined net expenditure position of £144.1bn.
- Through the year, an extra £7.8bn funding was allocated directly to systems in the form of COVID funding, retrospectively in the first half of the financial year and then mainly prospectively in the second half of the year as well as advance block top up funding. Therefore £137.5bn of the mandate was deemed core funding for NHS services. This core funding included creating a provision to fund the risks created by the settlement.
- The remaining, £12.2bn of COVID funding was provided for 22 national interventions and held against ring fenced budgets.

Table 1: Month 12 2020/21 Revenue Position

Net expenditure basis	Outturn			
	Initial	Actual	Variance	
	£m	£m	£m	%
Commissioning Sector				
Clinical Commissioning Groups	102,270.3	101,868.0	402.4	0.4%
CCG Total	102,270.3	101,868.0	402.4	0.4%
Direct Commissioning	28,269.5	27,524.3	745.1	2.6%
DC Retrospective top up & COVID-19 Reimbursement				
Central running & programme costs	5,386.0	5,273.3	112.6	2.1%
NHSE Other	5,063.0	2,664.5	2,398.5	47.4%
Provider Top Up	7,691.9	7,691.9	-	0.0%
CCG Approved/Draft Retro & COVID-19 Reimbursement				
Technical & ringfenced adjustments	(99.3)	(268.6)	169.3	170.5%
Commissioner Total - non-ringfenced RDEL	148,581.4	144,753.4	3,828.0	2.6%
Provider Sector				
Income Excl Top Up	(94,044.0)	(99,082.2)	5,038.2	5.4%
Pay	64,046.2	67,763.2	(3,717.0)	(5.8%)
Non Pay	35,089.9	36,414.8	(1,324.8)	(3.8%)
Non Operating Items	1,811.3	1,650.1	161.2	8.9%
Block Top Up	(2,474.1)	(2,470.9)	(3.2)	(0.1%)
Retrospective top-up and H2 reimbursement	(3,279.2)	(4,479.6)	1,200.3	36.6%
Providers Total - Adjusted Financial Position	1,150.1	(204.8)	1,354.9	117.8%
Technical adjustments		(413.5)	413.5	
Providers Total - Adjusted Financial Position	1,150.1	(618.3)	1,768.4	153.8%
Total combined position against Plan	149,731.5	144,135.1	5,596.3	3.7%
<i>Of which:</i>				
<i>Spend against COVID-19 funding</i>	13,134.9	9,970.1	3,164.8	
<i>Provider COVID Donated Assets/Consumables (excl from RDEL)</i>		(317.7)	317.7	

- Front line organisations have ended the year with a net surplus (excluding technical adjustments) of £244m. CCGs and Providers had initially forecast they might overspend against funding allocated to them directly (by £1.513bn) but in the end spent marginally below the level of allocated funding.
- At month 12 providers incurred £2.2bn of pay expenditure relating to the employer's pensions increase. Providers were not asked to plan for this and received income in full to match the cost driving a variance in table 1. Many providers also provided support to the COVID vaccination programme which

was not able to be included in plans when first submitted and drives a further variance between expenditure and income. Again, all costs of supporting the vaccination programme were covered in full by income.

10. The financial impact of COVID on the provider sector at year-end totals £7.2bn, including an estimated £2,075m of lost income, £2,716m of additional pay costs, and £2,400m of other COVID costs.
11. CCGs have incurred additional COVID costs of £2.5bn of which £1.7bn relates to enhanced community support.
12. The approach to financial management during 20/21, and driven by the response to COVID, has been a “system first approach”. This meant that all funding was allocated and managed by systems. This has been highly successful and has allowed systems to collaborate in a way which has been difficult previously, so only 6 out of 42 systems reported a year end deficit, and only one of these was greater than £10m.
13. Managed underspends in NHS England direct commissioning budgets were mainly driven by Specialised Commissioning, largely relating to central budgets, including a lower level of drug expenditure driven by the impacts of COVID and the lower levels of both elective and non-elective activity during the financial year.
14. NHS England and Improvement admin and programme costs report a net underspend of £113m, balanced against additional expenditure resulting from centrally-incurred COVID costs including services commissioned from national independent and third sector organisations, and Nightingale costs. The underspend represents a shift of people and priorities and the need to account for COVID costs separately.
15. Risk provisions of circa £1bn were held relating to a number of operational. These included provisions relating to the level of annual leave accruals that Providers would be incurring as staff have been unable to take leave during the year, as well as the Flowers legal case. The outcome of these risks was only knowable and known at month 12.
16. £583m of the underspend is presentational and is driven by technical adjustments against both CCGs (£169.3m) and Providers (£413.5m). These adjustments relate to accounting issues such as donated assets and the different accounting rules around departmental expenditure limits (DEL) and Annually Managed Expenditure (AME). These technical adjustments are larger than normal due to COVID.

Performance against COVID ring-fenced budgets

17. £12.2bn of the mandate related to ring-fenced budgets as part of the H2 funding settlement agreed by HMT. We held risk provisions against key programmes which were to be managed within a ring-fenced budget.

18. Providers were able to make significant improvements in non-NHS income over and above planned levels once the country moved out of the first national lockdown. This included income for LA funded services, research as well as education and commercial income meant that the level of support required was less in the 2nd half of the year than the ringfence agreed. Dental income recovery also exceeded expectations.

Capital expenditure

19. As set out in the table below, the NHS England capital outturn position reports expenditure of £335m against a mandate limit of £372m. The Provider draft outturn position of £7.1bn is an underspend of just 1% against the planned DHSC budget. This results in an overall capital underspend of also just 1.2%.

Table 2: Month 12 2020/21 Capital Position

Capital	Outturn			
	Plan £m	Actual £m	Variance £m	%
Commissioning Sector				
GPIT	144.5	142.8	1.7	1.2%
Main Capital	141.1	111.6	26.4	18.7%
ETTP	61.2	57.2	4.0	6.5%
LD Transformation Fund	18.5	16.8	1.7	9.0%
CSU Capital	7.1	6.8	0.2	3.3%
Total Commissioner Capital Plan	372.2	335.2	34.0	9.1%
Provider Sector				
Acute	2,802.6	2,692.5	110.2	3.9%
Ambulance	131.9	139.3	(7.4)	(5.6%)
Community	105.4	90.4	15.1	14.3%
Mental Health	508.5	383.8	124.8	24.5%
Specialist	251.0	210.1	40.9	16.3%
Provider operational capital (STP controls)	3,799.5	3,516.0	283.5	7.5%
Other Provider operational capital	0.0	332.9	(332.9)	
National allocations plus other items charged to CDEL	3,391.5	3,284.4	107.0	3.2%
Total Provider Capital Plan	7,191.0	7,133.4	57.6	0.8%
Combined Capital position	7,563.2	7,468.6	91.6	1.2%