

## NHS England Board meeting

**Paper Title:** Financial Performance Update

**Agenda item:** 4.2 (Public session)

**Report by:** Julian Kelly, Chief Financial Officer

**Paper type:** For discussion

### Organisation Objective:

NHS Mandate from Government  Statutory item

NHS Long Term Plan  Governance

NHS People Plan

### Executive summary:

This paper provides the Board with an update on the month 6 financial position for 2022/23. It also updates on the 2023/24 funding settlement, including associated reprioritisation activity and NHS planning and allocations.

### Action required:

The Board is asked to note the month 6 2022/23 financial performance of the NHS. The Board is also asked to note the current expectation on 2023/24 funding.

## FINANCIAL POSITION FOLLOWING THE AUTUMN STATEMENT

- The following table summarises the overall funding position for the NHS, showing the core funding agreed previously, the additional funding provided as part of the Autumn Statement, and the funding for our covid response.

*Table 1: Funding summary*

£m	2021-22	2022-23	2023-24	2024-25
<b>NHSE RDEL pre-Autumn Statement</b>	<b>150,614</b>	<b>152,595</b>	<b>157,403</b>	<b>162,641</b>
Autumn Statement employer NI change	-	-	(580)	(590)
Autumn Statement core funding uplift	-	-	3,300	3,300
Autumn Statement Better Care Fund	-	-	300	500
<b>NHSE RDEL post-Autumn statement</b>	<b>150,614</b>	<b>152,595</b>	<b>160,423</b>	<b>165,851</b>
<b>Comparison to adjusted RDEL (per October board paper)</b>				
Adjustment for vaccines, testing, other Mandate changes	(2,964)	(1,095)	-	-
<b>Adjusted NHS RDEL</b>	<b>147,650</b>	<b>151,500</b>	<b>160,423</b>	<b>165,851</b>
<i>Real terms growth on prior year (latest GDP deflators)</i>		-2.1%	2.6%	2.0%

- The NHS is committed to returning the service to a sustainable financial position. This will require the delivery of £12bn of savings over this and the coming two years, plus improvements in productivity, and to absorb the structural impact of endemic covid from staff absence, and operational delivery disruption.
- In October we estimated a potential further recurrent pressure of between £6bn and £7bn per year relating to pay and non-pay inflation. Since October, non-pay

inflation forecasts for future years have been revised down by the Bank of England and the OBR. This means that the additional pressure from non-pay inflation is lower than we estimated. The actual level of pay inflation won't be known until next year, when the government makes decisions following recommendations from the independent pay review bodies.

4. The NHS has been allocated an additional £3.3bn in 2023/24 and 2024/25 to cover additional pay and inflation pressures, which based on revised assumptions should provide sufficient funding for the NHS to fulfil its key priorities.
5. The Government also set out a package of measures to increase funding available for social care and discharge. In total the Autumn Statement assesses this to be worth up to £2.8bn in 2023/24 and £4.7bn beyond. This includes:
  - £600m in 2023/24 and £1bn in 2024/25 to be distributed through the Better Care Fund. Of this, £300m/£500m will be allocated through the NHS.
  - £1.3bn in 2023/24 and £1.9bn in 2024/25 will be distributed to local authorities through the Social Care Grant for adult and children's social care
  - £400 million in 2023/24 and £680 million in 2024/25 will be distributed through a grant ringfenced for adult social care which will also help to support discharge
  - Further flexibilities for local authorities on council tax
  - Delaying the rollout of adult social care charging reform from October 2023 to October 2025
6. The Government has set out goals to improve urgent and emergency care, elective recovery and primary care. The Elective Recovery Fund will continue to support our priorities to reduce waiting lists for elective care. As set out in the Elective Recovery Plan, to support elective recovery the government plans to spend more than £8 billion from 2022/23 to 2024/25, supported by a £5.9 billion investment in capital – for new beds, equipment and technology. Additional capacity funding provided to support the acute sector through winter 2022/23 will be made recurrent in 2023/24 and 2024/25 to improve emergency response times on a sustainable basis.
7. The NHS has agreed and is committed to achieving 2.2% efficiency savings each year (which is more than double the historic average). Nationally we are already working to realise significant savings through the creation of the new NHS England – reducing our combined headcount by a minimum of 30% and up to 40%. Many ICBs will also need to look at their size as they work through their plans for the coming years, as well as take the opportunities that economies of scale provide.

#### ICB allocations for 23/24

8. Subject to final decisions, we expect there to be minimal changes to the allocations formula for 2023/24 compared with 2022/23. Changes have been recommended by the Advisory Committee on Resource Allocation to the community services model and the way we use registered populations as the starting point for allocations. We have also made a number of routine data

updates. In a process known as convergence, the final distribution of resources will be based on comparing the current allocation with the target generated from the funding formula. Generally, ICBs that are furthest above target will see the lowest growth and ICBs that are furthest below target will see the highest growth. This means that over time ICBs converge towards target, but slowly enough to support the overall financial stability of individual ICBs. Specific allocations remain subject to confirmation.

## MONTH 6 2022/23 FINANCIAL POSITION

### Revenue position

9. The revenue plan for the year shows an overspend of £100m, driven by 5 systems that did not submit balanced plans. This was after a further £1.5bn of inflation funding was issued to systems. The NHS has had to identify this within its overall budget, as well as funding to cover part of the additional costs of the 22/23 pay award and to deal with other unanticipated costs. This has meant slower increases than initially planned to investment in technology and diagnostics capacity. On top of this, systems will still need to deliver £5bn of efficiencies (including reductions to covid spend) compared to 2021/22 in order to deliver the plan. This is in the context of more covid patients in hospital than in the last two years.
10. Table 2 sets out the revenue expenditure position to the end of September 2022 and the forecast for the year. Year to date across the NHS we are reporting an overspend of £482m (0.6%) compared to plan. The forecast expenditure of £155.4bn is £170m above plan, an overspend of £270m. Whilst there is significant risk in particular in system positions, we expect to recover this position to achieve breakeven by year-end.

Table 2: Financial position at month 6

Expenditure Basis	In year allocation	Year to Date			Forecast Outturn		
		Plan	Actual	Under/(over) spend	Plan	FOT	Under/(over) spend
		£m	£m	£m	£m	£m	£m
Systems	116,182	57,791	58,441	(651)	116,281	116,288	(7)
ICB Net Expenditure		57,277	57,366	(89)	115,894	115,889	5
Provider Expenditure		56,663	58,470	(1,807)	112,794	114,996	(2,202)
Provider Income		(56,149)	(57,394)	1,245	(112,406)	(114,597)	2,190
Specialised Commissioning	23,149	11,169	11,115	54	23,149	23,092	57
Other Direct Commissioning	7,246	3,497	3,458	39	7,247	7,240	7
Central Costs	6,890	3,150	3,020	130	6,890	6,800	90
Transformation & Reserves	1,626	0	0	0	1,626	1,626	0
Technical & ringfenced adjustments	(9)	(3)	51	(54)	(9)	308	(317)
<b>Total - non-ringfenced RDEL</b>	<b>155,084</b>	<b>75,604</b>	<b>76,086</b>	<b>(482)</b>	<b>155,184</b>	<b>155,354</b>	<b>(170)</b>

11. Systems have overspent against plan by £651m for the first six months of the year. This variance is largely caused by operational pressures, in particular higher levels of COVID and sickness absence. The majority of systems are forecasting that these overspends will be recovered in the latter part of the year resulting in a forecast position in line with plan. This is a clear risk given the likely winter demands and continued impact of COVID.
12. We have reduced expenditure against NHS England central budgets through staff vacancies and bearing down on non-staff costs. At this stage of the year

directorates assume that spend will accelerate later in the year and forecast a £90m underspend.

13. Transformation and reserves covers funding which is allocated to commissioning budgets during the year. The forecast shows the remaining funding yet to be allocated including £0.8bn of Service Development Funding which will fund expenditure being incurred by systems on a range of programmes such as primary care additional roles, community diagnostic centres and technology investments.
14. There are a number of significant risks and uncertainties:
  - The impact of winter and COVID, with the potential for flu and COVID pressures to impact at the same time; and
  - The impact of additional inflation costs in 2022/23 above the level reflected in plans supplemented by the additional £1.5bn of funding.

### Capital position

15. To Month 6 Providers have spent £1,779m in Capital Departmental Expenditure Limit (CDEL) terms (excluding IFRS 16 expenditure). This represents 27% of forecast. This compares to 27% at the same stage in 2021/22. Primary care spend was £16m meaning total CDEL spend was £1,795m to Month 6. Based on provider reports at Month 6 we are currently forecasting expenditure to be £164m below the CDEL allocation for the year.