

HFMA South Central Conference NHS England & NHS Improvement Update

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NHS England and NHS Improvement



To Cover



- Wider NHS Financial Context
- 2019/20 Financial Performance & Key Issues
- Long Term Plan & Financial Framework
- Role of Finance & NHS E & I.

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The Long Term settlement was very welcome...



Table 1: NHS England settlement (January 2019)

	2018/19*	2019/20	2020/21	2021/22	2022/23	2023/24	CAGR %
Nominal value							
Mandate (£m)	114,603	120,807	127,007	133,283	139,990	148,467	
Mandate annual increment (£m)	n/a	6,204	6,200	6,276	6,708	8,477	
Mandate growth (%)	n/a	5.4%	5.1%	4.9%	5.0%	6.1%	5.3%
Real terms value							
Real terms value (2018/19 prices, £m)	114,603	118,683	122,396	126,018	129,841	135,141	20,538
Real terms value annual increment (£m)	n/a	4,080	3,713	3,622	3,823	5,300	
Real terms growth (%)	n/a	3.6%	3.1%	3.0%	3.0%	4.1%	3.4%
In addition							
RDEL - ring-fenced for depreciation and impairment (£m)	166	166	166	166	166	166	
Total Mandate (£m)	114,769	120,973	127,173	133,449	140,156	148,633	

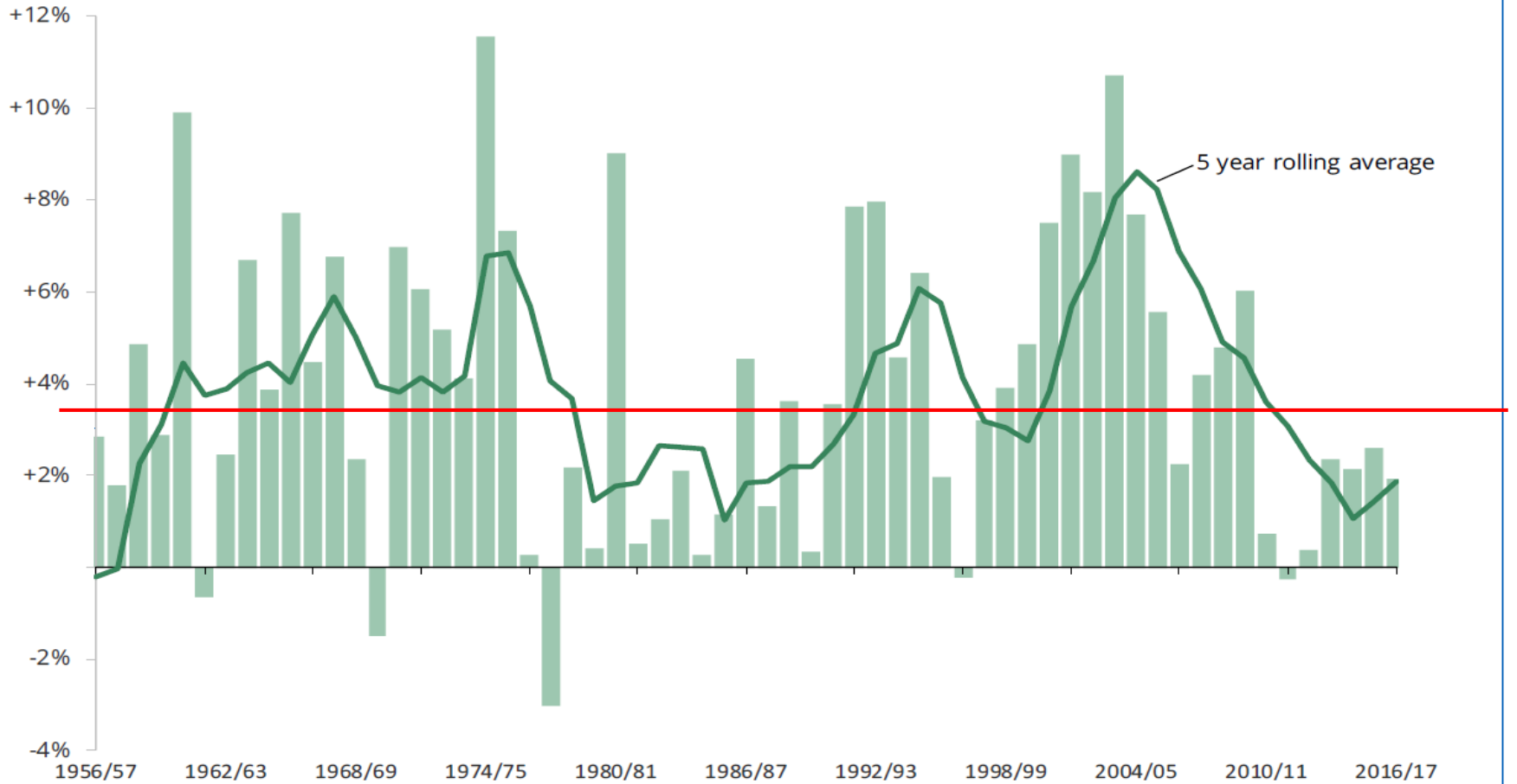
*includes £800m additional funding related to 2018/19 pay awards

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FIGURE 2: REAL TERMS PERCENTAGE CHANGE IN UK HEALTH EXPENDITURE

2016/17 prices



The NHS did balance financially in 2018/19 but....



- **Headline NHS Position £89m underspend**
 - Commissioner sector £916m underspend
 - Provider Sector £827m overspend
- Challenges within this position
 - CCG's overspent in aggregate by £264m
 - Significant number of deficits in both sectors

} £89m



2019/20 planning round was also very challenging..

- Gap to control total **£144m**
 - 27 organisations didn't accept control totals
- Savings requirement very stretching
 - Average requirement in South East is **3.7%**
- Significant risk in plans!!
 - Across both sectors



So why does it feel like this...?



- **Headline NHS Position**
 - **Forecast Outturn – small adverse variance £19m**
 - **Year to Date – more worrying £74m**
- **Bigger concern remains the risk position**
- **Incentive funds aren't helping with interpretation**



Month 4 Regional position tells a similar story...



South East - Financial Position Overview

Surplus / (Deficit) excluding CSF, PSF, FRF & MRET	Year-to-date				Forecast Outturn				Movement in FOT £m
	Plan	Actual	Under/(over) spend		Plan	FOT	Under/(over) spend		
	£m	£m	£m	%	£m	£m	£m	%	
Clinical Commissioning Groups	(58.0)	(61.8)	(3.8)	(0.1%)	(173.8)	(173.8)	0.0	0.0%	0.0
Specialised Commissioning	(18.9)	(18.9)	(0.0)	(0.0%)	(56.7)	(56.7)	0.0	0.0%	0.0
Primary Care & Secondary Dental	(0.4)	(0.1)	0.3	0.1%	0.0	0.0	0.0	0.0%	0.0
Other Direct Commissioning	(0.3)	2.8	3.0	4.0%	0.0	0.0	0.0	0.0%	(0.0)
Commissioner Total	(77.5)	(78.0)	(0.5)	(0.0%)	(230.5)	(230.5)	0.0	0.0%	0.0
Acute	(123.8)	(125.1)	(1.2)	(0.0%)	(235.0)	(234.1)	0.8	0.0%	0.0
Ambulance	(3.2)	(3.1)	0.0	0.0%	(3.8)	(3.8)	0.0	0.0%	0.0
Community	(2.2)	(1.9)	0.4	0.2%	(2.5)	(2.5)	0.0	0.0%	0.0
Mental Health	(11.1)	(13.1)	(2.0)	(0.4%)	(19.0)	(19.0)	(0.0)	(0.0%)	0.0
Specialist	(2.9)	(3.1)	(0.2)	(0.8%)	(7.2)	(7.2)	0.0	0.0%	0.0
Provider Total	(143.3)	(146.3)	(3.0)	(0.1%)	(267.5)	(266.7)	0.8	0.0%	0.1
Combined Position	(220.8)	(224.3)	(3.5)	(0.1%)	(498.0)	(497.2)	0.8	0.0%	0.1
Planning gap to Regional CT					39.0		(39.0)		
CCG Drawdown adjustment					(1.8)	(1.8)	0.0		
Regional Performance measure					(460.8)	(498.9)	(38.1)	(0.2%)	

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- ① Risk – how much will translate to FOT delivery?
- ② What else can be done to mitigate?
- ③ Performance versus £ tension
- ④ Impact on Long Term plan work and trajectories



The NHS Long Term Plan set out how we will invest the funding commitment from government

1

Do things **differently**, through a new service model

2

Take more action on **prevention** and **health inequalities**

3

Improve **care quality** and **outcomes** for major conditions

4

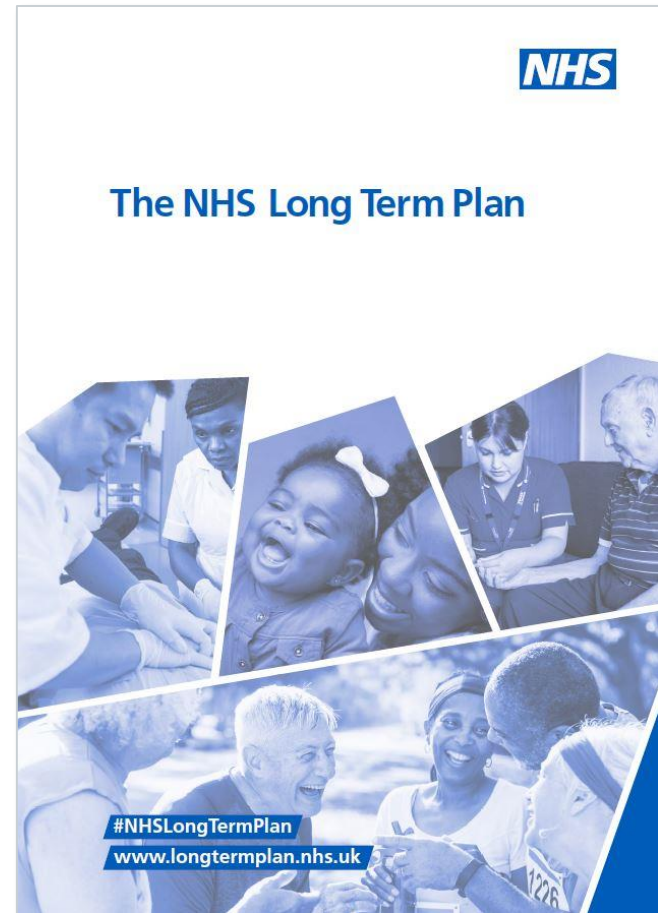
Ensure that **NHS staff** get the backing that they need

5

Make better use of **data** and **digital technology**

6

Ensure we get the most out of **taxpayers' investment** in the NHS



Long Term Plan – 5 Financial Tests



Test 1

The NHS will return to financial balance

Test 2

The NHS will achieve 1.1% cash releasing productivity

Test 3

The NHS will reduce growth in demand for care

Test 4

The NHS will reduce unjustified variation in performance

Test 5

The NHS will make better use of capital investment

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Test 1

The NHS will return to financial balance

1. The NHS delivers overall financial balance
2. The provider sector as a whole returns to balance in
2020/21
3. All NHS Organisations return to balance by 2023/24



Changes in 2019/20

- ✓ National Tariff Efficiency set at 1.1%
- ✓ Transferring £1bn of Provider Sustainability Funding into Tariff
- ✓ CQUIN value reduced to 1.25%
- ✓ Blended payment approach for emergency care

Potentially for 2020/21....

- Simplification of current regime, PSF/CSF/FRF “pots”
- Financial Recovery Fund used to support deficit recovery trajectories
- Move away from control totals and mandatory surplus targets



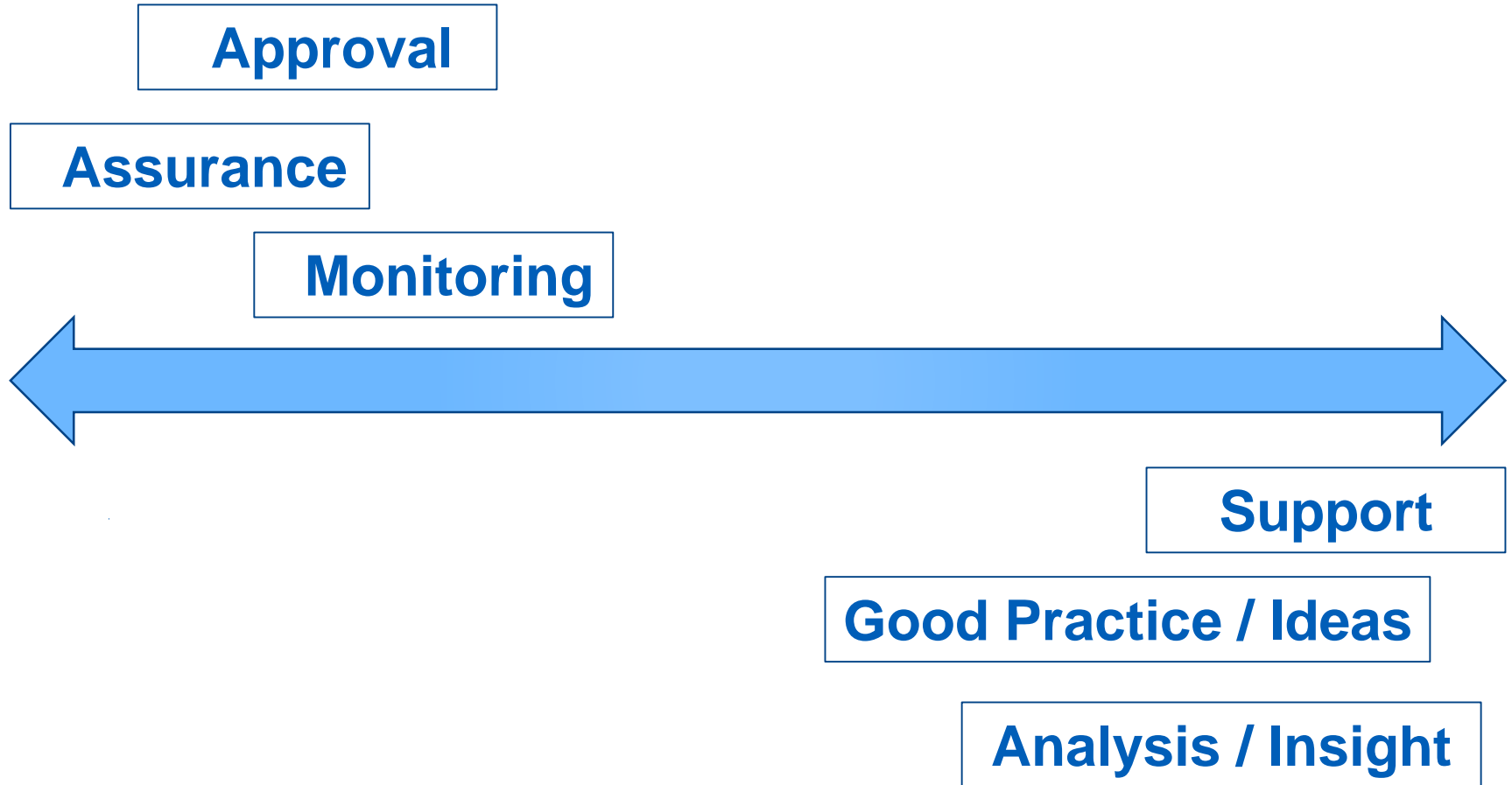
Issues we've been grappling with.....



- 1 What is an appropriate recovery trajectory?
- 2 How do ensure incentives for those in surplus?
- 3 How can we further support system working?
- 4 How to mainstream these funds?

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- ① Understand the business in your area
- ② Think system as well as organisation
- ③ Use the wealth of data and analysis we've got
- ④ Share good practice, and seek it out!
- ⑤ Use the finance network – it's our greatest asset



QUESTIONS?

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