

2018-19 Financial Directions to NHS England¹

These Financial Directions accompany *The Mandate: A mandate from the Government to NHS England: April 2018 to March 2019* published by the Secretary of State under section 13A of the National Health Service Act 2006 (“the 2006 Act”). The Secretary of State makes these directions in exercise of the powers conferred by sections 223D and 223E of the 2006 Act in respect of the financial year ending on 31st March 2019.

The Mandate sets out NHS England’s total revenue resource limit and total capital resource limit for 2018-19. The total revenue resource limit is £113,803m and the total capital resource limit is £256m. The Directions at Annex A1 below, made under section 223E(2) and (3) of the 2006 Act, set out certain additional expenditure controls to which NHS England must adhere. These stem from budgetary controls that HM Treasury applies to the Department of Health and Social Care. The limits imposed by the Mandate and the Directions in Annex A1, and other sub-limits are summarised in table 2 below.

The directions at Annex A2 are made under sections 223D(4) to (6) and 223E(4) of the 2006 Act and relate to particular uses of resources which must, or must not be taken into account in relation to each limit.

The meaning of various expressions in these directions and further detailed guidance on those definitions and inclusions can be found in HM Treasury’s Consolidated Budgeting Guidance.

Signed by authority of the Secretary of State for Health and Social Care

Signed by

A handwritten signature in black ink, appearing to read 'C Young', written over a light grey rectangular background.

Christopher Young
Member of the Senior Civil Service
Department of Health

19 March 2018

¹ NHS England’s statutory title is the National Health Service Commissioning Board.

Annex A1 – Directions under section 223E(2) and (3)(a) and (b) of the 2006 Act – additional controls on resource use

NHS England must ensure that the total revenue resource use in the relevant financial year which is attributable to the matters in column (1) of the Table 1 below shall not exceed the amount specified in relation to those matters in the corresponding entry in column (2).

Table 1 Column (1) – matters	Column (2) - specified amount
Matters for which attributable expenditure is to be treated as within the revenue departmental expenditure limit, other than depreciation and impairments (<i>see column (1) in table 2</i>)	£113,803 million
Matters relating to depreciation and impairments for which attributable expenditure is to be treated as within the revenue departmental expenditure limit (<i>see column (2) in table 2</i>)	£166 million
Matters for which attributable expenditure is to be treated as annually managed expenditure (<i>see column (3) in table 2</i>)	£100 million
Technical accounting and budgeting matters, namely capital grants and Private Finance Initiative or Local Investment Finance Trust schemes (as recorded in accordance with IFRIC 12) (<i>see column (4) in table 2</i>)	£200 million
Matters relating to administration – (a) which are specified in regulation 57 of the National Health Service Commissioning Board and Clinical Commissioning Groups (Responsibilities and Standing Rules) Regulations 2012; and (b) for which attributable expenditure is to be treated as within the revenue departmental expenditure limit, other than depreciation and impairments.	£1,683 million
Matters relating to administration which – (a) are specified in regulation 57 of the National Health Service Commissioning Board and Clinical Commissioning Groups (Responsibilities and Standing Rules) Regulations 2012; and (b) relate to depreciation and impairments for which attributable expenditure is to be treated as within the revenue departmental expenditure limit.	£121 million

NHS England must ensure that its use of resources in the relevant financial year which is attributable to the matters in column (1) of the Table 1A below shall not exceed the amount specified in relation to those matters in the corresponding entry in column (2).

Table 1A Column (1) – matters	Column (2) - specified amount
Matters relating to administration – (a) which are specified in regulation 57 of the National Health Service Commissioning Board and Clinical Commissioning Groups (Responsibilities and Standing Rules) Regulations 2012; and (b) for which attributable expenditure is to be treated as within the revenue departmental expenditure limit, other than depreciation and impairments.	£465 million

<p>Matters relating to administration which—</p> <p>(a) are specified in regulation 57 of the National Health Service Commissioning Board and Clinical Commissioning Groups (Responsibilities and Standing Rules) Regulations 2012; and</p> <p>(b) relate to depreciation and impairments for which attributable expenditure is to be treated as within the revenue departmental expenditure limit.</p>	<p>£73 million</p>
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Table 2- Summary of the limits imposed by the Mandate and directions in Annex A1

Revenue resource limits - £m	Total	Other Limits ²			
		Revenue departmental expenditure limit (excluding depreciation and impairments) [1]	Revenue departmental expenditure limit (depreciation and impairments) [2]	Annually Managed Expenditure [3]	Technical accounting/budgeting [4]
Total Revenue Resource Limit	114,269	113,803	166	100	200
<i>Of which:</i>					
<i>Section 7A - Public health (ring fenced)</i>	1,205	1,205	0	0	0
<i>Fund for sustainability and transformation – sustainability element (ring fenced)³</i>	2,450	2,450	0	0	0
<i>Total administration limit, of which:</i>	1,804	1,683	121	0	0
<i>NHS England administration limit</i>	538	465	73	0	0

Capital resource limits - £m	Total	General capital resource limit [5]
Total capital resource limit	256	256

² In addition to the Revenue Departmental Expenditure Limit and Capital Resource Limit, two further budgets – ‘Annually Managed Expenditure’ (AME) and ‘Technical Accounting/budgeting’ are included. The two additional budgets are of a technical nature. AME covers provisions and (some types) of impairments expenditure, and Technical Accounting/Budgeting is for the differences between Accounts produced under International Financial Reporting Standards and Budgets following HM Treasury’s Consolidated Budgeting Guidance. These budgets have been reviewed in line with the latest forecasts available and reset. In 2017-18 the AME budget reduced from £300m to £100m and the Technical Accounting/Budgeting from £360m to £200m. These budgets are not included in the RDEL and CDEL budget calculations used to calculate growth in the NHS.

³ Allocations from the fund for sustainability and transformation must be agreed in advance with HM Treasury and DHSC.

Annex A2 – Directions under section 223D(4) to (6) and 223E(4) – resources and uses of resources which must or must not be taken into account

For the financial year ending on 31st March 2019-

(a) the descriptions of resources which must, or must not, be treated as capital resources or revenue resources for the purposes of the resource limits set by the Secretary of State for the Board under sections 223D and 223E of the 2006 Act, and by the Board for clinical commissioning groups under sections 223I and 223J of the 2006 Act;

(b) the uses of capital resources or revenue resources which must not be taken into account for the purposes of the resource limits set by the Secretary of State for the Board under sections 223D and 223E of the 2006 Act, and by the Board for clinical commissioning groups under sections 223I and 223J of the 2006 Act;

(c) the uses of capital resources or revenue resources which must be taken into account for the purposes of the total capital resource and total revenue resource limits set by the Secretary of State for the Board under section 223D of the 2006 Act; and

(d) the uses of capital resources or revenue resources which must, or must not, be taken into account for the purposes of the additional limits on resource set for the Board under section 223E of the 2006 Act,

are the descriptions of resources or uses of resources specified, set out or described in the Consolidated Budgeting Guidance from 2018-19 published by HM Treasury, so far as applicable to the limit in question.

Appendix – Background information

Future indicative resource limits (figures excluding depreciation and impairments to be on the same basis as the DH Spending Review Settlement)

The Mandate for each financial year will set the actual total revenue resource limit and the total capital resource limit. These indicative amounts are included as useful background information on current proposals for the future.

Revenue £m	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Mandate total at the time of the Spending Review 2015	100,882	106,500	109,900	112,400	115,500	119,600
Adjustments for non-recurrent funding	(182)					
Transfers of function and funding – 0-5*	(428)	(855)	(855)	(855)	(855)	(855)
Transfers of function and funding (pre April 2017)**	(72)	57	89	90	35	35
Budget 2017			337	1600	900	
Transfers of function and funding (post April 2017)			65	568	36	25
Funding for inclusion in Mandate (revised totals)	100,200	105,702	109,536	113,803	115,616	118,805

*This represents the move of 0-5 public health services from NHS England to local government.

**A small number of transfers including the move of the Leadership Academy to Health Education England. To ensure comparability of numbers, in this table £500m has been removed from the 15-16 baseline, representing 6 months of funding for 0-5 public health services between 01 April and 30 September 2015 and these other planned transfers.

Admin (included within revenue totals) £m	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Total	1,735	1,711	1,684	1,683	1,632	1,632
Of which, NHS England central (post transfers of function)	460	471	465	465	352	352

£m	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Capital	300	260	247	256	305	305

Revenue and Capital combined £m	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Total	100,500	105,962	109,783	114,059	115,921	119,110