



Department  
of Health &  
Social Care

# **2019-20 Financial Directions to NHS England**

Published 21 May 2019

# 2019-20 Financial Directions to NHS England<sup>1</sup>

These Financial Directions accompany The Government's 2019-20 Accountability Framework with NHS England and NHS Improvement, which incorporates the 2019-20 Mandate<sup>2</sup> to NHS England 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 2020.

The Mandate sets out NHS England's total revenue resource limit and total capital resource limit for 2019-20. The total revenue resource limit is £123,562m<sup>3</sup> and the total capital resource limit is £305m. 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



Christopher Young  
Member of the Senior Civil Service  
Department of Health & Social Care

21 May 2019

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<sup>1</sup> NHS England's statutory title is the National Health Service Commissioning Board.

<sup>2</sup> The terms 'Accountability Framework' and 'Mandate' are used interchangeably throughout the rest of this document.

<sup>3</sup> Including funding for pensions revaluation (see Appendix).

## 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<br>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 (see column (1) in table 2).  | £123,562 million              |
| Matters relating to depreciation and impairments for which attributable expenditure is to be treated as within the revenue departmental expenditure limit (see column (2) in table 2).  | £166 million                  |
| Matters for which attributable expenditure is to be treated as annually managed expenditure (see column (3) in table 2).  | £100 million                  |
| Technical accounting and budgeting matters. Namely capital grants and Private Finance Initiative or Local Investment Finance Trust schemes (as recording in accordance with IFRIC 12) (see column (4) in table 2).  | £200 million                  |
| Matters relating to administration –<br>(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<br>(b) for which attributable expenditure is to be treated as within the revenue departmental expenditure limit, other than depreciation and impairments. | £1,760 million                |
| Matters relating to administration which –<br>(a) are specified in regulation 57 of the National Health Service Commissioning Board and Clinical Commissioning Groups (Responsibilities and Standing Rules) Regulations 2012; and<br>(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 (NHS England administration)<br>Column (1) – matters   | Column (2) - specified amount |
|---|-------------------------------|
| Matters relating to administration –<br>(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<br>(b) for which attributable expenditure is to be treated as within the revenue departmental expenditure limit, other than depreciation and impairments. | £500 million                  |
| Matters relating to administration which –<br>(a) are specified in regulation 57 of the National Health Service Commissioning Board and Clinical Commissioning Groups (Responsibilities and Standing Rules) Regulations 2012; and<br>(b) relate to depreciation and impairments for which attributable expenditure is to be treated as within the revenue departmental expenditure limit.   | £73 million                   |

Table 2- Summary of the limits imposed by the Mandate and directions in Annex A1

| Revenue resource limits - £m              | Total   | Other Limits <sup>4</sup>  |  |   |  |
|---|---------|--|--|---|--|
|   |         | Revenue departmental expenditure limit (excluding depreciation and impairments) [Column 1] | Revenue departmental expenditure limit (depreciation and impairments) [Column 2] | Annually Managed Expenditure [Column 3] | Technical accounting/ budgeting [Column 4] |
| Total Revenue Resource Limit              | 124,028 | 123,562  | 166  | 100                                     | 200  |
| Including:                                |         |  |  |   |  |
| Section 7A - Public health (ring fenced)  | 1,271   | 1,271  | 0  | 0                                       | 0  |
| Provider Sustainability Fund <sup>5</sup> | 1,250   | 1,250  | 0  | 0                                       | 0  |
| Total administration limit, of which:     | 1,881   | 1,760  | 121  | 0                                       | 0  |
| NHS England administration limit          | 573     | 500  | 73   | 0                                       | 0  |

  

| Capital resource limits - £m | Total | General capital resource limit [Column 5] |
|------------------------------|-------|---|
| Total capital resource limit | 305   | 305                                       |

<sup>4</sup> 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 are not included in the RDEL and CDEL budget calculations used to calculate growth in the NHS.

<sup>5</sup> Allocations from the Provider Sustainability Fund 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 31 March 2020-

(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 2019-20 published by HM Treasury, so far as applicable to the limit in question.

## Appendix – Future Resource Limits (excluding depreciation, AME and technical budget)

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 information on current proposals for the future.

### Revenue

| £m  | 2018-19  | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|---|----------|---------|---------|---------|---------|---------|
| Long Term Settlement                              | 114,603* | 120,807 | 127,007 | 133,283 | 139,990 | 148,467 |
| Total adjustment for NHS Pensions**               |          | 2,851   | 2,851   | 2,851   | 2,851   | 2,851   |
| Other transfers of function and funding***        |          | -96     | 0       | 0       | 0       | 0       |
| Funding for inclusion in Mandate (revised totals) |          | 123,562 | 129,858 | 136,134 | 142,841 | 151,318 |

\*This is the 2018-19 baseline revenue (excluding depreciation and impairments) at 1st April 2018. The figure also includes £800m to reflect the costs of the Agenda for Change (AfC) pay deal in 2018-19.

\*\* Department of Health and Social Care's (DHSC) consultation response of 4 March 2019 confirmed that the employer contribution rate for the NHS England Pensions scheme would rise. Alongside the long-term funding settlement for the NHS announced in June 2018, the Government committed to provide additional recurrent funding until 2023-24 to meet the anticipated costs pressure to the NHS in England arising from this scheme valuation. Pensions distribution arrangements for 2020/21 will be confirmed in due course. The figures may need to be adjusted to reflect the final arrangements including to align with financial flows.

\*\*\*Budget figure for 19-20 includes projected income (England only) for branded medicines pricing and access schemes but may need to be updated based on a more accurate forecast at Mandate refresh stage.

## Administration

(Included in revenue totals)

| £m                                     | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|--|---------|---------|---------|---------|---------|---------|
| Total                                  | 1,700   | 1,760   | 1,642   | 1,652   | 1,654   | 1,656   |
| Of which,<br>NHS<br>England<br>central | 476     | 500     | 473     | 476     | 477     | 477     |

## Capital

| £m    | 2018-19 | 2019-20 | 2020-21   | 2021-22 | 2022-23 | 2023-24 |
|-------|---------|---------|---|---------|---------|---------|
| Total | 254*    | 305     | Capital profile beyond 2019-20 is subject to the Government's upcoming Spending Review in 2019. |         |         |         |

\* Post transfers of function and funding.



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DHSC Finance Directorate

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