



Department
of Health &
Social Care

2020-21 Financial Directions to NHS England

Published 26 March 2020

2020-21 Financial Directions to NHS England¹

These Financial Directions accompany The Government's 2020-21 mandate 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 2021.

The Mandate sets out NHS England's total revenue resource limit and total capital resource limit for 2020-21. The total revenue resource limit is £129,681m² 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

26 March 2020

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

² Including funding for pensions revaluation and funding transfers (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 Table 1 below shall not exceed the amount specified in relation to those matter in the corresponding entry in column (2).

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.	£129,681 million
Matters relating to depreciation and impairments for which attributable expenditure is to be treated as within the revenue departmental expenditure limit.	£166 million
Matters for which attributable expenditure is to be treated as annually managed expenditure.	£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).	£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.	£1,642 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

Included in matters relating to administration are balances which specifically relate to revenue which is used within NHS England and detailed in table 2.

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

Column (1) - Matters	Column (2) - Specified amount
<p>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.</p>	<p>£473 million</p>
<p>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.</p>	<p>£73 million</p>

Table 3 - Summary of the limits imposed by the Mandate and directions in Annex A1.

Revenue resource limits - £m	Total	Other Limits ³			
		Revenue departmental expenditure limit (excluding depreciation and impairments)	Revenue departmental expenditure limit (depreciation and impairments)	Annually Managed Expenditure	Technical accounting/budgeting
Total Revenue Resource Limit	130,147	129,681	166	100	200
Including:					
Section 7A - Public health (ring fenced) ⁴	TBC	TBC	0	0	0
Total administration limit, of which:	1,763	1,642	121	0	0
NHS England administration limit	546	473	73	0	0

Capital resource limits - £m	Total	General capital resource limit
Total capital resource limit	305	305

³ 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.

⁴ Plans for the Section 7A ringfence are under review given the covid-19 outbreak and will be confirmed later in the year.

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 2021-

(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

In June 2018, the Government set out a funding programme through to 2023-24, to help the NHS achieve goals set out in the Long-Term Plan. This is the baseline revenue funding set out in the NHS Funding bill 2020, representing the lower limit that NHS England are guaranteed to receive. The figures are adjusted annually to account for reallocation of resource, additional funding and changes of responsibility between Government bodies.

Table 4 - NHS England's revenue resource limits to 2023-24

£m	2019-20	2020-21	2021-22	2022-23	2023-24
NHS Funding Settlement	120,807	127,007	133,283	139,990	148,467
Pensions adjustment	2,851	2,851	2,851	2,851	2,851
Other transfers of funding	-281	-177	0	0	0
Funding totals for inclusion in the Mandate	123,377	129,681	136,134	142,841	151,318

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.

The remaining transfers for NHS England's 2020-21 budget relate to GP indemnity, NHS Supply Chain and transfers with public health bodies. Other transfers of funding for 2019-20 are detailed in the 2019-20 Revised Financial Directions to NHS England.

The Treasury has also created a £5bn contingency fund to ensure the NHS and other public services have the resources they need to tackle the impacts of Covid-19; the funding will be made available immediately. This additional funding has not been fully included in NHS England's mandate as it will also support Local Authorities to manage pressures on social care as well as helping with pressures on other public services. Further funding will be made available if required.

£250m of funding to fulfil manifesto commitments on primary care is included for 2020-21. Further funding manifesto commitments will be finalised later in the year.

Administration

Table 5 - administration included in revenue totals

£m	2019-20	2020-21	2021-22	2022-23	2023-24
Total	1,753	1,642	1,652	1,654	1,656
Of which, NHS England central	500	473	476	477	477

Capital

NHS England's capital budgets also undertake transfers throughout the year, which mainly relate to individual trusts and providers.

Table 6 - capital expenditure limits

£m	2019-20	2020-21	2021-22	2022-23	2023-24
Total	260	305	Capital profile beyond 2020-21 is subject to the Government's upcoming Spending Review in 2020.		

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DHSC Finance Directorate

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