



Department
of Health &
Social Care

2019-20 Revised Financial Directions to NHS England

Published 26 March 2020

2019-20 Revised Financial Directions to NHS England¹

These Financial Directions accompany The Government's 2019-20 Accountability Framework with NHS England and NHS Improvement, which incorporates the 2019-20 Mandate² 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. These directions replace the 2019-20 Financial Directions to NHS England made on 21st May 2019, which are now revoked. Details of the changes made can be found at Annex B.

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 £123,377m³ and the total capital resource limit is £260m. 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 The terms 'Accountability Framework' and 'Mandate' are used interchangeably throughout the rest of this document.

³ 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 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.	£123,377 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.	£325 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.	£1,753 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 is 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>£500 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 ⁴			
		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	124,068	123,377	166	325	200
Including:					
Section 7A - Public health (ring fenced)	1,271	1,271	0	0	0
Provider Sustainability Fund ⁵	1,250	1,250	0	0	0
Total administration limit, of which:	1,874	1,753	121	0	0
NHS England administration limit	573	500	73	0	0

Capital resource limits - £m	Total	General capital resource limit
Total capital resource limit	260	260

⁴ 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.

⁵ 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.

Annex B - The changes made to the 2019-20 directions

The following changes have been made to the 2019-20 Financial directions, since they were published on 21 May 2019:

- NHS England's administration limit has mainly been affected by funds transferred to NHS Improvement, as part of their joint management.
- Non ring-fenced revenue adjustments have been made. The most significant of these are changes to Branded Medicines Pricing Scheme and a transfer to NHS Digital. Additional funds have also been included to assist the Covid-19 response. A number of smaller movements with other government departments and public health bodies have resulted in a net £185m in-year reduction. Other transfers, agreed prior to the publication of the 2019-20 Financial directions, totalled a reduction of £96m. This results in a total reduction of £281m.
- At the start of the financial year, NHS England and the Department agreed that £50m of capital funding, originally included in the capital mandate for NHS England for 2019-20, would be used to support the wider provider sector and NHS capital position. Subsequently, a number of individual transfers of capital budget have been facilitated between NHS provider trusts and NHS England to support jointly agreed capital projects, including support for the Covid-19 response. The total effect of these changes is a reduction in the NHS England's available capital mandate for 2019-20 of £45m.
- NHS England's Annually Managed Expenditure budget has received an uplift of £225m which corresponds to the estimated 2019/20 annual allowance pensions tax provision.

A revision to the 2019-20 Mandate is to be laid before parliament to reflect these changes to the budget only.

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 - allotments set out in the NHS Funding Act 2020.

£m	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
NHS Funding Settlement	114,603	120,807	127,007	133,283	139,990	148,467
Pensions adjustment	0	2,851	2,851	2,851	2,851	2,851
Other transfers of funding (since 2019-20 Mandate)	0	-281	-177	0	0	0
Revised Mandate figures	114,603	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. Transfers of funding in future years are detailed in the 2020-21 Financial Directions to NHS England.

Administration

Table 5 - administration included in revenue totals

£m	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Total	1,700	1,753	1,642	1,652	1,654	1,656
Of which, NHS England central	476	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	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Total	254	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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