



Department
of Health &
Social Care

2020-21 Revised Financial Directions to NHS England

Published March 2021

2020-21 Revised 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.

These Directions replace the 2020-21 Financial Directions to NHS England made on 26th March 2020, which are now revoked. Details of the changes made can be found at Annex B.

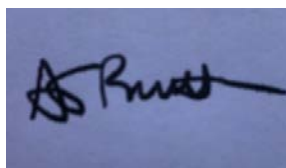
The Mandate sets out NHS England's total revenue resource limit and total capital resource limit for 2020-21. The total revenue resource limit is £149,473m² and the total capital resource limit is £365m. The Directions at Annex A1 below, made under section 223E(2) and (3) of the 2006 Act, set out certain 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 blue rectangular stamp containing a handwritten signature in black ink. The signature appears to be 'A Brittain'.

Andy Brittain
Member of the Senior Civil Service
Department of Health & Social Care

25 March 2021

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).

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.	£149,473 million
Matters relating to depreciation and impairments for which attributable expenditure is to be treated as within the revenue departmental expenditure limit.	£174 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.	£1,644 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).

Table 2:

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.	£475 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.	£73 million

Additionally, HMT have agreed a series of funding envelopes in relation to Covid related spending in 2020-21. **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 3 below shall not exceed the amount specified in relation to those matter in the corresponding entry in column (2).** Other HMT Conditions relating to these envelopes should also be met, including seeking their agreement to overspend or to use underspends for other areas of spending.

Table 3:

Column (1) – Matters	Column (2) - Specified amount
Nightingale Hospitals	£466 million
Enhanced Discharge Programme - scheme 1	£1,620 million
Enhanced Discharge Programme - scheme 2	£588 million
Support for Community Pharmacies impacted by Covid-19	£370 million
Funding for Covid-19 impact on Dentists including lower income from dental charges	£696 million
Procuring capacity and additional activity services from Independent Sector healthcare providers as part of the response to Covid-19	£2,632 million
Additional locally procured flu vaccines	£68 million
Expanded seasonal flu administration costs	£182 million

Flu call and recall service	£60 million
Additional funding for hospices to secure capacity due to Covid-19 – scheme 1	£124 million
Additional funding for hospices to secure capacity due to Covid-19 – scheme 2	£125 million
Funding to support additional costs incurred in the General Practice and other Primary Care providers in the response to Covid-19	£106 million
The Covid-19 Pandemic Medicines Delivery Service	£129 million
PPE procured locally by NHS bodies in response to Covid	£510 million
PPE freight and logistics	£11 million
Testing in NHS laboratories in support of the NHS Test and Trace programme	£412 million
Covid-19 Vaccinations in NHS settings	£950 million
Medicines to treat Covid-19 in NHS settings	£52 million
Recruitment of additional healthcare staff	£80 million
Emergency registration of international nurses	£8 million
Deployment of student nurses	£75 million
Funding to replace lost non-NHS healthcare generated income in NHS Trusts and Foundation Trusts as a result of Covid-19 in M1-6	£1,440 million
Funding to replace lost non-NHS healthcare generated income in NHS Trusts and Foundation Trusts as a result of Covid-19 in M7-12	£1,000 million
Other Covid-19 spending incurred centrally and not included in the ring-fences set out above.	£464 million

Table 4 - 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	149,946	149,473	174	100	200
Including separately ring-fenced limits:					
1) Total administration limit, of which:	1,765	1,644	121	0	0
- NHS England administration limit	548	475	73	0	0
2) Covid-19 ring-fenced limits:					
- Nightingale Hospitals	466	466	0	0	0
- Enhanced Discharge – scheme 1	1,620	1,620	0	0	0
- Enhanced Discharge – scheme 2	588	588	0	0	0
- Support for Community Pharmacies	370	370	0	0	0
- Funding for Covid-19 impact on dentists	696	696	0	0	0
- Independent Sector programme	2,632	2,632	0	0	0
- Expanded seasonal flu administration costs	182	182	0	0	0
- Additional locally procured flu vaccines	68	68	0	0	0

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.

- Flu call and recall service	60	60	0	0	0
- Additional Hospice capacity – scheme 1	124	124	0	0	0
- Additional Hospice capacity – scheme 2	125	125	0	0	0
- GP and Other Primary Care support	106	106	0	0	0
- Medicines Delivery programme	129	129	0	0	0
- Covid-19 NHS PPE spending	510	510	0	0	0
- PPE freight and logistics	11	11	0	0	0
- NHS Covid-19 Testing	412	412	0	0	0
- Covid-19 Vaccines	950	950	0	0	0
- Covid-19 Medicines	52	52	0	0	0
- Additional healthcare staff recruitment	80	80	0	0	0
- International nurses registration	8	8	0	0	0
- Deployment of student nurses	75	75	0	0	0
- NHS Trusts & FT Lost Income support M1-6	1,440	1,440	0	0	0
- NHS Trusts & FT Lost Income support M7-12	1,000	1,000	0	0	0
- Other Central Costs	464	464	0	0	0

Capital resource limits - £m	Total	General capital resource limit
Total capital resource limit	365	365

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 2020-21 published by HM Treasury, so far as applicable to the limit in question.

Annex B – The Changes Made to the 20/21 directions

The following changes have been made to the 20-21 Financial directions since they were published in March 2020:

- NHS England's administration limit has mainly been affected by funds transferred between it and NHS Improvement as part of their joint management.
- Non ring-fenced revenue adjustments have been made. The most significant of these are changes to income received under the Voluntary Scheme for Branded Medicines Pricing, transfer to NHS Digital and manifesto funding. A number of smaller movements with other government departments and public health bodies has resulted in a net £197m in year reduction. Other transfers, agreed prior to the publication of the 2020-21 Financial Directions, totalled a reduction of £176m. This results in a total reduction of £373m.
- This year has been an exceptional year for NHS England and as such they have been given significant additional funding required to respond to the Covid-19 pandemic. The sum total of this additional funding in 20-21 is £19.988bn. Of this £17.995bn has been provided by HM Treasury directly as set out in the Supplementary Estimates and the remainder has been provided by DHSC. HM Treasury has stipulated several additional ringfences for part of this money as set out above.
- A number of individual transfers of capital funding have been facilitated between NHS Provider trusts and NHS England to support jointly agreed capital projects, including support for the Covid-19 response. The Department has also supported NHS England on Capital projects needed to respond to the pandemic. The total impact of these changes is an increase in NHS England's available mandate for 20-21 of £60m.
- NHS England's depreciation budget has received an uplift to £4.5m which reflects their investment in capital through the Long-Term Plan settlement to date.

A revision to the 2020-21 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 5 - 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
Additional Covid-19 Funding	0	19,988	8,123	0	0
Other transfers of funding	-281	-373	108	0	0
Funding totals for inclusion in the Mandate	123,377	149,473	144,365	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 Pension 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 cost 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 worked with the DHSC and NHS England to ensure that the NHS received the funding it needed to tackle the impacts of Covid-19 in 2020-21. The additional Covid-19 mandate funding in Table 5 does not represent the total support provided to DHSC, which also included funding for the test and trace programme, vaccines and other centrally run programmes. As well as funding given to Local Authorities to

manage pressures on social care as well as helping with pressures on other public services.

The mandate also includes funding to fulfil manifesto commitments on primary care, Car parking and nursing recruitment for 2020-21.

Administration

Table 6- administration included in revenue totals

£m	2019-20	2020-21	2021-22	2022-23	2023-24
Total	1,753	1,644	1,652	1,654	1,656
Of which, NHS England central	500	475	476	477	477

Capital

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

Table 7 - capital expenditure limits

£m	2019-20	2020-21	2021-22	2022-23	2023-24
Total	260	365	301	Capital profile beyond 2022-22 is subject to the government's upcoming spending review in 2021	

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DHSC Finance Directorate

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