



Department
of Health &
Social Care

2021-22 Revised Financial Directions to NHS England

Published March 2022

2021-22 Revised Financial Directions to NHS England¹

These Financial Directions accompany The Government's 2021-22 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 2022.

These Directions replace the 2021-22 Financial Directions to NHS England made on 25th March 2021, which are now revoked. Details of the changes made can be found at Annex B.

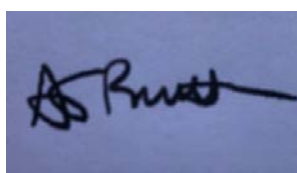
The Mandate sets out NHS England's total revenue resource limit and total capital resource limit for 2021-22. The total revenue resource limit² is £150,614m and the total capital resource limit is £337m. The Directions at Annex A1 below, made under section 223E(2) and (3) of the 2006 Act, set out certain 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

31 March 2022

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 – NHS England total revenue resource limits

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.	£150,614 million
Matters relating to depreciation and impairments for which attributable expenditure is to be treated as within the revenue departmental expenditure limit.	£197 million
Matters for which attributable expenditure is to be treated as annually managed expenditure.	£150 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.	£1,664 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 – NHS England administration limits

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.	£506 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 2021-22. **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).**

Table 3 – HM Treasury funding ringfences

Column (1) – Matters	Column (2) – Specified amount
Elective Recovery Funding to reduce the NHS backlog	£1,160 million
Enhanced Discharge Programme	£1,072 million
Funding for COVID-19 impact on dental services, including lower income from dental charges	£190 million
Mental Health Recovery Funding to expand services	£366 million
Other COVID-19 spending incurred centrally and support for Primary Care	£358 million
COVID-19 Vaccinations in NHS settings	£2,376 million
Testing in NHS laboratories in support of the NHS Test and Trace programme	£401 million
Expansion of Seasonal Flu vaccination programme	£130 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	151,161	150,614	197	150	200
Including separately ringfenced limits:					
1) Total administration limit, of which:	1,785	1,664	121	0	0
• NHS England administration limit	579	506	73	0	0
2) COVID-19 ringfenced limits:					
• Elective Recovery Funding	1,160	1,160	0	0	0
• Enhanced Discharge Programme	1,072	1,072	0	0	0
• Funding for COVID-19 impact on dental services	190	190	0	0	0
• Mental Health Recovery funding	366	366	0	0	0
• Other central costs and support for Primary Care	358	358	0	0	0
• COVID-19 Vaccines	2,376	2,376	0	0	0
• NHS COVID-19 Testing	401	401	0	0	0
• Expansion of Seasonal Flu vaccination programme	130	130	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.

Capital resource limits - £m	Total	General capital resource limit
Total capital resource limit	337	337

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 2022:

- 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 2021-22 published by HM Treasury, so far as applicable to the limit in question.

Annex B – The Changes Made to the 2021-22 directions

The following changes have been made to the 2021-22 Financial Directions since they were published in March 2021:

- NHS England's administration limit has mainly been affected by funds transferred between it and NHS Improvement as part of their joint management.
- Non-ringfenced revenue adjustments have been made. The most significant of these are an increase in income under the Voluntary Scheme for Branded Medicines Pricing and Access (VPAS), NHS England's contribution to NHSX and additional funding to NHS England for the Mental Health and Wellbeing Recovery Action Plan. Together these total £257m. A number of smaller movements with other government departments, HEE and public health bodies have also been made.
- Additional funding has been provided to respond to the COVID-19 pandemic and recover elective services. The sum total of this additional funding in 2021-22 is £16.295bn, of which £8.3bn has been added through the mandate refresh. HM Treasury has stipulated several additional ringfences for the COVID-19 funding as set out above.
- As agreed with HM Treasury during the Supplementary Estimate process, an adjustment for year-end forecast outturn has been made to the NHS budget to reflect savings against BAU budgets. For non-COVID-19 budgets, this is a reduction of £2.016bn.
- A net adjustment of £53.6m has been made to Public Health England. This reflects transfers of funding made prior to the disbanding of the executive agency and shifting of its functions into the UK Health Security Agency (UKHSA) and other bodies on 1 October 2021.
- A transfer of £133.5m in operational funding has been made to NHS England regarding Supply Chain Coordination Limited (SCCL). This is following the transfer of SCCL share ownership from the Secretary of State for Health and Social Care to the NHS Commissioning Board, NHS England and NHS Improvement on 1 October 2021.
- 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 elective recovery. The total impact of these changes is an increase in NHS England's mandate for 2021-22 of £36m.
- NHS England's depreciation budget has received an uplift of £26m which reflects an increase in the asset base through increased expenditure on capital acquisition. This covers primary care IT and estate investment.

A revision to the 2021-22 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

The table below outlines NHS England's revenue resource limits for years up to 2021-22, and indicative amounts for future years in line with the outcome of Spending Review 2021. The NHS Funding Act 2020 set out the baseline revenue funding through to 2023-24, 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 (excluding depreciation and impairments)

£m	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
NHS funding baseline	120,807	127,007	133,283	139,990	148,467	151,629
Pensions adjustment	2,851	2,851	2,851	2,851	2,851	2,851
Additional COVID-19 funding		19,988	16,295			
Total SR21 funding (inc. technical adjustments)				8,989	6,085	8,161
Other transfers of funding	-281	-373	-1,815	765	TBC	TBC
Funding totals for inclusion in the Mandate	123,377	149,473	150,614	152,595	157,403	162,641

The NHS funding baseline figures are taken from the NHS Funding Settlement up to and including 2023-24. 2024-25 maintains 2023-24's baseline funding in real terms.

The 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 of £2.851bn

annually until 2023-24 arising from the scheme valuation, which has since been extended to 2024-25.

As part of the process to finalise NHS England's opening and closing positions for each financial year, an adjustment to the figures is made to accurately reflect the closing position. These occur in the form of transfers in and out of NHS England. The 'Other transfers of funding' row in the table above reflects the net sum of the transfers made that year, excluding any COVID-19 funding.

The Treasury has worked with DHSC and NHS England to ensure that the NHS received the funding it needed to tackle the impacts of COVID-19 in 2021-22. 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. Funding was also provided to Local Authorities to manage pressures on social care as well as helping with wider pressures on other public services.

Subject to passage of the Health and Care Bill, NHS Improvement's revenue and capital resource limits will be added to those of NHS England when the two organisations are legally merged. NHS Improvement is similarly expected to work within these limits.

Administration

Table 6 – administration included in revenue totals (excluding depreciation and impairments)

£m	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Total	1,753	1,644	1,664	1,657	1,656	TBC
Of which, NHS England central	500	475	506	480	477	TBC

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	2024-25
Total	260	365	337	219	219	219

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