



Department
of Health &
Social Care

2023 to 2024 revised financial directions to NHS England

Published March 2024

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Presented to Parliament pursuant to Section 223D of the National Health Service Act 2006.



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2023 to 2024 revised financial directions to NHS England

The Secretary of State gives these directions to revise the financial directions to NHS England in respect of the financial year ending on 31 March 2024, in exercise of the powers conferred by sections 223D, 223E, 223O and 273(1)(b) of the National Health Service Act 2006 ('the 2006 Act'). These directions have been agreed with NHS England in accordance with section 223D(4)(a) of the 2006 Act. These directions replace the 2023 to 2024 Financial Directions to NHS England made on 30 March 2023, which are now revoked. Details of the changes made can be found at Annex B.

The directions at Annex A1 specify the total revenue resource use limit in accordance with section 223D(1)(b), which is £179,660 million.

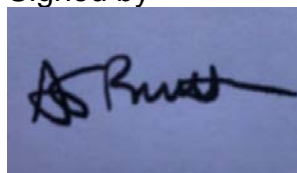
The directions at Annex A2, made under section 223E(1) and (3) of the 2006 Act, set out certain additional budgetary limits to which NHS England must adhere. These stem from budgetary controls that HM Treasury applies to the Department of Health and Social Care (DHSC). The limits imposed by the directions in Annex A2, and other sub-limits, are summarised within.

The directions at Annex A3, made under sections 223O of the 2006 Act, relate to particular uses of resources which must or must not be taken into account in relation to each limit. The directions at Annex A4, in reference to [HM Treasury's Consolidated budgeting guidance](#), set out the matters which relate to administration for the purposes of the directions in Annex A2.

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 for 2024 to 2025.

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 and Social Care

26 March 2024

Annex A1: Directions under section 223D of the 2006 Act

NHS England must exercise its functions with a view to ensuring that the total revenue resource use in the relevant financial year does not exceed £179,660 million. In these directions, 'total revenue resource use' means the use of revenue resources by NHS England, Integrated care boards ('ICBs'), NHS trusts and NHS foundation trusts (together 'NHS England Group and NHS providers'), other than use that consists of transfer of resources between those bodies. NHS charities' resource use is not included in this definition.

Table 1: breakdown of calculations used to reach the NHS England Group and NHS providers' total revenue resource use limit

	Matters	Specified amount
1.1	Revenue departmental expenditure, other than depreciation and impairments	£171,036 million
1.2	Depreciation and impairments within revenue departmental expenditure	£4,474 million
1.3	Revenue annually managed expenditure	£2,150 million
1.4	Technical accounting and budgeting	£2,000 million

As Table 1 includes NHS England Group and NHS providers, line 1.2 includes £3,981 million for depreciation in NHS trusts and NHS foundation trusts funded by ICBs' expenditure on healthcare services with those trusts. Line 1.2 also includes £100 million for spending on impairments in NHS trusts and NHS foundation trusts.

Annex A2: Directions under section 223E(1) and (3) of the 2006 Act – additional controls on resource use

NHS England must ensure that the relevant revenue resource use and the relevant capital resource use in the relevant financial year which is attributable to the matters in the ‘Matters’ column of the tables below shall not exceed the amount specified in relation to those matters in the corresponding entry in the ‘Specified amount’ column. In these directions, ‘relevant revenue resource use’ and ‘relevant capital resource use’ means the respective use of revenue and capital resources by NHS England and ICBs. The resource use of NHS trusts and NHS foundation trusts are not included in the limits imposed under section 223E(1) and (3).

Table 2: relevant revenue resource use limits

	Matters	Specified amount
2.1	Matters for which attributable expenditure is to be treated as within the revenue departmental expenditure limit, other than depreciation and impairments.	£175,016 million
2.2	Matters relating to depreciation and impairments for which attributable expenditure is to be treated as within the revenue departmental expenditure limit.	£393 million
2.3	Matters for which attributable expenditure is to be treated as revenue annually managed expenditure.	£150 million
2.4	Technical accounting and budgeting matters, namely capital grants and Private Finance Initiative or Local Investment Finance Trust schemes, as recorded in accordance with International Financial Reporting Interpretations Committee 12 (IFRIC 12).	£200 million
2.5	Matters relating to administration: (a) which are specified in Annex A4; and (b) for which attributable expenditure is to be treated as within the revenue departmental expenditure limit, other than depreciation and impairments	£1,945 million
2.6	Matters relating to administration: (a) which are specified in Annex A4; and (b) which relate to depreciation and impairments for which attributable expenditure is to be treated as within the revenue departmental expenditure limit	£182 million

As Table 2 refers to the resource use of NHS England and ICBs, the £3,981 million for expenditure incurred by ICBs which ultimately funds depreciation in NHS trusts and foundation trusts is included in line 2.1.

Included in matters relating to administration, lines 2.5 and 2.6, are balances which specifically relate to revenue which is used within NHS England, excluding ICBs. These are detailed in Table 3.

Table 3: NHS England administration limits

	Matters	Specified amount
3.1	Matters relating to administration: (a) which are specified in Annex A4, insofar as they relate to NHS England resource use; and (b) for which attributable expenditure is to be treated as within the revenue departmental expenditure limit, other than depreciation and impairments	£736 million
3.2	Matters relating to administration: (a) which are specified in Annex A4, insofar as they relate to NHS England resource use; and (b) which relate to depreciation and impairments for which attributable expenditure is to be treated as within the revenue departmental expenditure limit	£110 million

Table 4: relevant capital resource use limits

	Matters	Specified amount
4.1	Matters for which attributable expenditure is to be treated as within the capital departmental expenditure limit.	£439 million
4.2	Matters for which attributable expenditure is to be treated as capital annually managed expenditure.	£13 million

NHS England and ICBs do not hold any matters relating to depreciation and impairments for which attributable expenditure is to be treated as either within the capital departmental expenditure limit or as capital annually managed expenditure.

Table 5A: summary of the relevant revenue resource use limits imposed by the directions

	Revenue Resource use limits - £ million	Total	Revenue departmental expenditure limit (excluding depreciation and impairments)	Revenue departmental expenditure limit (depreciation and impairments)	Revenue annually managed expenditure	Technical accounting and budgeting
5A.1	Relevant revenue resource use limit, of which:	175,760	175,016	393	150	200
5A.1.1	Spending by commissioners with NHS providers that funds depreciation costs (ringfenced within 5A.1)	3,981	3,981	0	0	0
5A.1.2	Industrial action (ringfenced within 5A.1)	1,743	1,743	0	0	0
5A.1.3	Individual Placement Support (ringfenced within 5A.1)	6	6	0	0	0
5A.2	Total administration limit, of which:	2,126	1,945	182	0	0
5A.2.1	NHS England administration limit	847	736	110	0	0

Table 5B: summary of the relevant capital resource use limits imposed by the directions

	Capital Resource use limits - £ million	Total	Capital departmental expenditure limit	Capital annually managed expenditure
5B.1	Relevant capital resource use limit	453	439	13

These limits refer to the resource use of NHS England and ICBs. The resource use of NHS trusts and NHS foundation trusts are not included in the limits imposed under section 223E(1) and (3). In addition to the revenue departmental expenditure limit (RDEL) and capital departmental expenditure limit (CDEL), the following budgets are included:

- 'revenue annually managed expenditure' (RAME)
- 'capital annually managed expenditure' (CAME)
- 'technical accounting and budgeting'

The additional budgets outlined above are of a technical nature. Annually managed expenditure (AME) covers provisions and some types of impairments expenditure. Technical accounting and budgeting is for the differences between accounts produced under International Financial Reporting Standards (IFRS) following HM Treasury's Consolidated Budgeting Guidance. These budgets are not included in the RDEL and CDEL budget calculations used to calculate growth in NHS England's headline budget.

The adjustments in Table 5A for Provider Depreciation, Industrial Action and Individual Placement Support are reflected within the relevant revenue resource use limit and do not themselves represent resource use limits.

Annex A3: Directions under section 223O – resources and uses of resources which must or must not be taken into account

For the financial year ending on 31 March 2024, the following are the descriptions of resources or uses of resources specified, set out or described in the Consolidated Budgeting Guidance 2024 to 2025 published by HM Treasury, so far as applicable to the limit in question:

- 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 NHS England under sections 223D and 223E of the 2006 Act, and by NHS England for ICBs and their partner NHS trusts and NHS foundation trusts under section 223M of the 2006 Act;
- b) the uses of capital resources or revenue resources which must, or must not, be taken into account for the purposes of the resource limits set by the Secretary of State for NHS England under sections 223D and 223E of the 2006 Act, and by NHS England for ICBs and their partner NHS trusts, and NHS foundation trusts under section 223M of the 2006 Act;

Annex A4: Matters relating to administration in revenue resource use

Subject to paragraph (7) of this Annex, for the purposes of Annex A2 in these directions the following are matters which relate to administration:

- 1) the payment of remuneration, national insurance, pensions, allowances or gratuities to the persons listed in paragraph (6), insofar as the payment is attributable to any of the activities referred to in paragraph (4) or (5)
- 2) the provision of education and training for the persons listed in paragraph (6), where the education or training relates to any of the activities referred to in paragraph (4) or (5)
- 3) securing the provision of goods, facilities, or services for use by NHS England or an ICB in the exercise of its functions, including costs relating to:
 - accommodation, including the cost of rent, rates, utilities, and maintenance
 - information technology, including telecommunications and computer maintenance
 - office services, including stationery, postage, and rental of office equipment
 - management consultancy
 - services to support arranging the provision of the services referred to in paragraph (7)
 - depreciation, amortisation, impairment, write-off, or other alterations in the value of assets
- 4) the costs incurred in the exercise of:
 - NHS England's functions in relation to ICBs
 - NHS England or an ICB's functions of arranging for the provision of the services referred to in paragraph (7), including costs which are incurred in the carrying out of activities designed to improve the exercise of those functions, but excluding costs incurred in relation to activities whose sole or primary purpose is to improve the quality of those services
- 5) the costs, other than those referred to in paragraph (1) to (4), which are incurred in the carrying out of the following administrative or support activities:

- human resources
- finance
- corporate, business and administrative support
- management and governance
- formulation and monitoring of policy related to the exercise of functions
- administration of grant payments
- legal and regulatory advice
- marketing and communications
- programme and project management

6) The persons referred to in paragraph (1) and (2) are:

- employees of NHS England or an ICB
- non-executive members of NHS England
- members of an ICB
- members of committees of NHS England or an ICB and members of sub-committees of those committees
- members of an ICB who are individuals
- individuals authorised to act on behalf of a member of a ICB in dealings between the member and the ICB

7) The matters relating to administration do not include:

- payments made to persons providing services as part of the health service under arrangements made by NHS England or an ICB, in respect of the provision of such services pursuant to those arrangements
- payments made by NHS England or an ICB under or by virtue of section 12A of the 2006 Act

Annex B: The changes made to the 2023 to 2024 Financial Directions

The following changes have been made from the 2023 to 2024 Financial Directions since they were published in March 2023:

- NHS England has been provided with funding from the Department to reflect the outcome of the doctors and dentists review body (DDRB) pay recommendations (which the government accepted), the Agenda for Change pay deal agreed in March 2023, and for Consultants pay reform offers (pending outcome of members votes). Funding has been provided to mitigate the impact of industrial action in 2023 to 2024, which will be ringfenced to offset the cost impact of industrial action only.
- 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, Access and Growth (VPAG), funding for the Primary Care Recovery Plan and funding for technology programmes delivered in and through NHS England. Together these total £657 million. A number of smaller transfers with other government departments and health bodies have also been made.
- Additional funding has been provided in 2023 to 2024 to continue the COVID-19 vaccination programme, perform COVID-19 testing in NHS settings and roll-out the flu immunisation programme. The total of these funding transfers is £617 million.
- The NHS England non-ringfenced administration limit has been uplifted to cover additional costs related to 2023 to 2024 pay awards and employers' pension contributions – which have increased above the value originally agreed in 2019 to 2020 resulting from the NHS pension scheme revaluation. A corresponding reduction has been made to the non-ringfenced programme budget for this.
- Depreciation spending in NHS trusts and NHS foundation trusts funded by ICBs' expenditure on healthcare services with those trusts, which had previously been scored to matters excluding depreciation and impairments, is now categorised under matters relating to depreciation and impairments. This change applies to the limits set out in Annex A1 and does not affect Annex A2.
- A number of individual transfers of capital funding have been facilitated between NHS trusts and foundation trusts, and NHS England to fund jointly agreed capital projects, including support for sustainability and transformation partnerships (STP) programmes and Specialised Commissioning programmes. The total impact of these changes, including other adjustments to NHS England's capital budget such as those set out above, is a decrease to NHS England's capital resource use limit of £5 million for 2023 to 2024.

Annex C: Resource use limits 2019 to 2025 (excluding depreciation, annually managed expenditure and technical budget)

Revenue

The table below outlines the total revenue resource use limits for NHS England Group and NHS providers (other than depreciation and impairments) for years up to 2024 to 2025 in line with the outcome of Spending Review 2021 and subsequent fiscal events. The figures are adjusted annually to account for reallocation of resources, additional funding, and changes of responsibility between government bodies.

Table 6: NHS England Group and NHS providers' total revenue resource use limits (excluding depreciation and impairments)

£ million	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
NHS funding baseline	120,807	127,007	133,283	139,990	148,467	151,629
<i>Accounting classification adjustments</i>	-2,043	-2,341	-2,641	-3,293	-3,321	-3,442
Revised Baseline	118,764	124,666	130,642	136,697	145,147	148,187
Pensions adjustment	2,851	2,851	2,851	2,851	2,851	2,851
Additional COVID-19 and elective recovery funding		19,988	16,295			
Spending Review 2021 funding				8,989	6,085	8,161
Autumn Statement 2022 funding					3,300	3,300
Autumn Statement 2023 funding					1,114	
Supplementary Estimates 2023 to 2024 funding					2,062	
Other transfers of funding prior to Spring Budget 2024	-281	-373	-1,815	6,691	2,627	
Spring Budget 2024 funding					3,176	2,450
RDEL Budget as per SB24	121,334	147,132	147,973	155,228	163,186	164,850
Additional pensions adjustment						1,965
Other transfers of funding following Spring Budget 2024					2,740	4,698

Funding totals (excluding HEE)	121,334	147,132	147,973	155,228	165,926	171,613
HEE adjustment					5,110	5,303
Funding totals (including HEE)					171,036	176,916

The NHS Funding Act 2020 set out the baseline revenue funding up to and including 2023 to 2024, representing the lower limit that NHS England is guaranteed to receive. 2024 to 2025 maintains 2023 to 2024's baseline funding in real terms. The application of the IFRS 16 Leases accounting standard has subsequently revised this baseline revenue funding.

As Table 6 refers to the revenue resource use of NHS England Group and NHS providers, excluding depreciation and impairments, funding totals exclude £3.981 billion for expenditure incurred by ICBs which funds provider depreciation (in NHS trusts and foundation trusts), which is included in line 1.2 in Table 1.

Following the 2016 valuation of the NHS Pension Scheme, the employer contribution rate rose by 6.3% from 1 April 2019. Alongside the long-term funding settlement for the NHS announced in 2018, the government committed to provide £2.851 billion additional recurrent funding for this annually until 2023 to 2024. This has since been extended to 2024 to 2025 and increased by £1.965 billion, to reflect a further 3.1% rise from 1 April 2024, following the 2024 valuation of the scheme.

NHS Improvement, NHS Digital and Health Education England's revenue and capital resource limits have been added to the funding totals going forward as the organisations have become part of NHS England. NHS Improvement's 2022 to 2023 figures do not represent the full year budget as the functions transferred to NHS England on 1 July 2022.

The Health Education England adjustment represents funding as part of the government's continuing commitments around workforce supply and reform to meet the priorities of the Long-Term Workforce Plan.

In finalising 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' rows in the table above reflect the net sum of the transfers made that year, prior to and following Spring Budget 2024, including additional Autumn Statement 2022 funding and excluding any funding specifically identified in the table above.

Other transfers for NHS England's 2023 to 2024 budget relate to VPAG, COVID-19 vaccination programme, funding for the Primary Care Recovery Plan, as well as the pay awards for 2023 to 2024 and to offset the impact of industrial action for the year.

Administration

The table below outlines the relevant administration limits for NHS England and ICBs for years up to 2024 to 2025 in line with the outcome of Spending Review 2021 and subsequent fiscal events. Administration budgets also undertake transfers throughout the year. Adjustments have also been made to reflect the transfer of functions of NHS Improvement, NHS Digital and Health Education England into NHS England.

Table 7: relevant administration limits (excluding depreciation and impairments), included in revenue resource use limits

£ million	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
Total	1,753	1,644	1,664	1,895	1,945	1,979
Of which, NHS England only	500	475	506	657	736	757

Capital

The table below outlines the relevant capital resource limits for NHS England and ICBs for years up to 2024 to 2025 in line with the outcome of Spending Review 2021 and subsequent fiscal events. Capital budgets also undertake transfers throughout the year, which mainly relate to individual trusts and providers. Adjustments have also been made for the impacts of the application of the International Financial Reporting Standard (IFRS) 16 Leases accounting standard.

Table 8: relevant capital resource use limits

£ million	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
Total	260	365	337	330	439	431

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