

2016-17 Revised Financial Directions to NHS England¹

These Financial Directions accompany *The Mandate: A mandate from the Government to NHS England: April 2016 to March 2017* 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 2017.

These Directions replace the 2016-17 Financial Directions to NHS England made on 18th December 2015, which are revoked. The Secretary of State has powers under section 223D(7) to revise directions given under s. 223D in certain circumstances, which include where NHS England agrees to the change. The detail 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 2016/17. The total revenue resource limit is £106,528m 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. 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

[signed by]

Andrew Baigent
Member of the Senior Civil Service
Department of Health

16 March 2017

¹ Whose statutory title is the National Health Service Commissioning Board

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 the 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 (<i>see column (1) in table 2</i>)	£105,702 million
Matters relating to depreciation and impairments for which attributable expenditure is to be treated as within the revenue departmental expenditure limit (<i>see column (2) in table 2</i>)	£166 million
Matters for which attributable expenditure is to be treated as annually managed expenditure (<i>see column (3) in table 2</i>)	£300 million
Technical accounting and budgeting matters, namely capital grants and Private Finance Initiative or Local Investment Finance Trust schemes (as recorded in accordance with IFRIC 12) (<i>see column (4) in table 2</i>)	£360 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.	£1,711 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

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

Table 1A 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.	£471 million

<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 2- Summary of limits imposed by the Mandate and the directions in Annex A1

Revenue resource limits - £m	Original Total	Revised Total	Revised Other Limits			
			Revenue departmental expenditure limit (excluding depreciation and impairments) [1]	Revenue departmental expenditure limit (depreciation and impairments) [2]	Annually Managed Expenditure [3]	Technical accounting/budgeting [4]
Total Revenue Resource Limit	106,496	106,528	105,702	166	300	360
<i>Of which:</i>						
<i>Section 7a - Public health (ring fenced)</i>	1,069	1,069	1,069	0	0	0
<i>Fund for sustainability and transformation – sustainability element (ring fenced)²</i>	1,800	1,800	1,800	0	0	0
<i>Total administration limit, of which:</i>	1,824	1,832	1,711	121	0	0
<i>NHS England administration limit</i>	533	544	471	73	0	0
<i>Non- ring-fenced resources include:</i>						
• <i>Fund for new primary/community infrastructure (£250m total, revenue and capita)</i>	175	175	175	0	0	0
• <i>Child and adolescent mental health services, including services for the treatment of eating disorders (£30m)</i>	258	258	258	0	0	0
• <i>Additional revenue funding</i>	0	32	32	0	0	0
<i>Memorandum items:</i>						
• <i>National Informatics Board work programme – funding transferred to NHS Digital</i>	0	36	36	0	0	0
• <i>Total NHS budget including NIB transfer³</i>	0	106,564	105,738	166	300	360

Capital resource limits - £m	Original Total	Revised Total	Revised general capital resource limit [5]
Total capital resource limit	305	260	260
<i>Of which, non-ring-fenced resources include:</i>			
<i>Fund for new primary/community infrastructure</i>	75	75	75

² Allocations from the fund for sustainability and transformation must be agreed in advance with HM Treasury and DH. NHS England intend to allocate additional transformation funding (£339m) from within their total resource limit, creating a total fund of £2.1bn.

³ The Memorandum items are not limits imposed by the financial directions or Mandate. They simply illustrate total NHS funding including the work of the National Informatics Board that is transferring to NHS Digital.

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 31st March 2017-

(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 from 2015-16 published by HM Treasury, so far as applicable to the limit in question.

Annex B – The changes made to the 2016-17 directions

The following changes have been made from the 2016-17 Financial Directions to NHS England as published on 18th December 2015:

- The NHS England administration limit for 2016-17 has been increased from £533m to £544m, within the overall limit of £1,832m. The overall administration limit has been increased by £8m to reflect increased estates costs in relation to the move to market rents by NHS Property Services.
- Additional non-ring-fenced revenue funding and minor budget transfers in to NHS England totalling a net £32m have been added. This includes additional Primary Care Transformation funding as well as the move to market rents by NHS Property Services.
- Capital funding has been reduced to reflect a number of transfers out of NHS England to support capital projects in NHS providers.

Taken together these changes increase NHS England's total revenue resource limit by £32m and reduce NHS England's total capital resource limit by £45m.

A revision to the 2016-17 mandate was laid before Parliament in March 2017 to reflect these changes to the budget only.

Appendix - Background information

Future indicative resource limits (figures excluding depreciation and impairments to be on the same basis as the DH Spending Review Settlement)*

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 background information on current proposals for the future.

Revenue £m	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Revised Mandate Total	100,882					
Spending Review announcement		106,500	109,900	112,400	115,500	119,600
Adjustment for non-recurrent funding	-182					
Transfers of function and funding – 0-5**	-428	-855	-855	-855	-855	-855
Transfers of function and funding - other**	-72	57	89	90	35	35
Funding for inclusion in Mandate (and like for like 15/16 baseline)	100,200	105,702	109,134	111,635	114,680	118,780

Admin (included within revenue totals) £m	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Total	1,735	1,711	1,685	1,684	1,633	1,633
Of which, NHS England central (post transfers of function)	460	471	463	463	350	350

£m	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Capital	300	260	260	260	305	305

Revenue and Capital combined £m	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Total	100,500	105,962	109,394	111,895	114,985	119,085
Real terms increase on previous year (%)		3.7%	1.4%	0.3%	0.7%	1.3%
Real terms increase on 2015/16 baseline (£bn)		£3.8bn	£5.3bn	£5.8bn	£6.7bn	£8.5bn

* Overall Mandate funding totals include £166m of depreciation funding, £300m of AME, and £360m of funding for technical accounting budgets.

** The main transfer of function is the move of 0-5 public health services from NHS England to local government. There are a small number of other transfers including the move of the Leadership Academy to Health Education England. To ensure comparability of numbers, in this table £500m has been removed from the 15-16 baseline, representing 6 months of funding for 0-5 public health services between 1 April and 30 September 2015 and these other planned transfers.