

## 2017-18 Revised Financial Directions to NHS England<sup>1</sup>

These Financial Directions accompany *The Mandate: A mandate from the Government to NHS England: April 2017 to March 2018* 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 2018.

These Directions replace the 2017-18 Financial Directions to NHS England made on 16th March 2017, which are revoked. 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 2017-18. The total revenue resource limit is £109,536m and the total capital resource limit is £247m. 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 handwritten signature in black ink, appearing to read 'C Young', is written over a light grey rectangular background.

Christopher Young  
Member of the Senior Civil Service  
Department of Health

19 March 2018

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<sup>1</sup> NHS England’s 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).

| <b>Table 1</b><br><b>Column (1) – matters</b>                                                                                                                                                                                                                                                                                                                                               | <b>Column (2) - specified amount</b> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|
| 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> )                                                                                                                                                                                              | £109,536 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> )                                                                                                                                                                                                                                                            | £100 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> )                                                                                                                                                                   | £200 million                         |
| Matters relating to administration –<br>(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<br>(b) for which attributable expenditure is to be treated as within the revenue departmental expenditure limit, other than depreciation and impairments. | £1,684 million                       |
| Matters relating to administration which –<br>(a) are specified in regulation 57 of the National Health Service Commissioning Board and Clinical Commissioning Groups (Responsibilities and Standing Rules) Regulations 2012; and<br>(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).

| <b>Table 1A</b><br><b>Column (1) – matters</b>                                                                                                                                                                                                                                                                                                                                              | <b>Column (2) - specified amount</b> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|
| Matters relating to administration –<br>(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<br>(b) for which attributable expenditure is to be treated as within the revenue departmental expenditure limit, other than depreciation and impairments. | £465 million                         |

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|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| <p>Matters relating to administration which–</p> <p>(a) are specified in regulation 57 of the National Health Service Commissioning Board and Clinical Commissioning Groups (Responsibilities and Standing Rules) Regulations 2012; and</p> <p>(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 the limits imposed by the Mandate and directions in Annex A1

| Revenue resource limits - £m                                                                         | Total          | Other Limits <sup>2</sup>                                                           |                                                                           |                                  |                                    |
|------------------------------------------------------------------------------------------------------|----------------|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------|----------------------------------|------------------------------------|
|                                                                                                      |                | 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] |
| <b>Total Revenue Resource Limit</b>                                                                  | <b>110,002</b> | <b>109,536</b>                                                                      | <b>166</b>                                                                | <b>100</b>                       | <b>200</b>                         |
| <i>Of which:</i>                                                                                     |                |                                                                                     |                                                                           |                                  |                                    |
| <i>Section 7A - Public health (ring fenced)</i>                                                      | <i>1,152</i>   | <i>1,152</i>                                                                        | <i>0</i>                                                                  | <i>0</i>                         | <i>0</i>                           |
| <i>Fund for sustainability and transformation – sustainability element (ring fenced)<sup>3</sup></i> | <i>1,800</i>   | <i>1,800</i>                                                                        | <i>0</i>                                                                  | <i>0</i>                         | <i>0</i>                           |
| <i>Total administration limit, of which:</i>                                                         | <i>1,805</i>   | <i>1,684</i>                                                                        | <i>121</i>                                                                | <i>0</i>                         | <i>0</i>                           |
| <i>NHS England administration limit</i>                                                              | <i>538</i>     | <i>465</i>                                                                          | <i>73</i>                                                                 | <i>0</i>                         | <i>0</i>                           |

  

| Capital resource limits - £m        | Total      | General capital resource limit [5] |
|-------------------------------------|------------|------------------------------------|
| <b>Total capital resource limit</b> | <b>247</b> | <b>247</b>                         |

<sup>2</sup> 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 have been reviewed in line with the latest forecasts available and reset. In these revised 2017-18 Directions the AME budget has reduced from £300m to £100m and the Technical Accounting/Budgeting from £360m to £200m. These budgets are not included in the RDEL and CDEL budget calculations used to calculate growth in the NHS.

<sup>3</sup> Allocations from the fund for sustainability and transformation 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 31st March 2018-

(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 2016-17 published by HM Treasury, so far as applicable to the limit in question.

## Annex B – The changes made to the 17-18 directions

The following changes have been made from 17-18 Financial Directions to NHS England as published on 16<sup>th</sup> March 2017:

- The NHS England administration limit for 17-18 has been increased from £463m to £465m, within the overall limit of £1,684m. In 2016 DHSC provided an additional £69m to NHSE for the increase in costs due to the implementation of market rents. At that point it was estimated that £9m of this additional funding would need to be admin. In the light of further analysis, in 17-18 NHSE have requested that the additional funding is revised between 'core' and overall admin limits.
- Additional non ring-fenced revenue funding totalling £337m was announced at Budget 2017 and has been added.
- Additional non ring-fenced revenue funding and minor budget transfers in to NHS England totalling a net £65m have been added.
- Capital funding has been reduced to reflect a number of transfers out of NHS England to support capital projects in NHSE providers.

Taken together these changes increase NHS England's total revenue resource limit by £402m and reduce NHS England's total capital resource limit by £13m.

A revision to the 17-18 Mandate was laid before parliament in March 2018 to reflect these changes to the budget only.