Huw Yardley  
Health and Social Care Committee  
House of Commons  
London SW1A 0AA

10 MAY 2019

Dear Mr Yardley,

QUESTIONS ON THE DHSC 2018-19 SUPPLEMENTARY ESTIMATE MEMORANDUM

Please find responses set out below to the questions raised by the Committee on 16 April.

1. Question

The Supplementary Estimate details an extra £600 million Resource DEL and £20m Capital DEL from the Treasury reserve to cover "unforeseen one-off in-year pressures". Can you please provide some more information about what caused these cost pressures and explain why you consider that they are one-off cost pressures rather than ones that will re-occur in the future?

Response

The £600 million revenue and £20 million capital for "unforeseen one-off in year pressures", specific to 2018-19 were to cover:

- **One-off receipts** expected from sales in 2018-19, delayed due to circumstances HM-Treasury agreed were beyond the DHSC’s control. Gross spending plans were set on the basis of receiving this one-off receipt, details of which cannot be disclosed due to confidentiality and commercially sensitive reasons;

- **The impact of the timing of HM-Government laying the regulations to increase the Immigration Health Surcharge**. The DHSC’s gross spending plans were set based upon an expected increase in the level of receipts received from the implementation of government policy to increase the surcharge at an agreed point in the financial year. The regulations were approved later in the year, in Nov 2018; and

- **Other** agreed increases in funding to cover pressures due to changes in circumstances during the year which could not be anticipated in the original planning assumptions. For example, costs associated with EU exit preparedness and pressures caused by foreign exchange variability.
2. Question

The change to the Personal Injury Discount rate caused an increase of £410 million in the Resource DEL budget.

a) What is the total budget for personal injury compensation in 2018-19 now and how does this compare to the amount paid in 2017-18?

b) Is this increase a recurring higher cost, resulting in higher costs in future years also?

Response

a) The majority of the department’s spend on personal injury compensation (including the costs for the change in the personal injury discount rate – PIDR change) occurs in NHS Resolution (NHSR). The details requested are set out in the table below:

<table>
<thead>
<tr>
<th>DHSC Personal Injury funding/payments</th>
<th>2017/18 Outturn £m</th>
<th>2018/19 Plan £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>NHSR Income from members 1,2</td>
<td>2,007</td>
<td>2,044</td>
</tr>
<tr>
<td>DHSC funding to NHSR 1,2,3</td>
<td>533</td>
<td>539</td>
</tr>
<tr>
<td>Total funding NHSR</td>
<td>2,540</td>
<td>2,583</td>
</tr>
<tr>
<td>NHSR payments in respect of all schemes 1,4</td>
<td>2,285</td>
<td>to be confirmed</td>
</tr>
</tbody>
</table>

Notes:

2. 2018/19 data source - NHSR 2018/19 Business Plan page 44
3. 2018/19 budget for NHSR includes £400m of the £410m Resource DEL increase for the change in PIDR included in the DHSC 2018/19 Supplementary Estimate
4. Payments for 2018/19 will be detailed in NHSR's audited 2018/19 Annual Report and Account later this year.

b) The commitment to fund the impact of the change in the Ministry of Justice personal injury discount rate for long-term liabilities on the NHS for the current and future financial years was set out in the Lord Chancellor's announcement in February 2017. Details of the announcement can be found at: https://www.gov.uk/government/news/new-discount-rate-for-personal-injury-claims-announced

A new framework for setting the personal injury discount rate has been put in place by the Civil Liability Act 2018. The Lord Chancellor is carrying out the first review of the rate under the new legislation. Any change in the rate will impact on future expenditure and consequential funding requirements.

3. Question
   The Prime Minister’s announcement of funding increases for the NHS were based on a nominal budget (excluding depreciation) for the NHS in 2018-19 of £114.6 billion.

   a) How much of the total Resource DEL (RDEL) budget increase (of £2.4 billion) relates to NHS?
   b) What do you now expect the 2018-19 NHS RDEL budget (excluding depreciation) to be?
   c) What will the nominal and real terms growth in NHS funding between 2018-19 and 2019-20 now be?

Response
   a) The DHSC RDEL increased by £2.4 billion from £123.518 billion to £125.924 billion. Details of this change are set out in the table below:

<table>
<thead>
<tr>
<th>Details of £2.4 billion RDEL increase in 2018-19 Supplementary Estimate</th>
<th>£m</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main Estimate</td>
<td>123,518</td>
<td>RDEL (including Depreciation)</td>
</tr>
<tr>
<td>Supplementary Estimate</td>
<td>125,924</td>
<td></td>
</tr>
<tr>
<td>Change</td>
<td>2,406</td>
<td></td>
</tr>
</tbody>
</table>

**NHS**

<table>
<thead>
<tr>
<th>Agenda for Change pay deal</th>
<th>£800 million revenue for the Agenda for Change pay uplift included in HM- Treasury’s Autumn Budget 2018 publication.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital to revenue transfer</td>
<td>Planned as part of the Spending Review 2015 real terms growth for the NHS for 2017-18 and already allocated in the Mandate to NHSE. The Supplementary Estimate process is the way in which pre-planned Capital/Revenue switches are formalised on an annual basis per HM-Treasury’s rules.</td>
</tr>
</tbody>
</table>

| Total NHS | £1,300 |
b&c) The 2018-9 NHS RDEL budget (excluding depreciation) and details of funding growth will be detailed in the Mandate and accompanying financial directions to be published shortly.

4. Question

Changes to budgets since the Spending Review 2015 include a reduction in the budget for Public Health England of £208 million due to Business Rates reduction. Can you provide further detail about this change in Public Health England’s budget?

Response

The reduction of £208 million is in accordance with the 100% Business Rates Retention Pilots announced in the Budget 2016, that a number of devolution-deal areas would pilot 100% rates retention from 1 April 2017. The Public Health Grant relating was reduced in accordance with this policy announcement for Greater Manchester.

Further details can be found in paragraph 6 of the government announcement at:


Further information on 2019-20 can be found in paragraph 8 of the government announcement on 19-20 business rates reductions at:


Yours sincerely,

[Signature]

STEPHEN HAMMOND