

ESTIMATES MEMORANDUM – DEPARTMENT OF HEALTH AND SOCIAL CARE 2017-18 SUPPLEMENTARY SUPPLY ESTIMATE

Introduction

1. The Department of Health and Social Care (DHSC) Supplementary Supply Estimate for 2017-18 seeks the necessary resources and cash to support the functions of the DHSC, NHS and associated non-departmental public bodies. These are continuing functions from previous years and are categorised as follows:
 - NHS England and Clinical Commissioning Groups;
 - Healthcare Providers (NHS Trusts and NHS Foundation Trusts);
 - Public Health England (Executive Agency)
 - Special Health Authorities (including Health Education England);
 - Non Departmental Public Bodies; and
 - Department of Health and Social Care Administration and Programme.
2. The purpose of this memorandum is to provide the Committee with a detailed explanation of the changes sought in the Supplementary Supply Estimate.

Summary of changes

Key Changes

Departmental Expenditure Limits (DEL)

Autumn Budget 2017

3. £337 million Revenue DEL allocated to help the NHS increase capacity over winter and improve performance against waiting time targets.
4. £506 million Capital DEL allocated to enable the NHS to deliver transformation that improves ability to meet demand for services, tackles the most urgent and critical maintenance issues and supports efficiency programmes.

Reserve Claim

5. £677 million Revenue DEL funding and £9 million Capital DEL funding transfer from HM Treasury (HMT) reserve, consisting of

Revenue DEL

- £394 million to cover the impact of the Ministry of Justice increase in the discount rate for long term personal injury liabilities. The Government committed to covering the impact of the rate change on the NHS in the Spring 2017 Budget as set out in the Office for Budget Responsibility *Economic and Fiscal Outlook March 2017*
- £267 million to cover increasing reciprocal healthcare costs in the European Economic Area for 2017-18. This has been driven by increased volumes of claims and average healthcare costs.
- £16 million technical transfers which are part of the reserve claim. £14 million for prior year Immigration Health Surcharge income and £2 million HMT grants funded from LIBOR fines.

Capital DEL

- £9 million for HMT capital grants funded from LIBOR fines.

Other Key Changes

6. £1 billion transfer from the Capital DEL budget to the Revenue DEL budget. It was agreed at the Spending Review that potential capital funding could be transferred to resource budgets to support operational delivery in the NHS, where it makes sense to do so. This transfer does not change the overall funding available in the DHSC Spending Review settlement.
7. Net transfers of funding between the DHSC and other government departments resulting in an £83.9 million increase to the Revenue DEL and a £1.3 million decrease to the Capital DEL.

Annually Managed Expenditure (AME)

8. £13.556 billion increase to the AME budget. On 14 December 2017, HMT published updated discount rates to be used in calculating the value of provisions. This has resulted in an increase to the AME budget of £13.6 billion. HMT's change in the discount rate will impact on a number of Government Departments who will report an increase in non-fiscal AME. This does not change the underlying future costs that will be incurred by the taxpayer in meeting this obligation, nor does it make these liabilities less affordable for Government or affect front line public services.

National Insurance Contributions (NICs)

9. An increase of £804 million to the level of National Insurance Contributions from £20.5 billion to £21.3 billion. NICs are classified as Non-Voted DEL and therefore NICs received are adjusted for by decreasing the Voted DEL control total and increasing the Non-Voted DEL control by the same amount. The Department confirmed it had complied with the Public Accounts Committee due diligence process on 11 January.

Other matters to note

10. The Supplementary Estimate is also the process to adjust the presentation of the Estimate to reflect the agreed changes to the NHS England Mandate. The timetable for agreement of Mandate changes extends beyond HMT's deadline for the Supplementary Estimate and therefore changes still being agreed are not included. These have no impact on the Department's overall budget control totals as they are movements in budgets within the Departmental Group. It is intended that Mandate changes will be concluded week commencing 12 February and the updated 2017-18 Mandate published week commencing 5 March.

Detailed breakdown

11. A detailed breakdown of the changes in this Estimate is set out in Appendix i, categorised below as follows:
- a. changes to budgetary controls – summarised in the paragraphs above;
 - b. changes for intra-group redistribution - these changes are as a result of redistributing existing funding between spending sectors within the DHSC group. These changes are routine and reflect the Department's latest estimate of where spending will occur in each sector. These changes net to zero and thus do not affect the overall spending power of the Department.

Approval of Memorandum

1. This memorandum has been prepared with reference to HM Treasury's *Supply Estimates: a guidance manual*. The information in this memorandum has been approved by Chris Young, Director - Finance Directorate.