



**ESTIMATES MEMORANDUM
DEPARTMENT OF HEALTH AND SOCIAL CARE
2019-20 MAIN ESTIMATE**

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1. OVERVIEW

1.1. Objective

The Department of Health and Social Care (DHSC) supports ministers in leading the nation's health and social care to help people live more independent, healthier lives for longer. The DHSC Single Departmental Plan (SDP) sets out the Department's objectives and how we will achieve them. The 2019-20 SDP will be published at the end of May and included in the 2019-20 Supplementary Estimate Memorandum.

The 2018-19 SDP objectives are:

- i) Keep people healthy and support economic productivity and sustainable public services.
- ii) Transform primary, community and social care to keep people living more independent, healthier lives for longer in their community.
- iii) Support the NHS to deliver high quality, safe and sustainable hospital care and secure the right workforce.
- iv) Support research and innovation to maximise health and economic productivity.
- v) Ensure accountability of the health and care system to Parliament and the taxpayer; and create an efficient and effective DHSC.
- vi) Create value by promoting better awareness and adoption of good commercial practice across the Department and its Arm's Length Bodies (ALBs).

Further details on each of the objectives and how they will be achieved can be found in the SDP. [Link to Single Departmental Plan](#).

1.2. Spending Controls

DHSC's spending is broken down into the different spending totals, for which Parliament's approval is sought. The spending totals which Parliament votes are:

- Resource Departmental Expenditure Limit (Resource DEL) – day to day running costs;
- Capital Departmental Expenditure Limit (Capital DEL) – investment in infrastructure;
- Resource Annually Managed Expenditure (Resource AME) – in DHSCs case this is mainly litigation provisions for clinical negligence cases managed by NHS Resolution (NHSR); and
- Capital Annually Managed Expenditure (Capital AME) – in DHSC's case this covers the specific budgeting treatment relating to Credit Guarantee Finance.

In addition, Parliament votes a net cash requirement, designed to cover the elements of the above budgets which require the DHSC Departmental group to pay out cash in year.

1.3. Main Areas of Spending

The graphics below show the main components of DHSC's proposed Revenue DEL, Capital DEL and Resource AME spending plans, included in the latest Estimate, and the proportions spent by the different bodies within the group. The letters in the graphics below denote the letter attributed to each Estimate Subhead.

2019-20 Resource DEL - Total Budget £133.6bn



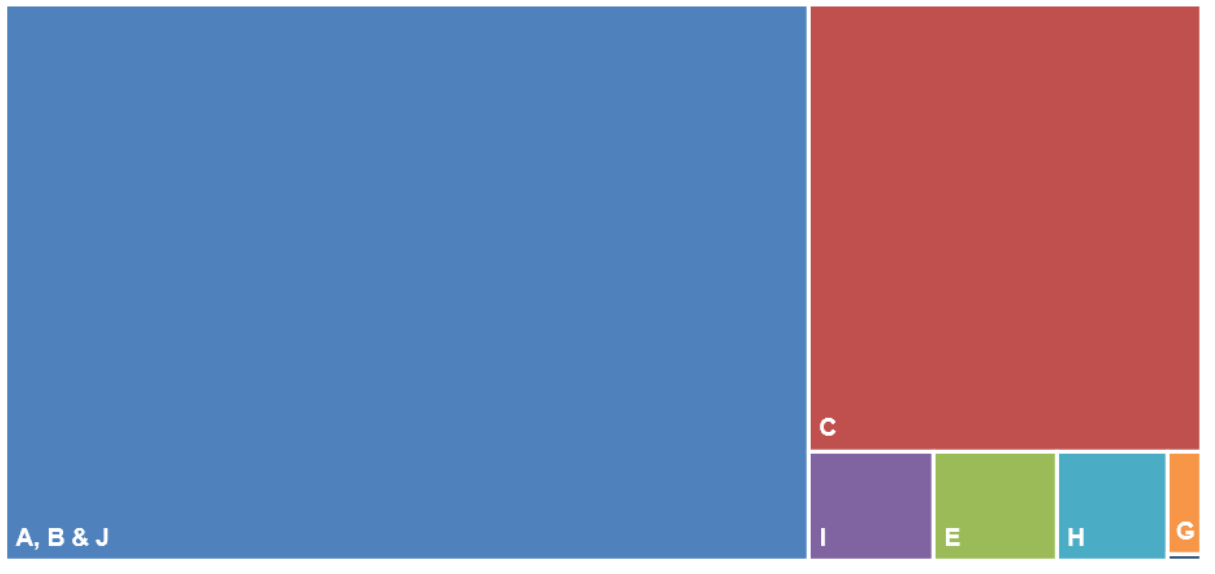
* NHS – this section represents the funding available for the NHS and consists of the following Estimate lines:

- A – NHS Commissioning Board (known as NHS England);
- B – NHS Providers; and
- J – NHS Commissioning Board (known as NHS England) net expenditure financed from National Insurance Contributions.

Details of the spending plans for each Estimate line can be found in section 2.1.

Please note – despite the closer alignment of NHS England and NHS Improvement – ratified by the upcoming publication of the Accountability Framework, the core funding for NHS Improvement (NHS TDA and Monitor) is not currently included in the *NHS funding shown above as this is not included in the NHS Long-Term Plan financial settlement.

2019-20 Capital DEL - Total Budget £5.9bn



Please note the capital for Health Education England (line F) is not shown in this illustration due to relatively small size of the budget (£2m). Details of the spending plans for each Estimate line can be found in section 2.1.

2019-20 Resource AME - Total Budget £11.4bn



1.4. Comparison of Spending Totals Sought

The table below shows how the 2019-20 Supplementary Estimate spending plans compare with the 2018-19 Main and Supplementary Estimates.

DEL Type	2019-20 Main Estimate	2018-19 Supplementary Estimate	Variance to 2018-19 Supplementary Estimate		2018-19 Main Estimate	Variance to 2018-19 Main Estimate	
	£m	£m	£m	%	£m	£m	%
Resource DEL	133,601	125,924	7,677	6.10%	123,518	10,083	8.16%
Capital DEL	5,920	5,983	(63)	-1.05%	6,364	(444)	-6.97%
Resource AME	11,420	12,926	(1,506)	-11.65%	10,526	894	8.49%

1.5. Key Drivers of Spending Changes Since Last Year

This section identifies the key drivers of change since last year on the Resource DEL, Capital DEL and Resource AME. Details of changes between 2019-20 Main Estimate and 2018-19 Supplementary Estimate can be found in section 2.

- Resource DEL
The Resource DEL increase compared to the 2018-19 Supplementary Estimate relates mainly to:
 - the funding growth in the 2015 Spending Review; and
 - the increase in funding for the final cash settlement for the NHS covering the first five years of the NHS Long Term Plan; and
 - increases for changes in employers' pensions contributions.
- Capital DEL
The 2019-20 Capital DEL:
 - includes the additional capital allocated in the Autumn 2017 Budget for transformation (see funding section below),
 - has been adjusted for capital to revenue transfers and for assumed levels of receipts; but
 - it does not include the non-recurrent additional funding provided at the 2018-19 Supplementary Estimate for one-off unforeseen pressures, nor does it include several routine transfers (to)/from other government departments undertaken during 2018-19.
- Resource AME
The 2019-20 AME figures are based on our best estimate of provisions and impairments expenditure for the DHSC group. Due to the nature of the Departments AME expenditure variations from year to year are not unusual as these items are demand-led.

1.6. New Policies and Programmes

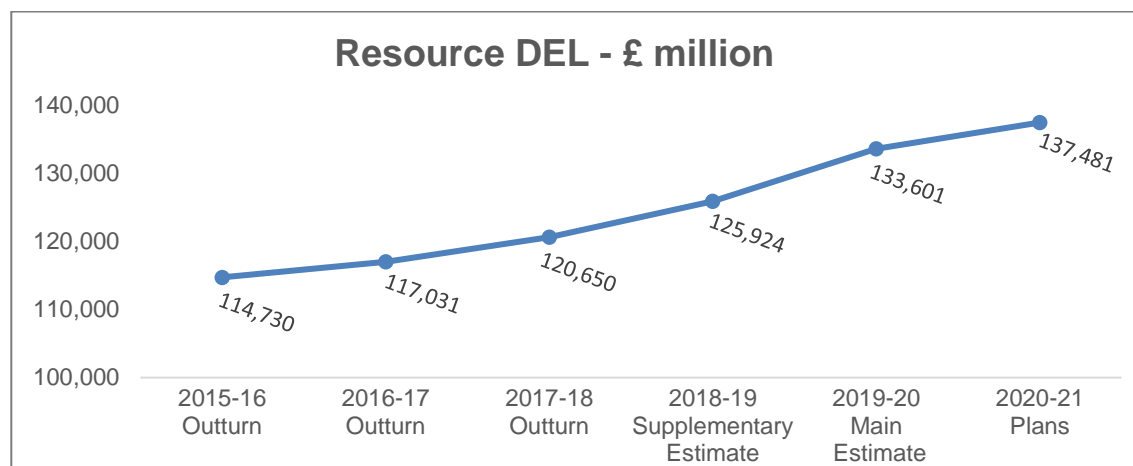
The DHSC makes all announcements on new policies and programmes during the year on the government website, details can be found at

<https://www.gov.uk/government/organisations/department-of-health-and-social-care>

1.7. Spending Trends

The graphs show the outturn for the last 3 years (2015-16 to 2017-18), plans presented in Estimates for 2018-19 and 2019-20, and future spending plans for 2020-21 for Resource DEL, Capital DEL and Resource AME.

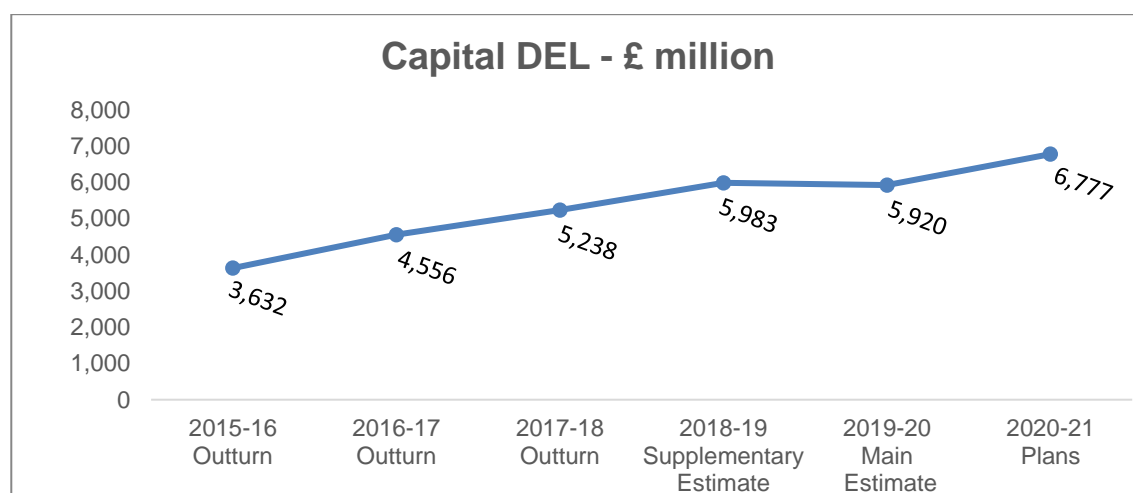
- Resource DEL



The increase in Resource DEL expenditure over the 2015 Spending Review period reflects the 2015 Spending Review settlement and additional funding provided in 2017-18 and 2018-19 in the Budget announcements and the Reserve Claim settlements. 2019-20 and 2020-21 follow the multi-year funding commitment announced by the Prime Minister in June 2018 and the NHS Long-Term plan, published in January 2019. This plan was published on the basis of it being affordable and deliverable within the final cash settlement that was provided to the NHS. This settlement is equivalent to an extra £33.9bn in cash terms by 2023/24. More details on the NHS's Long-Term Plan can be found at:

<https://www.gov.uk/government/news/nhs-long-term-plan-launched>

- Capital DEL



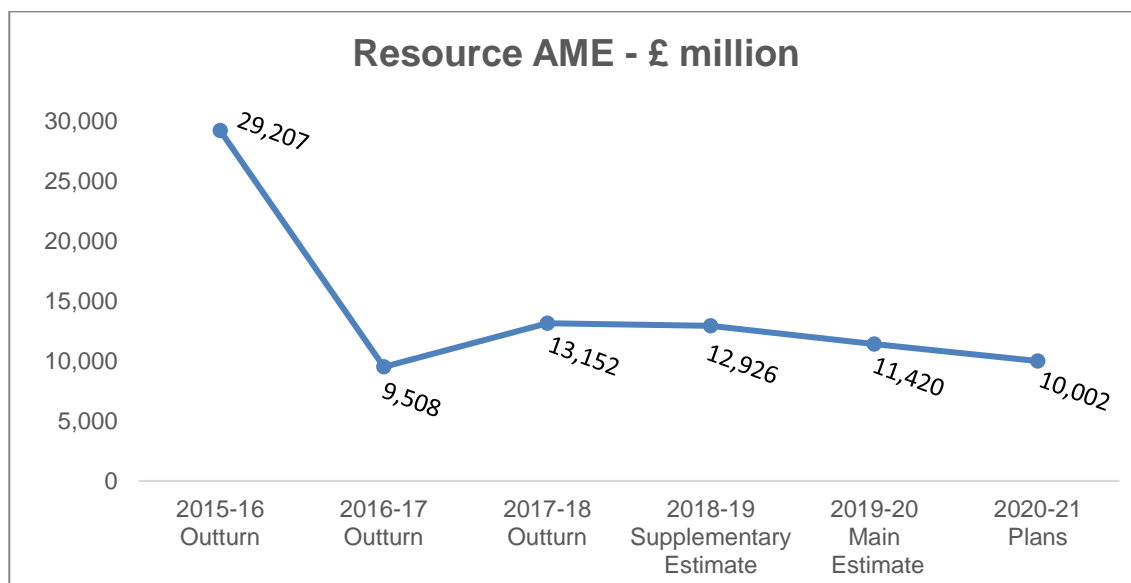
The 2015 Spending Review set the DHSC Capital DEL budget in flat cash terms (at £4.8 billion) over the five years from 2016-17 to 2020-21. This was prior to the capital reclassification of research and development expenditure, previously treated as revenue. This change resulted in a circa £1 billion increase to Capital DEL in each year since 2016-17.

A planned and reducing series of Capital to Revenue transfers were agreed at the 2015 Spending Review, and these have been/are formalised on an annual basis as required by formal HMT Estimate process.

The Spring and Autumn Budgets in 2017 made available additional capital funding of £3.9 billion over a six-year period (2017-18 through 2022-23). This was predominantly to fund Sustainability and Transformation Plans (STP) estate transformation (£2.6bn), but also included around £700m to support turnaround in challenged providers and critical maintenance needs and £200m to support efficiency improvement programmes.

In the 2018-19 Supplementary Estimate reserve claim additional funding was provided for Air Ambulances and to cover one-off technical budgeting changes.

- Resource AME



The Department's AME expenditure is mainly non-fiscal and relates to provisions and impairments. These are demand-led and volatile, being subject to many variables outside the Department's direct control, such as changes to the discount rates to measure the value of long-term provisions liabilities.

AME was significantly higher in 2015-16. This was entirely due to a change in the discount rate used to measure the value of long term provision liabilities.

1.8. Funding: Spending Review and Budgets

The Department's 2019-20 original spending plans were announced in the 2015 Spending Review. The main changes since then have been:

- **Spring Budget 2017** the DHSC received £3.5 million of Resource DEL for mental health and £109.5 million Capital DEL for Sustainability and Transformation Plans.
- **Autumn Budget 2017** the government announced £901 million of Resource DEL and £708 million of Capital DEL for the NHS.
- **Autumn Budget 2018** the DHSC received £5.4 billion of Resource DEL, which included funding for the NHS Long Term Plan and pensions.

- **Capital to Revenue transfers** - £250 million was agreed as part of the 2015 Spending Review and an additional £221 million was agreed to fund part of the first year of the NHS's long-term settlement.
- **Pensions** – Employer contribution rates are set to increase across all public service pension schemes, creating cost pressures for Departments and participating employers to manage. The Treasury is supporting departments with unforeseen costs in 2019-20, and confirmed at Budget 2018 that it has allocated extra DEL to the reserve for 2019-20 to cover an expected £4.7 billion of additional costs. Funding for future years will be a matter for the Spending Review.

The NHS is an exception to this general position. In June 2018, alongside the funding settlement for NHS England, the Government committed to provide additional funding for NHS pension costs until 2023-24, adjusting the level of additional funding to reflect

the final SCAPE rate change. In line with this DHSC received £1.25bn in the Autumn 18 Budget and has received a further £1.65 billion in the 2019-20 Main Estimates, taking the total funding for pensions (both the NHS and Principal Civil Service Pensions Scheme) in 2019-20 to £2.9 billion. Further information on the NHS Pensions Scheme arrangements for 19/20 can be found in the [Government's consultation response](#).

- The DHSC receives routine transfers of funding from other government departments resulting in a £275 million increase to the Revenue DEL.

1.9. Funding: Other Spending Announcements

NHS Long-term Plan – Following the new multi-year funding commitment announced by the Prime Minister in June 2018, the Government agreed the NHS Long-Term plan and this was published in January 2019. This plan was published on the basis of it being affordable and deliverable within the final cash settlement that was provided to the NHS. This settlement is equivalent to an extra £33.9bn in cash terms by 2023/24.

More details on the NHS's Long-Term Plan can be found at:

<https://www.gov.uk/government/news/nhs-long-term-plan-launched>

2. SPENDING DETAIL

The tables below detail the changes in the 2019-20 Main Estimate compared to the 2018-19 Supplementary Estimate. As per Estimates Memorandum convention, explanations for any changes, which are over both £10 million and 10% are provided in a referenced note under each table.

2.1. Resource DEL

The table below shows how DHSC's 2019-20 Main Estimate spending plans for Resource DEL compare with the 2018-19 Supplementary Estimate.

Subhead	Description	Resource				See Note 2.1
		2019-20 Main Estimate	2018-19 Supplementary Estimate	Change from last year		
		£m	£m	£m	%	
A	NHS Commissioning Board (known as NHS England) net expenditure	20,842.1	16,698.2			
B	NHS Providers	77,306.1	73,501.2			
J	NHS Commissioning Board (known as NHS England) net expenditure financed from National Insurance Contributions	22,694.4	21,926.3			
Sub Total - NHS		120,842.6	112,125.7	8,716.8	8%	
C	DHSC programme and admin expenditure	1,797.2	2,525.8	(728.6)	-29%	a)
D	Local Authorities (Public Health)	2,932.0	3,010.9	(78.9)	-3%	
E	Public Health England (Executive Agency)	956.7	798.9	157.8	20%	b)
F	Health Education England	1,762.6	1,792.1	(29.5)	-2%	
G, H & I	Special Health Authorities, NDPB's and ALB's and Other Bodies	5,310.3	5,670.7	(360.3)	-6%	
TOTAL (Voted and Non Voted)		133,601.4	125,924.1	7,677.2	6%	

Estimate lines A, B and J represents the funding available to the NHS as detailed in section 1.3.

a) DHSC Programme and Admin Expenditure

The reduction in 2019-20 compared to 2018-19 mainly relates to the circa £600 million additional funding to cover unforeseen one-off in-year pressures that DHSC

received in the Supplementary Estimate. The remaining changes relate to an inter-group redistribution of resources and transactions.

b) Public Health England

The increase to the PHE funding is mainly related to higher depreciation costs.

2.2. Capital DEL

The table below shows how DHSC's spending plans for Capital DEL compare with the 2018-19 Main Estimate.

Subhead	Description	Capital				See Note 2.2
		2019-20 Main Estimate	2018-19 Supplementary Estimate	Change from last year		
		£m	£m	£m	%	
A	NHS Commissioning Board (known as NHS England) net expenditure	305.0	253.9			
B	NHS Providers	3,671.2	3,555.5			
J	NHS Commissioning Board (known as NHS England) net expenditure financed from National Insurance Contributions	0.0	0.0			
Sub Total - NHS		3,976.2	3,809.4	166.8	4%	
C	DHSC programme and admin expenditure	1,559.9	1,902.6	(342.7)	-18%	c)
D	Local Authorities (Public Health)	0.0	0.0	0.0	0%	
E	Public Health England (Executive Agency)	120.9	(43.4)	164.3	-379%	d)
F	Health Education England	2.0	2.0	0.0	0%	
G, H & I	Special Health Authorities, NDPB's and ALB's and Other Bodies	261.4	312.7	(51.3)	-16%	e)
TOTAL (Voted and Non Voted)		5,920.4	5,983.3	(62.9)	-1%	

c) DHSC Programme and Admin Expenditure

The reduction relates mainly to the inclusion of additional funding in 2018-19 to cover one-off unforeseen pressures and several routine transfers (to)/from other government departments.

d) Public Health England (PHE)

In 2018-19 the credit against PHE related to routine write offs from the Pandemic Flu and Emergency Preparedness stockpiles, which are treated as a capital credit

for budgetary purposes. 2019-20 capital expenditure is planned at circa £120 million in line with long-term capital planning assumptions.

e) Special Health Authorities, NDPB's & Arm's Length and Other Bodies

The reduction of £51 million mainly relates to £14 million for NHS Digital and £40 million for Genomics England Limited (GEL).

NHS Digital's capital expenditure funds various informatics programmes within the Digital Transformation Portfolio. The overall budget changes from year to year depending on the status and maturity of the programmes being funded.

In 2015 GEL was awarded £250 million of capital funding over 5 years at a £50m per annum flat profile. GEL spent more than the profiled budget in 18-19 to complete the 100,000 Genomes Project and will spend less in 2019-20 it moves to a new funding model.

2.3. Resource AME

The table below shows how DHSC's spending plans for Resource AME compare with the 2018-19 Main Estimate. It should be noted that DHSC's AME spend relates to provisions and impairments, which have no immediate impact on the fiscal framework or need for taxes to be raised to cover spending.

Subhead	Description	Resource				See Note 2.3
		2019-20 Main Estimate	2018-19 Supplementary Estimate	Change from last year		
		£m	£m	£m	%	
K	NHS Commissioning Board (known as NHS England) net expenditure	100.0	100.0	0.0	0%	
L	NHS Providers	1,875.2	1,200.0	0.0	0%	
Sub Total - NHS		1,975.2	1,300.0	675.2	52%	f)
M	DHSC programme and admin expenditure	691.4	688.3	3.0	0%	f)
N	Public Health England (Executive Agency)	5.0	5.0	0.0	0%	
O	Health Education England	5.0	5.0	0.0	0%	
P, Q & R	Special Health Authorities, NDPB's and ALB's and Other Bodies	8,758.3	10,928.0	(2,169.7)	-20%	f)
TOTAL (Voted and Non Voted)		11,434.9	12,926.3	(1,491.5)	-12%	

f) The changes in AME figures between years are based on estimated forecast of provisions and impairment expenditure.

2.4. Ring Fenced Budgets

Within the totals, the Official Development Assistance (ODA) and following elements are ring fenced i.e. savings in these budgets may not be used to fund pressures on other budgets.

DEL Type	2019-20 Main Estimate	2018-19 Supple- mentary Estimate	Variance to 2018-19 Supplementary Estimate		2018-19 Main Estimate	Variance to 2018-19 Main Estimate	
	£m	£m	£m	%	£m	£m	%
ODA Resource DEL	112.2	70.1	42.1	60%	87.6	24.6	28.1%
ODA Capital DEL	130.0	91.0	39.0	43%	100.0	30.0	30.0%
ODA Total	242.2	161.1	81.1	50%	187.6	54.6	29.1%
EU Exit	50.0	21.1	28.9	137%	0.0	50.0	100.0%

- **Official Development Assistance (ODA)** - The DHSC ODA budgets increase year on year. This budget profile reflects the DHSC ODA programmes life cycle with projects being set up in the first few years, becoming fully operational in the later years and is the reason for the increase between the 2018-19 Final Outturn and the 2019-20 Main Estimate.
- **EU Exit** – DHSC received £50 million for 2019-20, announced in a [Ministerial Statement on the 18 December 2018](#) and £21.1 million for 2018-19 to cover the costs of preparing to exit the European Economic Union.

2.5. Changes to Contingent Liabilities

There are no new or changed contingent liabilities in 2019-20.

3. PRIORITIES AND PERFORMANCE

3.1. How Spending Relates to Objectives

The table below shows how expenditure against each Estimate line contributes to the SDP objectives.

Estimate Line		1	2	3	4	5	6
		Keep people healthy and support economic productivity and sustainable public services	Transform primary, community and social care to keep people living more independent, healthier lives for longer in their community	Support the NHS to deliver high quality, safe and sustainable hospital care and secure the right workforce	Support research and innovation to maximise health and economic productivity	Ensure accountability of the health and care system to Parliament and the taxpayer; and create an efficient and effective DHSC	Create value (reduced costs and growing income) by promoting better awareness and adoption of good commercial practice across the Department and its ALB's
A	NHS Commissioning Board (known as NHS England) net expenditure	x	x	x	x	x	x
B	NHS Providers	x	x	x	x	x	x
C	DHSC Programme and admin expenditure	x	x	x	x	x	x
D	Local Authorities (Public Health)	x	x			x (accountability to the taxpayer but not Parliament)	
E	Public Health England (Executive Agency)	x	x	x	x	x	
F	Health Education England		x	x	x		
G	Special Health Authorities expenditure	x					x
H	NDPBs	x	x	x	x		x
I	ALBs & Other			x	x		x

3.2. Measures of Performance against each Priority

The Department's priorities are set out in the SDP as detailed in paragraph 1.1. Each of the DHSC priorities has a DHSC Lead official responsible for the priority. The Lead official will work with Ministers and bodies within the Departmental group to achieve the objective.

For example, the priority to '*keep people healthy and support economic productivity and sustainable public services*' involves a number of bodies within the group, such as NHS England, NHS Improvement, Public Health England, NHS Blood and Transplant, the Human Fertilisation and Embryology Authority and the Human Tissue Authority.

The bodies mentioned above are a combination of NHS Bodies, Executive Agencies and Public Corporations and therefore are detailed on numerous DHSC Estimate lines. The DHSC has certain performance indicators it uses to ensure the objectives are being met. One such indicator is the NHS Outcomes Framework.

The NHS Outcomes Framework (NHSOF) is a set of indicators developed by the DHSC to monitor the health outcomes of adults and children in England. The Framework provides an overview of how the NHS is performing. The NHSOF comprises five domains: preventing people from dying prematurely, enhancing quality of life for people with long-term conditions; helping people to recover from episodes of ill-health or following injury; ensuring people have a positive experience of care; treating and caring for people in a safe environment and protecting them from avoidable harm.

More information can be found on the NHS Digital website at [Link to NHS Outcomes Framework](#).

More information on the SDP and performance against the DHSC objectives can be found in the DHSC 2017-18 Annual Report.

- Performance Analysis against the 2018-19 DHSC SDP objectives can be found in paragraph 25 (page 9) to paragraph 137 (page 31);
- Further information on the SDP priorities can be found in paragraph 222 (page 46) to paragraph 296 (page 59).

[Link to DHSC 2017-18 Annual Report](#).

Details of performance against the DHSC 2018-19 SDP priorities will be included in the 2018-19 DHSC Annual Report which will be published in July 2019.

3.3. Commentary on steps being taken to address performances issues

Details of progress on efficiency can be found in the DHSC 2017-18 Annual Report on page 27, paragraphs 116 to 119. [Link to DHSC 2017-18 Annual Report](#).

3.4. Major Projects

The DHSC has several major projects which are financed from Resource and Capital DEL. Details of the project aims, Departmental commentary on actions planned or taken and timescales for implementation can be found at <https://www.gov.uk/government/publications/dhsc-government-major-projects-portfolio-data-2018>.

4. OTHER INFORMATION

4.1. DHSC Revenue Expenditure Analysis

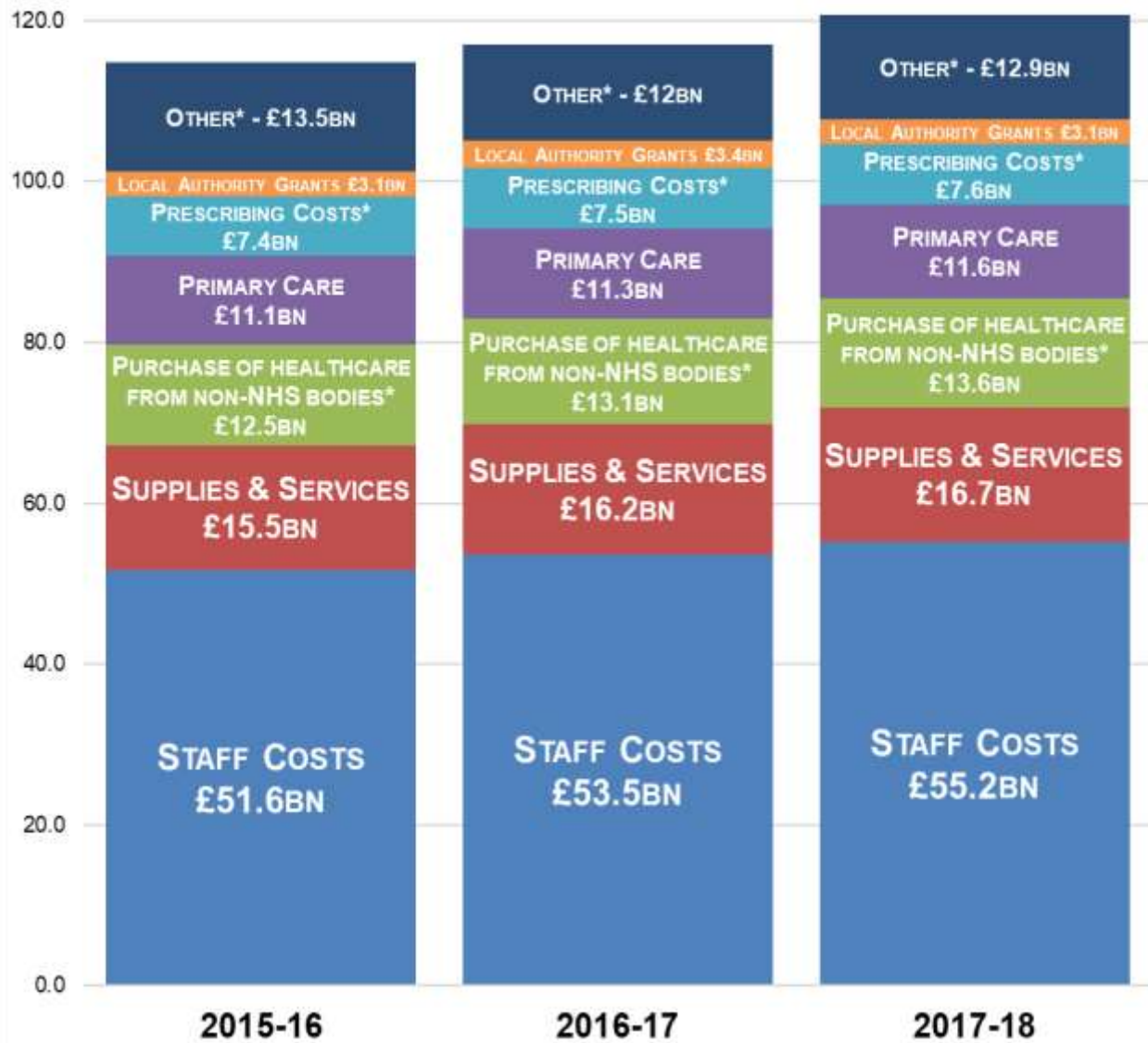
The majority of the DHSC's budget is allocated to fund the NHS. Circa £75 billion of revenue expenditure in the Departmental group sits in the NHS Provider sector, spent on staff costs, drugs and procurement of supplies and services to deliver healthcare. Other significant expenditure includes primary care (including general practice, dentistry, ophthalmology, pharmaceutical) and prescribing costs.

Further information on the NHS Provider sector can be found:

- in the 2017-18 Provider consolidated accounts at: <https://improvement.nhs.uk/about-us/corporate-publications/publications/consolidated-nhs-provider-accounts-201718/>; and
- the Provider 2018-19 quarter 3 performance report <https://improvement.nhs.uk/resources/quarterly-performance-nhs-provider-sector-quarter-3-201819/>

The chart below shows the 2015-16 to 2017-18 revenue expenditure broken down to show the material categories as per the DHSC Annual Report in the Departmental Group Summary tables (2.2 Expenditure and 2.3 Income) for the relevant financial year.

EXPENDITURE ANALYSIS



**These figures are net of income.*