

## **Estimates Memorandum - Department of Health 2016-17 Supplementary Supply Estimate**

### **Introduction**

1. The Department of Health's (DH) Supplementary Supply Estimate for 2016-17 seeks the necessary resources and cash to support the functions of the Department of Health, 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 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)

3. £1.2 billion transfer to the Revenue DEL budget from the Capital DEL budget. The transfer mitigates RDEL pressures in the provider sector. At the time of the Spending Review, it was recognised that as the NHS's plans developed, the effective deployment of resources could be supported by reprioritisation across spending categories, where it makes sense to do so. This planning assumption is for a budget transfer and does not increase the funding available to the NHS or change the overall funding available in the DH Spending Review settlement.
4. £23 million Revenue DEL funding transfer from HM Treasury (HMT) reserve, consisting of
  - £20 million in respect of Home Office Migrant Surcharge income amounts owing from 2015-16 that HMT agreed to fund in 2016-17; and
  - £3 million for LIBOR grants.
5. Transfers of funding between the DH and other government departments. In total for DH, this is an increase of £58.5 million to the Revenue DEL and an increase of £6 million to the Capital DEL.

## Annually Managed Expenditure (AME)

6. £8.561 billion addition to AME budget, which consists
  - £8 billion is in respect of a change in the NHSLA methodology for categorising long term provisions liabilities. This change is the estimated impact of actuarial work undertaken by NHSLA and the Government Actuaries Department in response to the National Audit Office's review of the NHSLA's reserving methodology; and
  - £0.557 billion is in respect of the impact of HMT's annual review of the discount rate for provisions and in respect of new provisions recognised.

## National Insurance Contributions (NICs)

7. The Department has agreed a due diligence process with HMT, HM Revenue & Customs (HMRC) and the Government Actuary's Department (GAD), which enables HMT to cross reference the Department's Supplementary Supply Estimate against NICs information provided by GAD and HMRC. In 2016-17, the Department will receive £20,025,641k NICs in total, (£18,898,759k at Main Supply Estimate and an additional £1,126,882k at Supplementary Supply Estimate). 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 total by the same amount. The Department has complied with the due diligence process and HMT signed off the NICs content of the Supplementary Supply Estimate on 2 February 2017.

## Other matters to note

8. This Supplementary Supply Estimate does not include any provision for the Lord Chancellor's review of the court discount rate, announced by the Ministry of Justice on 7 December 2016.

## **Detailed breakdown**

9. 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 DH 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**

10. This memorandum has been prepared with reference to HMT's Supply Estimates: a guidance manual. The information in this memorandum has been approved by Andrew Baigent, Finance Director.