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

19 May 2020

Dear Huw,

Thank you for your letter of 20th April about our Departmental Supplementary Estimates for 2019-20. I was also grateful for your positive words about our adoption of the new guidance on production of estimates. I am sorry for the delay in replying.

You asked for clarification of two issues, the first of which was about the Department's request for an additional £365m linked to the **Personal Injury Discount Rate (PIDR)**. Before March 2017, the PIDR had been set at 2.5%. A review then led to a reduction to *minus* 0.75% and this rate was amended again in August 2019, increasing to *minus* 0.25%. PIDR is a significant variable in the overall costs the Department faces each year when settling clinical negligence claims, as it affects the value today of claims over a number of years into the future. You are right that the increase in the rate from -0.75% to -0.25% would reduce the in-year costs of such claims, in the same way that the reduction in the rate from the previous assumption of 2.5% had substantially increased the costs of those claims.

The request for the additional £365m budget cover reflects the fact that the baseline DHSC budget for such negligence claims was actually set in the last Spending Review on the PIDR then in force of 2.5%; we have agreed with HM Treasury to adjust our budget for the costs of the new rate(s) one year at a time through the Supplementary Estimates process. This isn't an issue of a delay in handling claims – instead, during 2019-20, NHS Resolution has settled claims using whichever rate was in force at the time the settlement was agreed (so -0.75% up to 5 August 2019 and -0.25% after that point). The £365m is the difference between a budget for 2019-20 set on a higher PIDR of 2.5% and the actual costs of settlements at these new lower rates.

You also asked about the request to **increase our capital budgets for 2019-20 by £1,200m**. This request uses the Supplementary Estimates process to formalise additional capital allocations to the Department and the NHS announced and implemented during 2019-20.

Individual NHS organisations are responsible for their own estate and prioritising investment in it accordingly. Whether funding comes from Trusts' own cash reserves

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or operating profits, from locally retained estate disposal receipts, or from national funding allocations or capital loans, all of this operational capital expenditure at a local

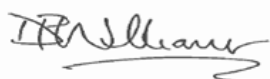
level scores against the DHSC Capital Departmental Expenditure Limit (C DEL). The **£1,000m uplift to C DEL** supports the NHS to undertake capital works in line with their own 2019-20 plans – spending that covers a full range of estates, equipment and IT investments. The additional budget and cash has allowed the NHS to fund urgent fire safety and backlog maintenance issues, informatics requirements and estates programmes to address CQC reports. The funding also allowed the Department to provide direct allocations to address specific capital pressures facing the NHS over the winter period in 2019-20.

The ‘£100m for the upgrade of facilities and equipment’ was the initial 2019-20 funding element of the multi-year £850m investment announced by the Government to support schemes updating facilities and equipment at 20 hospitals. A list of the 20 upgrades can be found at <https://www.gov.uk/government/news/pm-announces-extra-18-billion-for-nhs-frontline-services>.

The £100m funding for improvements in diagnostics services is part of a £200m investment (split over 2 years) announced by the Government to improve cancer scanning and diagnostic capacity of the NHS. The new NHS funding will replace MRI machines, CT scanners and breast screening equipment. The full list of those trust's initially identified to receive funding has been published here: <https://www.gov.uk/government/news/78-nhs-trusts-to-receive-new-cancer-screening-machines>

We will report on actual spending against these budgets later in the year when we publish our Annual Report and Accounts for 2019-20.

Your sincerely,



DAVID WILLIAMS CB
Second Permanent Secretary