Department of Health & Social Care

ESTIMATES MEMORANDUM
DEPARTMENT OF HEALTH AND SOCIAL CARE
2024-25 MAIN ESTIMATE

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1. OVERVIEW

1.1. Objectives

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.

Departmental objectives are:

- Protect the public's health through the health and social care system's response to Covid-19;
- Improve healthcare outcomes by providing high-quality and sustainable care at the right time in the right place and by improving infrastructure and transforming technology;
- Improve healthcare outcomes through a supported workforce;
- Improve, protect and level up the nation's health, including through reducing health disparities; and,
- Improve social care outcomes through an affordable, high quality and sustainable adult social care system.

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:

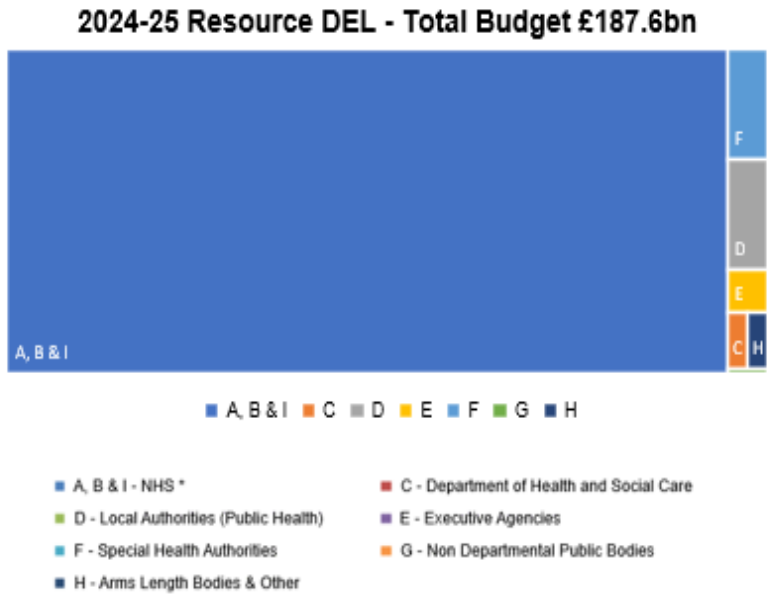
- Resource Departmental Expenditure Limit (Resource DEL) – day to day running costs;
- Capital Departmental Expenditure Limit (Capital DEL) – investment in infrastructure;
- Resource Annually Managed Expenditure (Resource AME) – non-fiscal less predictable expenditure, in DHSC's case this is mainly litigation 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 IFRS16.

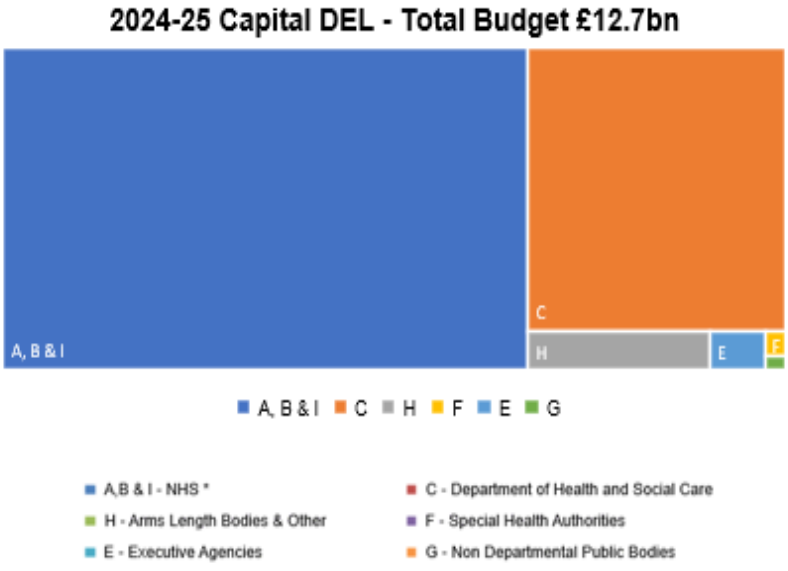
In addition, Parliament votes a net cash requirement, designed to cover the elements of the above budgets which require the DHSC Departmental group to pay out cash in year.

1.3. Main Areas of Spending

The graphics below show the main components of DHSC's proposed Resource DEL and Capital DEL spending plans, included in the 2024-25 Main Estimate, and the proportions spent by the different bodies within the group. The letters denote the letter attributed to the lines (known as subheads) in the Estimate.

Further details are included in paragraphs 1.7 and 2.1.





** NHS – this section represents the funding for the NHS and consists of the following Estimate lines: A – NHS England, B – NHS Providers; and I –NHS England financed from National Insurance Contributions.*

1.4. Comparison of Spending Totals Sought

The table below shows how the 2024-25 Main Supply Estimate spending plans compared with the 2023-24 Supplementary Supply Estimates (SSE) and 2023-24 Main Estimates.

Budget Type	2024-25 Main Estimate	2023-24 SSE	*Variance to 2023-24 SSE*		2023-24 Main Estimate	*Variance to 2023-24 Main Estimate*	
	£m	£m	*£m*	*%*	£m	*£m*	*%*
Resource DEL	187,636	183,861	*3,775*	*2.1%*	178,578	*9,058*	*5.1%*
Capital DEL	12,656	10,989	*1,667*	*15.2%*	12,088	*568*	*4.7%*
Resource AME	10,880	(2,272)	*13,152*	*-579.0%*	10,880	*0*	*0.0%*
Capital AME	943	106	*837*	*792.6%*	106	*837*	*792.6%*

1.5. Key Drivers of Spending Changes since last year:

This section identifies the key drivers of change since last year for Resource DEL, Capital DEL and Resource AME. Further detailed analysis of changes can be found in section 2.

Resource DEL - The main changes in resource DEL in 2024-25 compared to 2023-24 are detailed below:

Explanation of changes - £ billions	2024-25 Main Estimate	2023-24 SSE	Change
(a) Resource DEL (excluding depreciation) at SR21	177.4	173.4	4.0
(b) Autumn Statement 22, 23 and Spring Budget 24	5.9	4.2	1.7
Provider depreciation reclassification/IFRS16	-3.6	-3.5	-0.1
(c) 2023-24 SSE changes		4.5	-4.5
RDEL (excl depreciation) at Spring Budget 24	**179.6**	**178.5**	**1.1**
(d) 24-25 Main Estimate changes	2.8		2.8
RDEL (for depreciation/impairments)	5.2	5.4	-0.2
Resource DEL - per Main Estimates	**187.6**	**183.9**	**3.8**

a) **Resource DEL SR21:** a circa £4.0 billion increase in DHSC Group funding for 2024-25 as published in Spending Review 2021 LINK.

b) **Changes to budgets in the Autumn Statements and Spring Budgets since SR21**:

- Autumn Statement 2022 which provided £3.3 billion additional funding for the NHS in both 2023-24 and 2024-25. LINK.
- Spring Budget 2023 provided £0.1 billion additional funding in 2023-24 and £0.1 billion additional funding in 2024-25. LINK.
- Autumn Statement 2023: circa £1.1 billion funding was provided to the NHS in 2023-24 for; the announced NHS Agenda for Change pay deal, including the non-consolidated payment for 2022-23, which was paid out from June 2023, and to help ease winter capacity pressures. Funding of circa £0.1 billion was provided for 2024-25 which included funding for the government's plans to create a smokefree generation, to help launch the Fleming Centre, and for the expansion of NHS Talking Therapies programme and Individual Placement and Support to help people with mental health conditions. LINK
- Spring Budget 2024: The government provided an additional circa £2.5 billion of funding for the NHS in 2024-25, protecting funding levels in real terms and supporting the NHS to continue to improve performance and reduce waiting times. LINK.

c) **2023-24 Supplementary Supply Estimate (SSE) changes:** details are set out in full in the 2023-24 Supplementary Supply Estimates memorandum. LINK.

d) **2024-25 Main Estimates changes**: the £2.8 billion increase mainly comprises:

- circa £2 billion change relating to NHS pensions for increased employer contribution rates resulting from the 2020 valuations as a consequence of changes to the Superannuation Contributions Adjusted for Past Experience (SCAPE) rate; and
- Circa £0.8 billion budget transfers to/from other government departments.

Capital DEL The changes in capital DEL in 2024-25 compared to 2023-24 are detailed below:

Explanation of changes - £ billions	2024-25 Main Estimate	2023-24 SSE	Change
(a) Capital DEL at SR21	11.2	10.4	0.7
(b) IFRS16	1.4	1.2	0.2
(c) Budget Exchange from 2022-23		0.4	-0.4
(d) 2023-24 SSE changes		-1.1	1.1
CDEL at Spring Budget 24	**12.6**	**11.0**	**1.7**
(e) 24-25 Main Estimate changes	0.0		0.0
Capital DEL - per Main Estimates	**12.7**	**11.0**	**1.7**

a) **Capital DEL SR21:** DHSC Group capital funding as published in Spending Review 2021. LINK.

b) **IFRS16:** Government departments are required to implement the accounting standard for leases - International Financial Reporting Standard 16 (IFRS16). Full details were published by HM Treasury in December 2020. In simple terms there is no longer the distinction between operating leases (scored to resource) and finance leases (scored to capital). The capital increases cover the costs of new leases and changes to existing leases in 2023-24 and 2024-25.

c) Budget Exchange of £0.4 billion was reprofiled from 2022-23 into 2023-24

d) **2023-24 Supplementary Estimate changes:** details are set out in full in the 2023-24 Supplementary Supply Estimates memorandum. LINK.

e) **2024-25 Main Estimates changes** total £15 million and comprise circa £6 million budget transfers to/from other government departments and circa £9 million Shared Outcomes funding from HMT.

Resource AME is around £13.1 billion higher in the 2024-25 Main Estimate compared to the 2023-24 SSE. The 2023-24 SSE estimated AME costs were negative £2.3 billion as a result of the change in the discount rate prescribed by HM Treasury to measure the value of long-term provisions liabilities.

Capital AME is around £0.8 billion higher in the 2024-25 Main Estimate compared to the 2023-24 SSE. This relates to the budget cover for the further interim payments to living infected beneficiaries currently registered with existing Infected Blood Support Schemes, announced by Government on 21 May 2024.

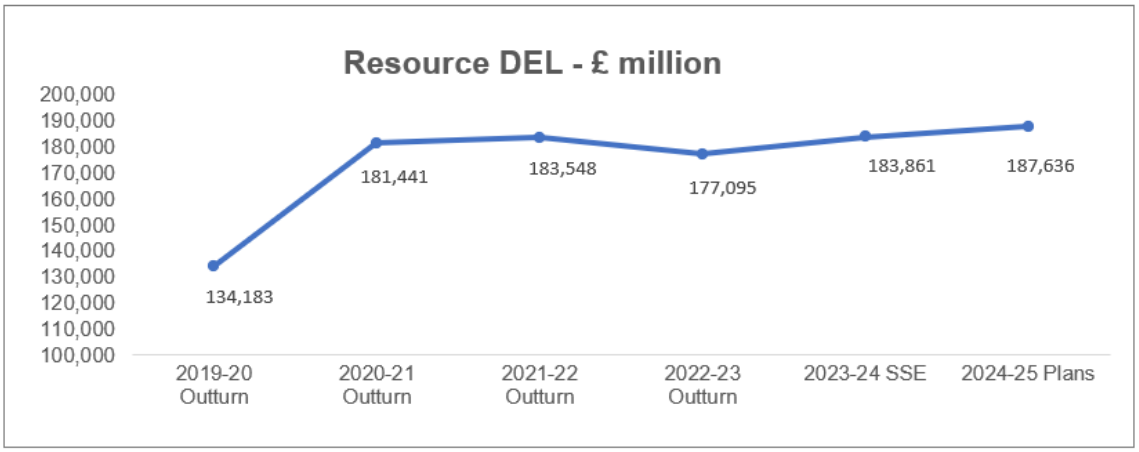
1.6. New Policies and Programmes

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

1.7. Spending Trends

The graphs show the outturn for the last 4 years (2019-20 to 2022-23), plans presented in Supplementary Estimates for 2023-24 and Main Estimates for 2024-25 for Resource DEL, Capital DEL and Resource AME.

Resource DEL



Increases from 2019-20 include the multi-year funding commitment announced by the Prime Minister in June 2018 and the NHS Long Term plan, published in January 2019. More details can be found at NHS Long Term Plan implementation.

2020-21
In 2020-21, DHSC incurred £42.9 billion resource expenditure on the emergency response to Covid-19. Details of the Covid-19 programmes this was incurred on are detailed in the 2020-21 Annual Report and Account.

2021-22
In 2021-22, DHSC incurred £38.7 billion resource expenditure on the emergency response to Covid-19. Details of the Covid-19 programmes this was incurred on are detailed in the 2021-22 Annual Report and Account.

2022-23
In 2022-23, DHSC incurred £13.1 billion resource expenditure on the emergency response to Covid-19. Details of the Covid-19 programmes this was incurred on are detailed in the 2022-23 Annual Report and Account.

Spending Review 2021
The DHSC Spending Review 2021 settlement included £167.9 billion resource funding for 2022-23, £173.4 billion in 2023-24 and £177.4 billion in 2024-25. This provided a £43.9 billion cash increase in resource spending between 2019-20 and 2024-25.

This includes the provision of the funding required to tackle the ongoing impact of Covid-19 and the elective backlog. SR21 provided £9.6 billion over the period 2022-23 to 2024-25 for key Covid-19 programmes and related health spending and set out plans to spend over £8 billion during the same period for the elective backlog.

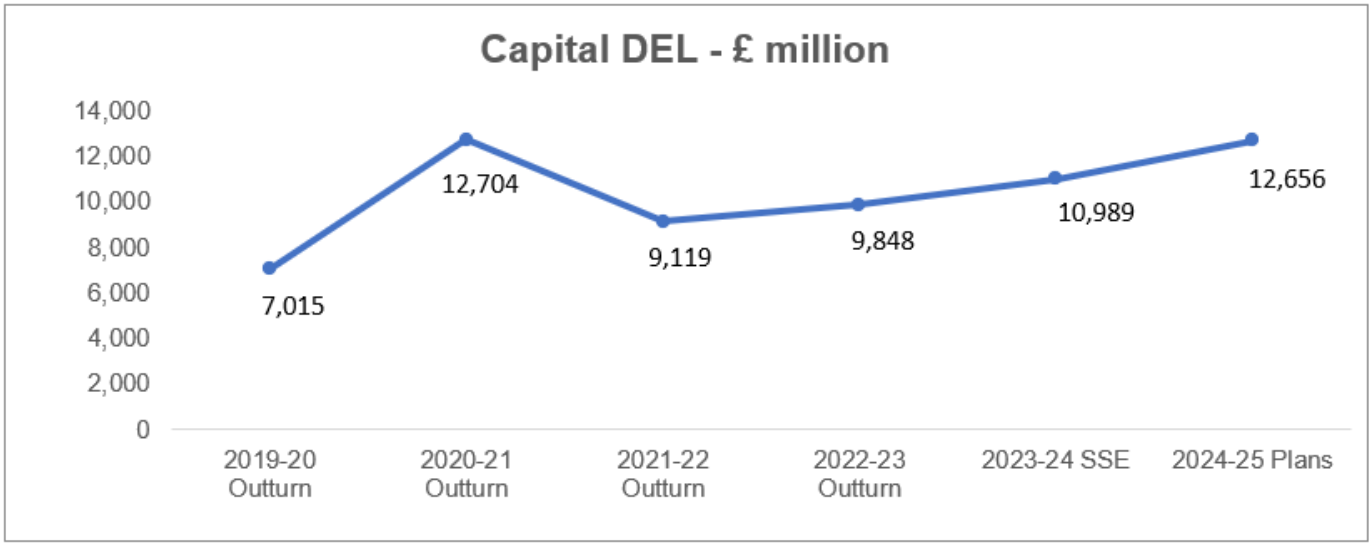
Autumn Statement 2022
The government recognised the significant pressures facing the NHS, including from the ongoing recovery from the impact of the pandemic. The 2022 Autumn Statement made up to £8 billion of additional funding available for the NHS and adult social care in England in 2024-25. As part of this, the government made available an additional £3.3 billion in each of 2023-24 and 2024-25 to support the NHS in England, enabling action to recover emergency, elective and primary care performance towards pre-pandemic levels.

Autumn Statement 2023
The Autumn Statement reflected the NHS Agenda for Change pay deal announced last year, including the non-consolidated payment for 2022-23, which was paid out from June 2023.
Spring Budget 2024

The government announced an additional £2.5 billion of funding for the NHS in England in 2024-25, protecting day-to-day funding levels in real terms and supporting the NHS to continue to improve performance and reduce waiting times.

Main Estimates 2024-25
Details are set out in paragraph 1.5

Capital DEL



Spending Review 2020 provided multi-year ring-fenced capital investment funding commitments of £3.7 billion until 2024-25 to make progress on building 40 new hospitals by 2030 and £1.7 billion until 2024-25 for over 70 hospital upgrades to improve health infrastructure across the country over the long term.

2020-21
In 2020-21, DHSC incurred £3.6 billion capital expenditure on the emergency response to Covid-19. Details of the Covid-19 programme this was incurred on are detailed in the 2020-21 Annual Report and Account.

2021-22
In 2021-22, DHSC incurred £0.1 billion capital expenditure on the emergency response to Covid-19. Details of the Covid-19 programmes this was incurred on are detailed in the 2021-22 Annual Report and Account.

2022-23
In 2022-23, DHSC incurred negative £0.5 billion capital expenditure on the emergency response to Covid-19. Details of the Covid-19 programmes this was incurred on are detailed in the 2022-23 Annual Report and Account.

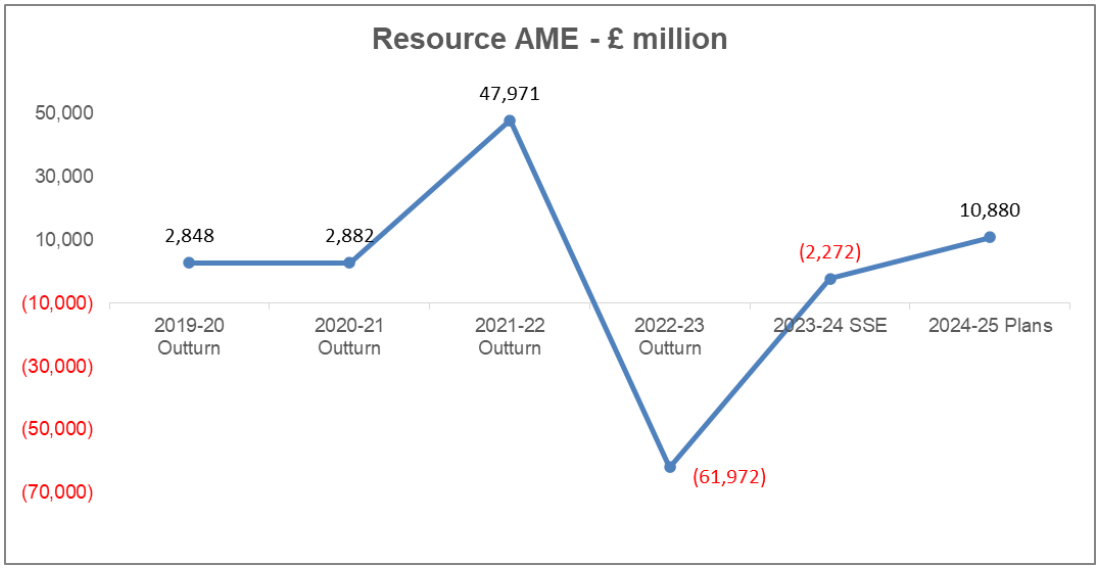
Spending Review 2021
The DHSC Spending Review 2021 settlement included £10.6 billion capital funding for 2022-23, £10.4 billion for 2023-24 and £11.2 billion for 2024-25. The settlement included capital investment to continue to improve the NHS infrastructure over the following three years, including:

- £2.3 billion for diagnostic services, to establish at least 100 community diagnostic centres (CDCs) across England to permanently increase diagnostic capacity.
- £2.1 billion for improving NHS technology and digital assets.
- £1.5 billion for new surgical hubs, increased bed capacity and equipment to help elective services recover, including surgeries and other medical procedures.
- £0.3 billion to replace outdated mental health dormitories with single rooms and an additional £0.2 billion for investment in the wider mental health estate.

Autumn Statement 2022
The capital budgets published in the 2022 Autumn Statement 2023-24 and 2024-25 included funding for IFRS16.
Main Estimates 2024-25

Details are set out in paragraph 1.5

Resource AME



The Department's AME does not have an immediate impact on the fiscal framework. It relates to accounting provisions and impairments that are demand-led, volatile and 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.

2022-23
The main component of the negative £62.0 billion outturn in 2022-23 is NHS Resolution's AME outturn of negative £58.9 billion, which mainly comprises provisions for clinical negligence claims. The reduction compared to 2021-22 is mainly due to the impact of the change in HM Treasury's discount rate used to estimate provisions.

2023-24
The main component of the 2023-24 AME negative £2.3 billion estimate is the forecast provision for clinical negligence claims. The increase since 2022-23 is mainly due to the impact of the change in HM Treasury's discount rate used to estimate provisions.

2024-25
The budget for 2024-25 AME included in 2024-25 Main Estimate covers the latest forecast of DHSC Group net provisions expenditure and impairments expenditure.

2. SPENDING DETAIL

The tables below detail the changes in the 2024-25 Main Estimate compared to the 2023-24 Supplementary Supply Estimate (SSE).

As per Estimates Memorandum convention, explanations for proportionally significant changes are provided in a referenced note under each table, where changes are either:

- over £10 million and over 10%, or
- over £200 million and over 5%.

2.1. Resource DEL:

Subhead	Description	Resource				
		2024-25 Main Estimate	2023-24 SSE	Change from 2023-24 SSE		See Note 2.1
		£m	£m	£m	%	
A	NHS England net expenditure	34,280	31,723			
B	NHS Providers	114,022	111,232			
I	NHS England net expenditure financed from National Insurance Contributions	29,365	29,056			
Sub Total - NHS		**177,667**	**172,010**	5,657	3%	a)
C	DHSC programme and admin expenditure	863	2,876	(2,014)	-70%	b)
D	Local Authorities (Public Health)	3,369	3,309	60	2%	
E	Executive Agencies	1,369	2,236	(866)	-39%	c)
F, G & H	Special Health Authorities, NDPBs and ALBs and Other Bodies	4,369	3,430	939	27%	d)
TOTAL		**187,636**	**183,861**	**3,775**	**2%**	

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

a) **NHS:** Funding is in line with the budget limits for 2023-24 and 2024-25 as set out in the Financial Directions to NHSE published in March 2024. Paragraph 4.1 refers.

b) **DHSC Programme and Admin Expenditure**: The £2,014 million reduction compared to 2023-24 mainly relates to:

- 2023-24 budgets including Immigration Health Surcharge, a fee levied on the majority of UK visa applications transferred from the Home Office to DHSC, were around £500 million higher than at the start of 2024-25;
- the 2023-24 budget included transfers from the capital budget of circa £800 million; and
- 2023-24 budgets include finalised intra-group distribution of budgets, whereas this has not been completed yet for 2024-25

c) **Executive Agencies:** The circa £866 million reduction in 2024-25 mainly relates to:

- 2023-24 budgets include finalised intra-group distribution of budgets, whereas this has not been completed yet for 2024-25; and
- higher final budgets set in 2023-24 for depreciation and impairments.

d) **Special Health Authorities, NDPB's and ALB's and Other Bodies**: the circa £900 million increase in 2024-25 mainly relates to changes in the estimates of intra-group eliminations. Further details on intra-group eliminations are included in section 4.2.

2.2. Capital DEL:

Subhead	Description	Capital				See Note 2.2
		2024-25 Main Estimate	2023-24 SSE	Change from 2023-24 SSE		
		£m	£m	£m	%	
A	NHS England net expenditure	431	433			
B	NHS Providers	8,058	7,927			
I	NHS England net expenditure financed from National Insurance Contributions	0	0			
Sub Total - NHS		**8,490**	**8,360**	130	2%	
C	DHSC programme and admin expenditure	3,680	2,249	1,431	64%	a)
D	Local Authorities (Public Health)	0	0	0	0%	
E	Executive Agencies	103	32	71	219%	b)
F, G & H	Special Health Authorities, NDPBs and ALBs and Other Bodies	383	347	35	10%	c)
TOTAL		**12,656**	**10,989**	**1,667**	**15%**	

a) **DHSC:** 2023-24 budgets include finalised intra-group distribution of budgets, whereas this has not been completed yet for 2024-25.

b) **Executive Agencies**: The increase of circa £70 million mainly relates to the change in UKHSA's capital budgets between years. The 2023-24 budget included a capital credit of c£85 million relating to pre-paid COVID-19 vaccines, which credits the capital budget as the benefit of the prepayment is received. The same level of credits has not been included in the opening budgets for 2024-25.

c) **Special Health Authorities, NDPB's and ALB's and Other Bodies**: Capital expenditure for these bodies varies year-on-year and the plans reflect the expected capital expenditure following the redistribution of capital across the departmental group.

2.3. Resource AME:

Subhead	Description	Resource				See Note 2.3
		2024-25 Main Estimate	2023-24 SSE	Change from 2023-24 SSE		
		£m	£m	£m	%	
J	NHS England net expenditure	250	150	100	67%	
K	NHS Providers	2,000	2,000	0	0%	
Sub Total - NHS		2,250	2,150	100	**5%**	
L	DHSC programme and admin expenditure	3,561	102	3,459	3386%	a)
M	Executive Agencies	0	1	(1)	0%	
N, O & P	Special Health Authorities, NDPBs and ALBs and Other Bodies	5,069	(4,525)	9,593	-212%	a)
TOTAL (Voted and Non-Voted)		10,880	(2,272)	13,152	**-579%**	

It should be noted that DHSC's AME relates to accounting provisions and impairments, which have no immediate impact on the fiscal framework. The Department's AME relates to provisions and impairments that are demand-led and volatile, being subject to many variables outside the Department's direct control.

a) The lower 2023-24 SSE AME figures for DHSC and Special Health Authorities are due to a reduction in provisions expenditure (mainly clinical negligence provisions) resulting from a change in the discount rate prescribed by HM Treasury.

2.4. Restructuring - There are no restructuring changes to report.

2.5. Ring Fenced Budgets

Within the totals, the following elements are ring fenced (i.e. any reductions in these budgets may not be used to offset pressures or fund increases in other budgets).

DEL Type	2024-25 Main Estimate	2023-24 SSE	*Variance to 2023-24 SSE*		2023-24 Main Estimate	*Variance to 2023-24 Main Estimate*	
	£m	£m	*£m*	*%*	*£m*	*£m*	*%*
ODA	339	248	91	37%	252	87	34%
Counter-terrorism	106	106	0	0%	106	0	0%

- **Official Development Assistance** (ODA) - For international comparability and consistency, the Organisation for Economic Co-operation and Development (OECD) and the Development Assistance Committee (DAC) requires ODA reporting to be on a cash and calendar year basis.
- **Counter Terrorism -** DHSC has been allocated £106 million for counter terrorism. This was a new ring-fence for the Spending Review 21 period.

2.6. Changes to Contingent Liabilities.

There are no updates to contingent liabilities in the 2024-25 Main Estimate. Contingent liabilities will be published in the DHSC 2023-24 Annual Report and Accounts, and these will be reflected in the 2024-25 Supplementary Supply Estimate.

3. PRIORITIES AND PERFORMANCE

3.1. How Spending Relates to Objectives

See section 1.1.

3.2. Measures of Performance against each Priority

The Department's priorities are detailed in paragraph 1.1. More information on DHSC's performance against its objectives can be found in the DHSC 2022-23 Annual Report.

3.3. Major Projects

The DHSC has several major projects which are financed from Resource and Capital DEL. Details of project aims, commentary on actions planned or taken and timescales for implementation can be found at DHSC Government Major Projects Portfolio data 2023.

4. OTHER INFORMATION

4.1. NHS England

The resources made available to NHSE in 2024-25 are set out in NHSE's Financial Directions published in March 2024.

The table below reconciles the NHSE 2024-25 Main Estimate provision to NHSE's 2024-25 Financial Directions

Reconciliation between the Estimate and the Mandate		2024-25 Main Estimate	
		Resource	Capital
		£m	£m
Last published NHSE Financial Directions (March 24)		**181,461**	**431**
Less:			
a)	Transactions with other bodies within the group	(117,467)	
b)	NHSE net expenditure financed from National Insurance Contributions (non-voted) - Estimate line I	(29,365)	
c)	NHS Provider Depreciation	(350)	
NHSE net expenditure - estimate line A		**34,279**	**431**

The figures in the 2024-25 Parliamentary Estimate will not reconcile to those in the Financial Directions for the following reasons:

a) In line with HM Treasury Estimates conventions, figures are presented on a consolidated basis (i.e. adjusted for intra-group trading transactions); and

b) NHSE expenditure is part-financed by non-voted National Insurance Contributions.

c) NHS Provider depreciation is shown on the NHS Provider line (B) in the 2024-25 Main Estimates.

4.2. DHSC Intra-Group Transactions

HM Treasury designates that Estimates are prepared on a consolidated basis, meaning that all intra-group transactions are removed.

Across government, the DHSC 'internal market' of circa £121 billion is unique and adds an additional layer of complexity, as all intra-group trading needs to be eliminated on consolidation when preparing the DHSC Estimate. These mainly relate to transactions between NHS Commissioners and NHS Providers.

NHS Providers are not directly funded, instead they generate income to cover their spending via trading activity with NHS Commissioners.

The DHSC takes a pragmatic approach and eliminates only the material transactions between Departmental group bodies. The table below illustrates how the funds flow between the different bodies within the DHSC Group.

Estimate Line		Before Consolidation	ELIMINATIONS				Consolidated
			NHSE with Providers	Providers with SpHAs	Providers with DHSC	Providers with ALBs	
		£m	£m	£m	£m	£m	£m
A	NHS England	151,747	(117,467)				34,280
B	NHS Providers	450	117,467	(2,865)	(210)	(820)	114,022
C	DHSC	653			210		863
D	Local Authorities (Public Health)	3,369					3,369
E	Executive Agencies	1,369					1,369
F	Special Health Authorities expenditure	533		2,865			3,398
G	Non-Departmental Public Bodies	142					142
H	Arm's Length and Other Bodies	9				820	829
I	National Insurance Contributions	29,365					29,365
TOTAL		**187,636**	**0**	**0**	**0**	**0**	**187,636**

Please note – this table does not include the funding that flows to NHS Providers from the Public Health Grant, as that funding is allocated to Local Authorities (outside the DHSC Group)

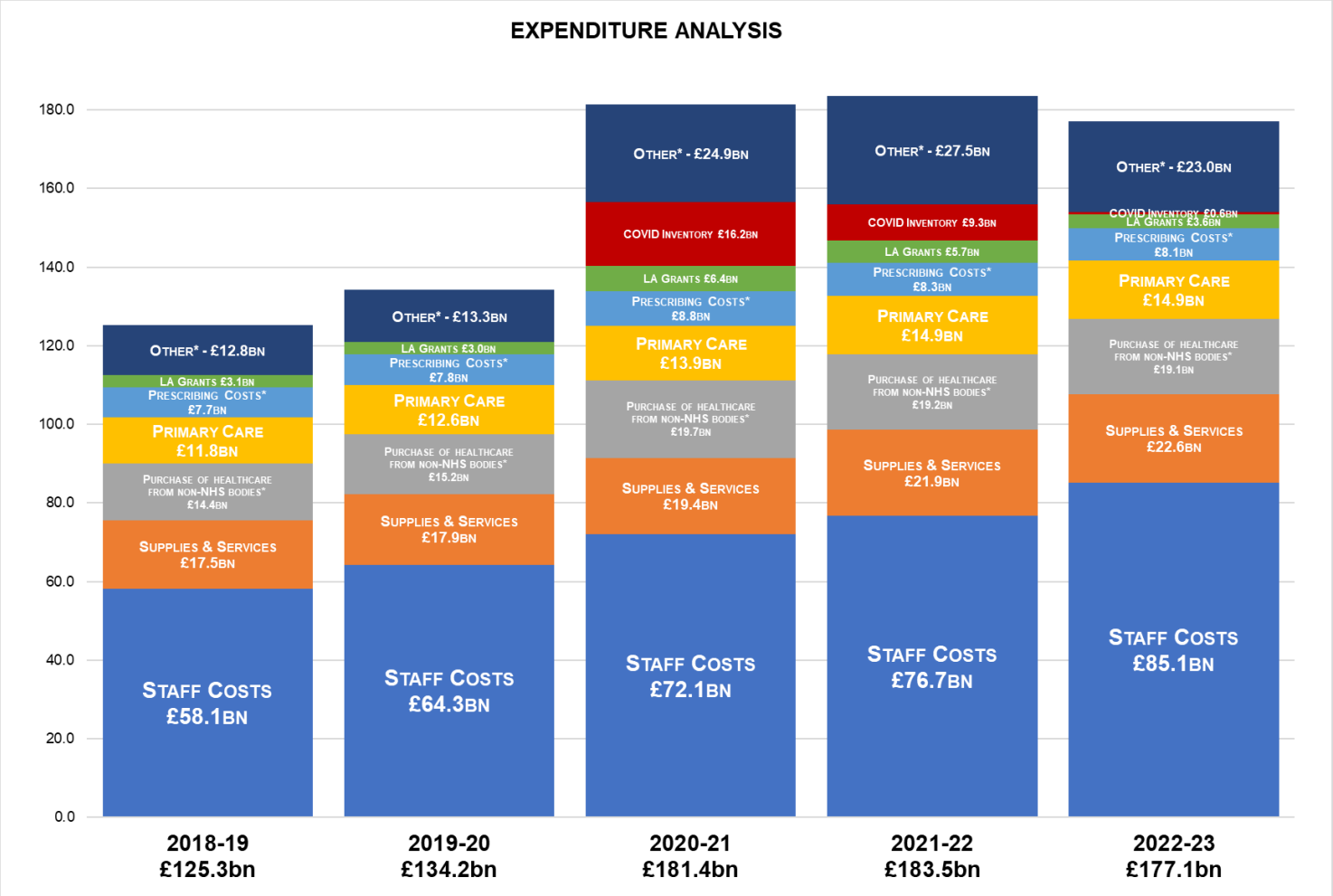
4.3. DHSC Resource Expenditure Analysis

The majority of the DHSC's budget is allocated to fund the NHS. Circa £114 billion of planned resource expenditure for 2023-24 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 2022-23 Provider consolidated accounts; and NHSE Board Reports.

The chart below shows the 2018-19 to 2022-23 resource expenditure broken down to show the material categories as per the DHSC Annual Report and Account Departmental Group Summary tables (2.2 Expenditure and 2.3 Income) for the relevant financial year.

Resource expenditure increased from £134.2 billion in 2019-20 to £181.4 billion in 2020-21 and £183.5 billion in 2021-22. These increases mainly related to COVID-19 expenditure (£42.9 billion in 2020-21 and £38.7 billion in 2021-22). Resource expenditure was £177.1 billion in 22-23 and this included COVID-19 expenditure of £12.6 billion. The reduction in expenditure compared to the prior two years is mainly as a result of significantly reduced COVID-19 expenditure. Inventory costs scoring to the resource budget have been shown separately, however the remainder of the COVID-19 expenditure is included within the other categories detailed within the chart.



*These figures are net of income