



Department  
of Health &  
Social Care

**ESTIMATES MEMORANDUM  
DEPARTMENT OF HEALTH AND SOCIAL CARE  
2024-25 SUPPLEMENTARY 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.

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:

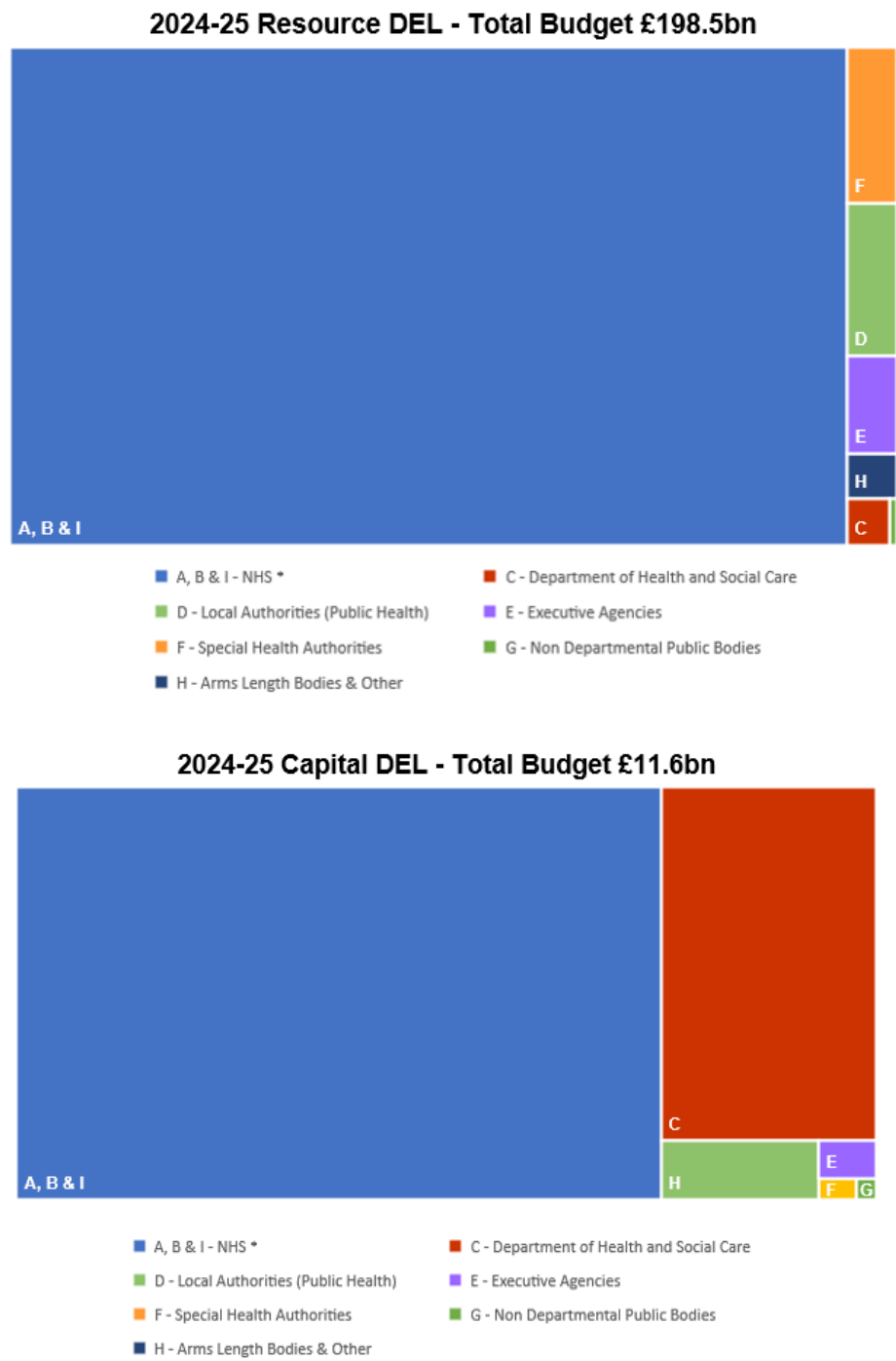
- Resource Departmental Expenditure Limit (RDEL) – day to day running costs;
- Capital Departmental Expenditure Limit (CDEL) – investment in infrastructure;
- Resource Annually Managed Expenditure (RAME) – non-fiscal less predictable expenditure, in DHSC's case this is mainly litigation provisions for clinical negligence cases managed by NHS Resolution (NHSR); and
- Capital Annually Managed Expenditure (CAME) – in DHSC's case this covers the specific budgeting treatment relating to IFRS16 leases and Infected Blood Inquiry interim compensation payments.

In addition, Parliament agrees a net cash requirement 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 latest Supplementary Supply 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.

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



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

- A – NHS England;
- B – NHS Providers; and
- I – NHS England net expenditure financed from National Insurance Contributions.

1.4. Comparison of Spending Totals Sought

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

| Budget Type  | 2024-25<br>SSE | 2024-25<br>Main<br>Estimate | Variance to<br>2024-25 Main Estimate |        | 2023-24<br>Outturn | Variance to<br>2023-24 Outturn |         |
|--------------|----------------|-----------------------------|--------------------------------------|--------|--------------------|--------------------------------|---------|
|              | £m             | £m                          | £m                                   | %      | £m                 | £m                             | %       |
| Resource DEL | 198,491        | 187,636                     | 10,855                               | 5.8%   | 182,819            | 15,672                         | 8.6%    |
| Capital DEL  | 11,644         | 12,656                      | (1,011)                              | -8.0%  | 10,519             | 1,125                          | 10.7%   |
| Resource AME | 8,780          | 10,880                      | (2,100)                              | -19.3% | (9,730)            | 18,510                         | -190.2% |
| Capital AME  | 813            | 943                         | (130)                                | -13.7% | 32                 | 781                            | 2468.3% |

1.5. Key Drivers of 2023-24 Spending Changes Since Original 2024-25 Budget

This section identifies the key drivers of change since the 2024-25 Main Estimate for Resource DEL, Capital DEL and Resource AME. Further analysis of changes between 2024-25 Main Estimate and 2024-25 Supplementary Supply Estimate can be found in section 2.

Resource DEL: The Resource DEL increase of circa £10.9 billion mainly includes:

- Autumn Budget 2024 funding from HM Treasury of £9.1 billion;
- Reserve funding from HM Treasury of £0.9 billion; and
- Net budget transfers between DHSC and other Government departments of circa £0.9 billion.

Capital DEL: The Capital DEL reduction of circa £1.0 billion mainly includes:

- £0.9 billion budget reduction through Autumn Budget 2024;
- £0.1 billion budget surrender relating to CDEL credits received when pre-procured vaccine stock is delivered;
- £19 million capital underspends identified and reprofiled into 2025-26 – this is known as Budget Exchange; offset by
- Net budget transfers between DHSC and other Government departments of £15 million.

Further details of overall changes are set out in paragraph 1.8 and changes by sector in paragraph 2.

Resource AME

The Department’s AME relates to provisions and impairments that are demand-led, volatile and subject to many variables outside the Department’s direct control.

The £2.1 billion decrease in the 2024-25 Supplementary Supply Estimate is mainly as a result of the change in the discount rates, prescribed by HM Treasury, used to measure the value of long-term provisions liabilities, the largest impact being on the clinical negligence scheme provisions. This discount rate change does not reflect an increase in the incidence of harm or an increase in the cash required to settle claims.

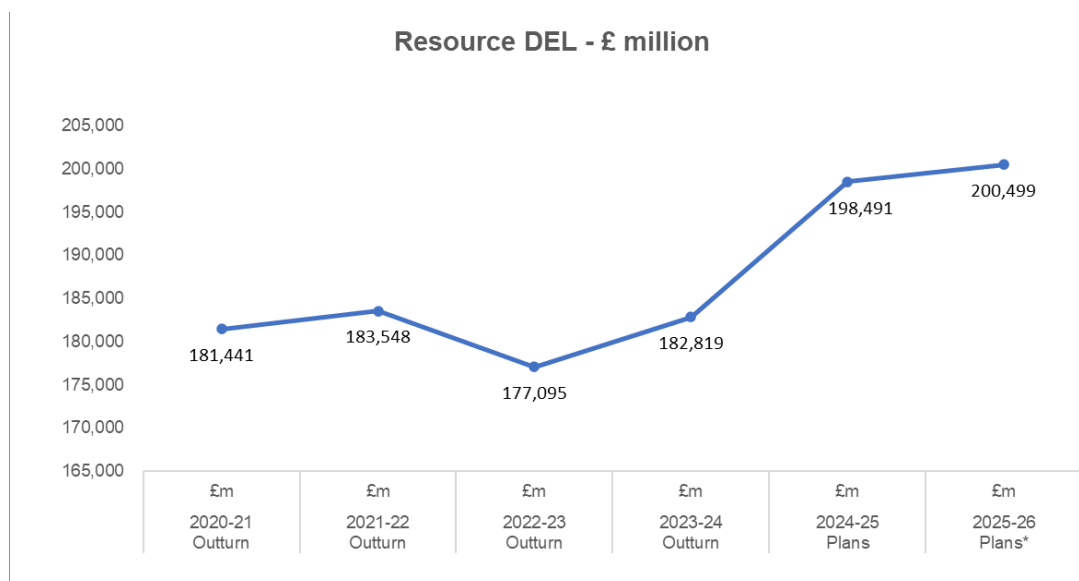
1.6. New Policies, Programmes and other departmental changes

All DHSC announcements on new policies and programmes during the year are published on the government website, details can be found at [DHSC announcements](#).

1.7. Spending Trends

The graphs below show the Resource DEL and Capital DEL and Resource AME outturn for the last 4 years (2020-21 to 2023-24), plans presented in Supplementary Supply Estimates (SSE) for 2024-25 and future spending plans for 2025-26.

### Resource DEL



*\* Support for the employer NICs changes have been communicated by HMT, and DHSC will receive additional funding in the normal way in the 2025-26 Main Estimates.*

#### **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 £12.6 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](#).

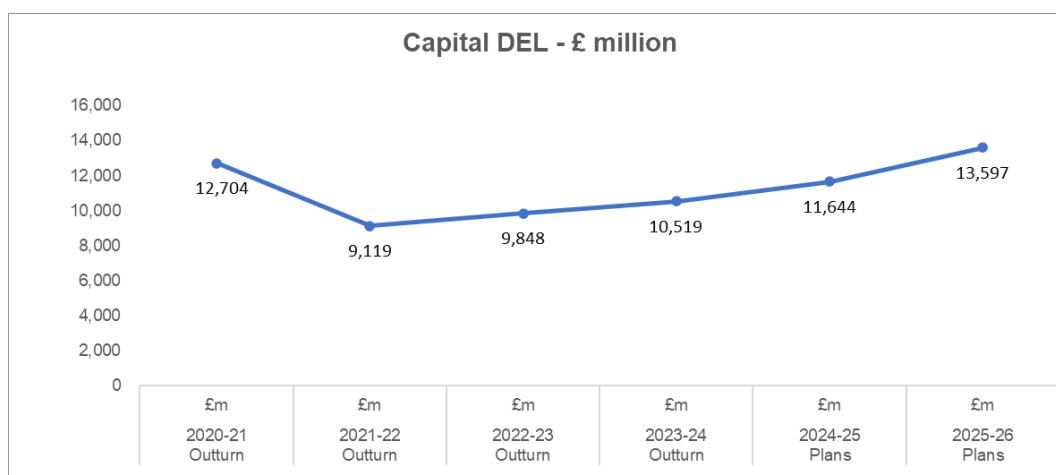
#### **2023-24**

Details of DHSC group resource outturn are included in the [2023-24 Annual Report and Account](#).

#### **Autumn Budget 2024**

DHSC's Resource DEL budget for 2024-25 was increased in the Autumn Budget 2024. This was part of the £22.6 billion announced by the government to increase in day-to-day health spending over this financial year and next. Funding will support the NHS to deliver 40,000 extra elective appointments a week, delivering the government's First Step. The settlement also makes progress towards meeting the commitment that patients should expect to wait no longer than 18 weeks from referral to consultant-led treatment.

### Capital DEL



### 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 £0.1 billion capital expenditure on the emergency response to Covid-19. Details of the Covid-19 programmes this was incurred on are detailed in the [2022-23 Annual Report and Account](#).

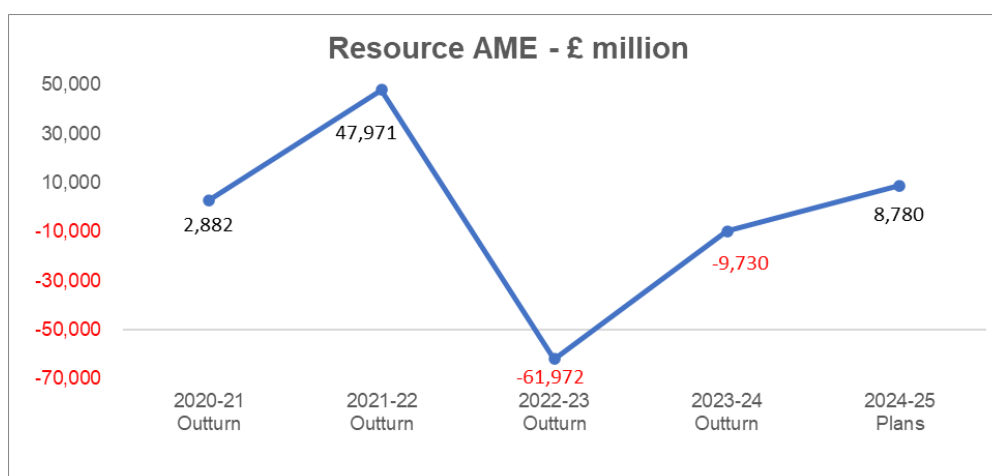
### 2023-24

Details of DHSC group resource outturn are included in the [2023-24 Annual Report and Account](#).

### Autumn Budget 2024

DHSC's CDEL budget was reduced by £0.9 billion in the Autumn Budget 2024 and included as an increase to the RDEL budget, following agreements in the Spring and ahead of the July Statement to identify savings. This capital reduction included funding that was reprioritised for NHS Pay and other NHS pressures as well as capital funding allocated for NHS Technology and the New Hospitals programme that was required as RDEL instead of CDEL.

### Resource AME



The Department's AME does not have an immediate impact on the fiscal framework. It relates to 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 used to measure the value of long-term provisions liabilities.

#### **2022-23**

The main element of the negative £61.9 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 element of the negative £9.7 billion outturn is NHS Resolution's AME outturn of negative £11.1 billion, which mainly comprises provisions for clinical negligence claims.

#### **2024-25**

The main component of the 2024-25 AME £8.8 billion estimate is the forecast provision for clinical negligence claims. The increase since 2023-24 is mainly due to the impact of the change in HM Treasury's discount rate used to estimate provisions.

#### **2025-26**

AME budgets are set annually, and the Department's AME budget for 2025-26 will be set as part of the 2025-26 Main Estimate.

## 1.8. Changes to 2024-25 Funding: Spending Review and Fiscal Events and other Spending Announcements

The Department's 2024-25 spending plans were originally set out in the 2021 Spending Review in October 2021. Since then, changes to 2024-25 spending plans include funding for IFRS16 implementation (see note a below), Autumn Statement and Spring Budget funding announcements, 2024-25 Reserve funding and budget cover transfers between DHSC and other government departments. A summary of the changes is set out below:

| Changes to 2024-25 budgets since Spending Review 2021 - £m                                        | RDEL           | CDEL          |
|---------------------------------------------------------------------------------------------------|----------------|---------------|
| <b>2021 Spending Review (incl ring-fenced funding of c£1.75bn)</b>                                | <b>179,123</b> | <b>11,195</b> |
| IFRS16 budget changes (a)                                                                         | (167)          | 1,445         |
| Autumn Statement 22, 23 and Spring Budget 23, 24 (b)                                              | 5,862          | 0             |
| 2024-25 Main Estimate changes (c)                                                                 | 2,031          | 9             |
| 2024-25 Routine transfers of funding from other Government Departments (d)                        | 787            | 6             |
| <b>2024-25 Main Estimate</b>                                                                      | <b>187,636</b> | <b>12,656</b> |
| <b>Supplementary Supply Estimate changes (excluding OGD transfers), of which:</b>                 | <b>869</b>     | <b>(146)</b>  |
| Autumn Budget 24 (e)                                                                              | 9,130          | (880)         |
| 2024-25 HMT Reserve claim/other changes (f)                                                       | 869            | 0             |
| 2024-25 budget surrenders (g)                                                                     | 0              | (127)         |
| 2024-25 budget exchange into later years (h)                                                      | 0              | (19)          |
| <b>2024-25 Routine transfers of funding (to)/from other Government Departments (i), of which:</b> | <b>856</b>     | <b>15</b>     |
| Transfers to DHSC                                                                                 | 865            | 33            |
| Transfers from DHSC                                                                               | (9)            | (18)          |
| <b>2024-25 Supplementary Supply Estimate</b>                                                      | <b>198,491</b> | <b>11,644</b> |

- a) Budget adjustments for IFRS16 implementation: Government departments have been required since 2022-23 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), meaning that departmental budgets will change as follows:
- Capital: to include the costs of new leases and changes to existing leases. In 2024-25, DHSC's IFRS16 capital funding is £1.4 billion.
  - Resource: to include the depreciation costs and interest costs of leasing offset by the expense that would have been incurred under the previous leasing standard for operating leases. In 2024-25 DHSC's IFRS16 resource funding is a reduction of £167 million.
- b) Changes to budgets in the Autumn Statements and Spring Budgets since SR21:
- Autumn Statement 2022 provided £3.2 billion additional funding in 2024-25;
  - Spring Budget 2023 provided £0.1 billion additional funding in 2024-25;
  - Autumn Statement 2023 provided £0.1 billion funding for 2024-25; and
  - Spring Budget 2024 provided £2.5 billion funding for 2024-25.
- c) Main Estimates changes:
- circa £2 billion resource 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 £9 million Shared Outcomes capital funding from HMT
- d) Routine transfers with other Government departments – RDEL £597 million, CDEL £6m

### Supplementary Supply Estimates (SSE) changes

- e) Autumn Budget 24 included an RDEL increase of £9.1 billion including switches from the CDEL to RDEL budget of £0.9 billion, as detailed in section 1.7.
- f) Reserve cover of £0.9 billion RDEL, including £57 million Immigration Health Surcharge collected by the Home Office in 2023-24 in addition to the amount transferred over to DHSC in 2023-24, and £0.8bn for NHS pressures that ultimately could not be absorbed within the budget set at Autumn Budget 24.
- g) £0.1 billion credit to the CDEL budget returned to HMT. This relates to the delivery of pre-paid COVID-19 vaccines as the benefit of the prepayment is received.
- h) CDEL Budget Exchange of £19 million relating to the transfer of disposal receipts into 2025-26 to be applied to future related capital investment.
- i) Net routine transfers between DHSC and other Government departments of £0.9 billion RDEL and £15 million CDEL. Details of all transfers are set out in the Estimate.

## 2. SPENDING DETAIL

The tables below detail the changes in the 2024-25 Supplementary Supply Estimate compared to the 2024-25 Main Estimate. As per Estimates Memorandum convention, explanations for any changes, which are over both £10 million and 10% or over £200 million and 5% are provided in a referenced note under each table.

Further details of what is included in each of the Estimate lines can be found in the excel Tables A (i) and (ii).

### 2.1. Resource DEL:

|                             | Description                                                       | Resource       |                             |                                         |     |                    |
|-----------------------------|-------------------------------------------------------------------|----------------|-----------------------------|-----------------------------------------|-----|--------------------|
|                             |                                                                   | 2024-25<br>SSE | 2024-25<br>Main<br>Estimate | Change from<br>2024-25 Main<br>Estimate |     | See<br>Note<br>2.1 |
|                             |                                                                   | £m             | £m                          | £m                                      | %   |                    |
| A                           | NHS England (net)                                                 | 36,892         | 34,280                      |                                         |     |                    |
| B                           | NHS Providers (net)                                               | 120,413        | 114,022                     |                                         |     |                    |
| I                           | NHS England financed from NI Contributions                        | 30,164         | 29,365                      |                                         |     |                    |
| Sub Total - NHS             |                                                                   | 187,469        | 177,667                     | 9,802                                   | 6%  | a)                 |
| C                           | DHSC programme and admin expenditure                              | 893            | 863                         | 30                                      | 3%  |                    |
| D                           | Local Authorities (Public Health)                                 | 3,369          | 3,369                       | 0                                       | 0%  |                    |
| F                           | Executive Agencies                                                | 2,176          | 1,369                       | 806                                     | 59% | b)                 |
| G, H & I                    | Special Health Authorities, NDPBs and ALBs and Other Bodies (net) | 4,585          | 4,369                       | 216                                     | 5%  | c)                 |
| TOTAL (Voted and Non Voted) |                                                                   | 198,491        | 187,636                     | 10,855                                  | 6%  |                    |

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

a) **NHS:** The net increase of circa £9.8 billion mainly comprises:

- i) £8.5 billion Autumn Budget 24 funding;
- ii) £1.4 billion redistribution of DHSC Group resources;
- iii) £0.1 billion decrease relating to updated intra-group transactions and
- iv) the circa £0.8 billion increase in National Insurance Contributions (NICs) shown in line I has a corresponding reduction in line A. The change in NICs does not impact on NHS funding, instead it alters the distribution across these lines.

For estimate line A, NHS England, an explanation of how the estimate spending plans reconcile to the NHS England Mandate can be found in section 4.1.

b) **Executive Agencies:** The net increase of circa £0.8 billion mainly comprises the redistribution of funding within the DHSC Group, in particular the transfer of the Vaccines Countermeasures and Response (VCR) budget from DHSC to UK Health Security Agency (UKHSA).

c) **Special Health Authorities, NDPB's and ALB's and Other Bodies:** The increase in funding of £0.2 billion relates to a redistribution of resources between Main and Supplementary Estimate and changes to intra-group eliminations.

### 2.2. Capital DEL:

| Description | Capital |
|-------------|---------|
|-------------|---------|

|                                    |                                                                   | 2024-25<br>SSE | 2024-25<br>Main<br>Estimate | Change from<br>2024-25 Main<br>Estimate |            | See<br>Note<br>2.2 |
|------------------------------------|-------------------------------------------------------------------|----------------|-----------------------------|-----------------------------------------|------------|--------------------|
|                                    |                                                                   | £m             | £m                          | £m                                      | %          |                    |
| A                                  | NHS England (net)                                                 | 464            | 431                         |                                         |            |                    |
| B                                  | NHS Providers (net)                                               | 8,265          | 8,058                       |                                         |            |                    |
| I                                  | NHS England financed from NI Contributions                        |                |                             |                                         |            |                    |
| <b>Sub Total - NHS</b>             |                                                                   | <b>8,730</b>   | <b>8,490</b>                | <b>240</b>                              | <b>3%</b>  |                    |
| C                                  | DHSC programme and admin expenditure                              | 2,499          | 3,680                       | (1,181)                                 | -32%       | a)                 |
| D                                  | Local Authorities (Public Health)                                 | 0              | 0                           | 0                                       | 0%         |                    |
| F                                  | Executive Agencies                                                | 72             | 103                         | (31)                                    | -30%       | b)                 |
| G, H & I                           | Special Health Authorities, NDPBs and ALBs and Other Bodies (net) | 344            | 383                         | (39)                                    | -10%       | c)                 |
| <b>TOTAL (Voted and Non Voted)</b> |                                                                   | <b>11,644</b>  | <b>12,656</b>               | <b>(1,011)</b>                          | <b>-8%</b> |                    |

a) **DHSC Programme and Admin:** The net decrease of circa £1.2 billion mainly comprises:

- i) £0.8 billion Autumn Budget 24 reduction; and
- ii) £0.3 billion decrease for the redistribution of intra-group resources.

b) **Executive Agencies:** The net decrease of circa £30 million is mainly comprises:

- i) a circa £0.1 billion capital reduction relating to the delivery of pre-paid COVID-19 vaccines as the benefit of the prepayment is received; and
- ii) £0.1 billion increase for the redistribution of intra-group resources.

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

### 2.3. Resource AME

The table below shows how DHSC's 2024-25 Supplementary Supply Estimate spending plans for Resource AME compare with the 2024-25 Main Estimate. It should be noted that DHSC's AME relates to provisions and impairments, which have no immediate impact on the fiscal framework.

|                 | Description                                                 | Resource    |                       |                                   |      | See Note 2.3 |
|-----------------|-------------------------------------------------------------|-------------|-----------------------|-----------------------------------|------|--------------|
|                 |                                                             | 2024-25 SSE | 2024-25 Main Estimate | Change from 2024-25 Main Estimate |      |              |
|                 |                                                             | £m          | £m                    | £m                                | %    |              |
| K               | NHS England (net)                                           | 250         | 250                   | 0                                 | 0%   |              |
| L               | NHS Providers (net)                                         | 2,400       | 2,000                 | 400                               | 20%  |              |
| Sub Total - NHS |                                                             | 2,650       | 2,250                 | 400                               | 18%  | a)           |
| M               | DHSC programme and admin expenditure                        | 1,061       | 3,561                 | (2,500)                           | -70% | a)           |
| N               | Executive Agencies                                          | 1           | 0                     | 1                                 | 0%   |              |
| P, Q & R        | Special Health Authorities, NDPBs and ALBs and Other Bodies | 5,068       | 5,069                 | (1)                               | 0%   |              |
| TOTAL           |                                                             | 8,780       | 10,880                | (2,100)                           | -19% |              |

- a) The £2.1 billion decrease in the 2024-25 Supplementary Supply Estimate is mainly as a result of the change in the discount rates, prescribed by HM Treasury, used to measure the value of long-term provisions liabilities, the largest impact being on clinical negligence scheme provisions. This discount rate change does not reflect an increase in the incidence of harm or an increase the cash required to settle claims.

## 2.4. Restructuring

There are no restructuring changes to report.

## 2.5. 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.

| Ring-fences       | 2024-25 SSE | 2024-25 Main Estimate | Variance to 2024-25 Main Estimate |    |
|-------------------|-------------|-----------------------|-----------------------------------|----|
|                   | £m          | £m                    | £m                                | %  |
| ODA Total         | 347         | 339                   | 8.1                               | 2% |
| Counter Terrorism | 106         | 106                   | 0.0                               | 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 was allocated £106 million for counter terrorism in Spending Review 21.

## 2.6. Changes to Contingent Liabilities

### Contingent Liabilities - new

There are seven new contingent liabilities in the 2024-25 Supplementary Estimate. These are:

- The core department has issued an indemnity in respect of a DHSC established independent inquiry into the issues raised by the David Fuller case.
- UKHSA holds remote contingent liabilities relating to contract disputes, primarily relating to contracts let in response to the COVID-19 pandemic.
- NHS England is involved in a number of Employment Tribunal cases.
- NHS England holds a contingent liability for a possible legacy clinician IR35 tax liability.
- There were contingent liabilities of NHS providers at 31 March 2024.
- The core department holds indemnities for COVID-19 vaccines purchases.
- NHS Property Services has an unquantifiable contingent liability regarding its ability to claim capital allowances on inherited assets.

### Contingent Liabilities - removed

The following three contingent liabilities have been removed:

- The Department holds contractual liabilities in respect of redundancy payments and entitlements, and it also holds liabilities in respect of commercial contract obligations. These liabilities include contractual indemnities the Department has entered into as part of its response to COVID-19.
- The Department holds a contingent liability relating to the interim compensation payments of the Infected Blood Inquiry.
- NHS England holds a contingent liability for possible late payment and interest penalties with HMRC.

## 3. PRIORITIES AND PERFORMANCE

Information on DHSC's performance against its objectives in the last financial year can be found in the [2023-24 Annual Report and Account](#).

### **3.1. 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 [DHSC Government Major Projects Portfolio data 2024](#).

## 4. OTHER INFORMATION

### 4.1. NHS England

The resources made available to NHSE in 2024-25 will be set out in final NHSE Financial Directions, to be published in Spring 2025. The figures in the 2024-25 Supplementary Supply Estimate differ from those in the [NHSE Financial Directions published in March 2024](#) for the following reasons:

- a) Timing differences and the way elements of funding are allocated within the DHSC Group over the course of the financial year;
- b) In line with HM Treasury Estimates conventions, figures are presented here on a consolidated basis i.e. adjusted for intra-group trading transactions; and
- c) NHSE expenditure is part-financed by non-voted National Insurance Contributions.

The table below reconciles the NHSE Estimate provision to the last published 2024-25 NHSE Financial Directions.

| Reconciliation between the Estimate and the Mandate                                                  | Resource<br>£m | Capital<br>£m |
|------------------------------------------------------------------------------------------------------|----------------|---------------|
| <b>Last published NHSE Financial Directions (March 24)</b>                                           | <b>181,461</b> | <b>431</b>    |
| a) In-year changes to budget                                                                         | 9,398          | 33            |
| <b>Current estimate for NHSE Financial Directions (as at SSE publication)</b>                        | <b>190,859</b> | <b>464</b>    |
| <b>Less:</b>                                                                                         |                |               |
| b) Transactions with other bodies within the group                                                   | (123,803)      |               |
| c) NHSE net expenditure financed from National Insurance Contributions (non-voted) - Estimate line I | (30,164)       |               |
| <b>NHSE net expenditure - estimate line A</b>                                                        | <b>36,892</b>  | <b>464</b>    |

## 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 £127 billion is unique to the DHSC 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 Commissioners. Commissioners pay Providers for each patient seen or treated, taking into account the complexity of the patient's healthcare needs, under a national tariff system.

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

| Estimate Line |                                        | Before Consolidation | ELIMINATIONS      |                    |                                    |                   | Consolidated   |
|---------------|----------------------------------------|----------------------|-------------------|--------------------|------------------------------------|-------------------|----------------|
|               |                                        |                      | NHSE to Providers | Providers to SpHAs | Providers to ALBs and Other Bodies | Providers to DHSC |                |
|               |                                        | £m                   | £m                | £m                 | £m                                 | £m                | £m             |
| A             | NHS England                            | 160,695              | (123,803)         |                    |                                    |                   | 36,892         |
| B             | NHS Providers                          | 585                  | 123,803           | (2,865)            | (900)                              | (210)             | 120,413        |
| C             | DHSC                                   | 683                  |                   |                    |                                    | 210               | 893            |
| D             | Local Authorities (Public Health)      | 3,369                |                   |                    |                                    |                   | 3,369          |
| E             | Executive Agencies                     | 2,176                |                   |                    |                                    |                   | 2,176          |
| F             | Special Health Authorities expenditure | 591                  |                   | 2,865              |                                    |                   | 3,456          |
| G             | Non Departmental Public Bodies         | 152                  |                   |                    |                                    |                   | 152            |
| H             | Arm's Length and Other Bodies          | 77                   |                   |                    | 900                                |                   | 977            |
| I             | National Insurance Contributions       | 30,164               |                   |                    |                                    |                   | 30,164         |
| <b>TOTAL</b>  |                                        | <b>198,491</b>       | <b>0</b>          | <b>0</b>           | <b>0</b>                           | <b>0</b>          | <b>198,491</b> |

*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)*

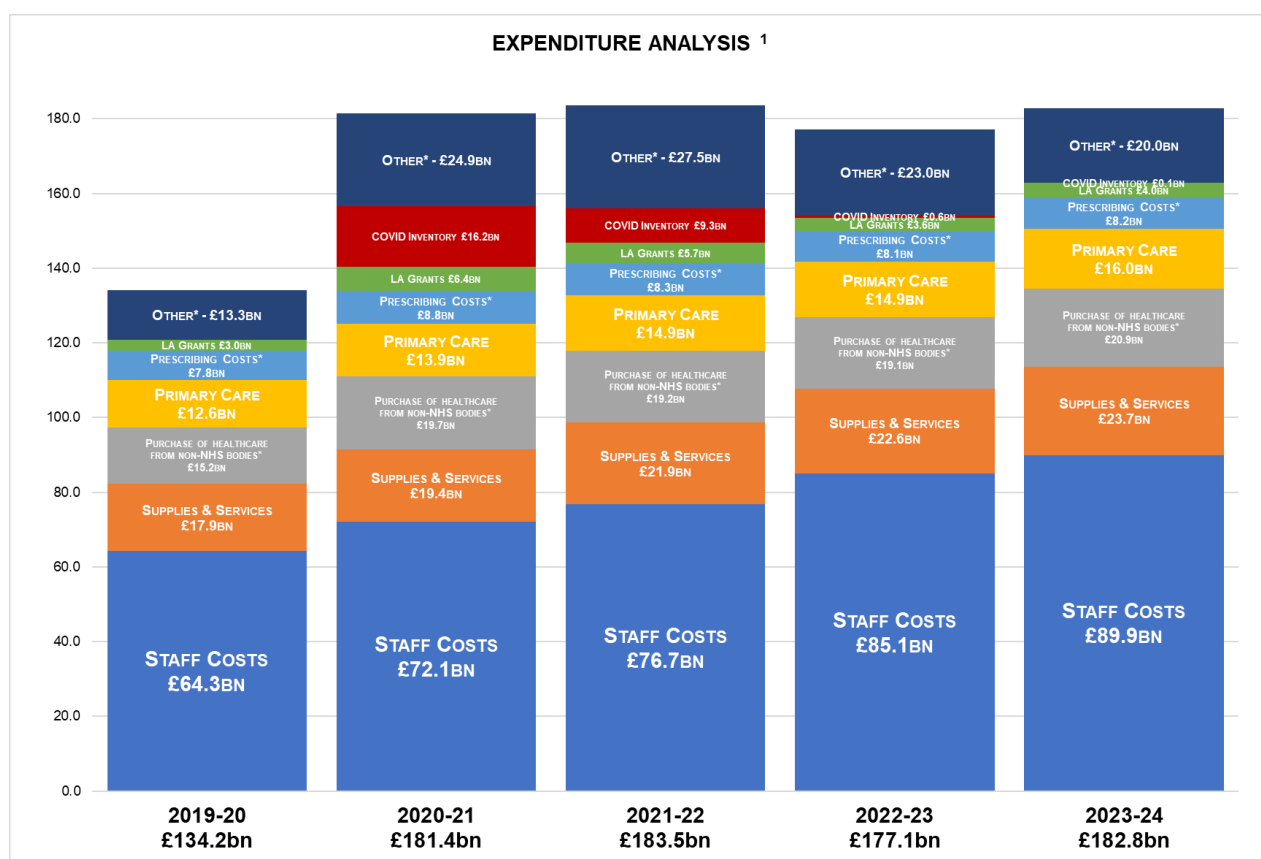
### 4.3. DHSC Resource Expenditure Analysis

The majority of the DHSC's budget is allocated to fund the NHS. The majority of planned resource expenditure for 2024-25 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 [Consolidated NHS provider accounts 2023-24](#); and NHSE [Board Reports](#).

The chart below shows resource expenditure for 2019-20 to 2023-24 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 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 rest of the COVID-19 expenditure is included within the other categories detailed within the chart.



<sup>1</sup>Figures are net of income.