



Department
of Health &
Social Care

HFMA Pre-Accounts Planning Conference

Department of Health and Social Care Overview

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Finance Director & Deputy Director Financial Reporting and
Statutory Accounts

21st February 2024

Overview

1. Strategic Financial Context
2. Annual Report and Accounts
3. Annexes





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of Health &
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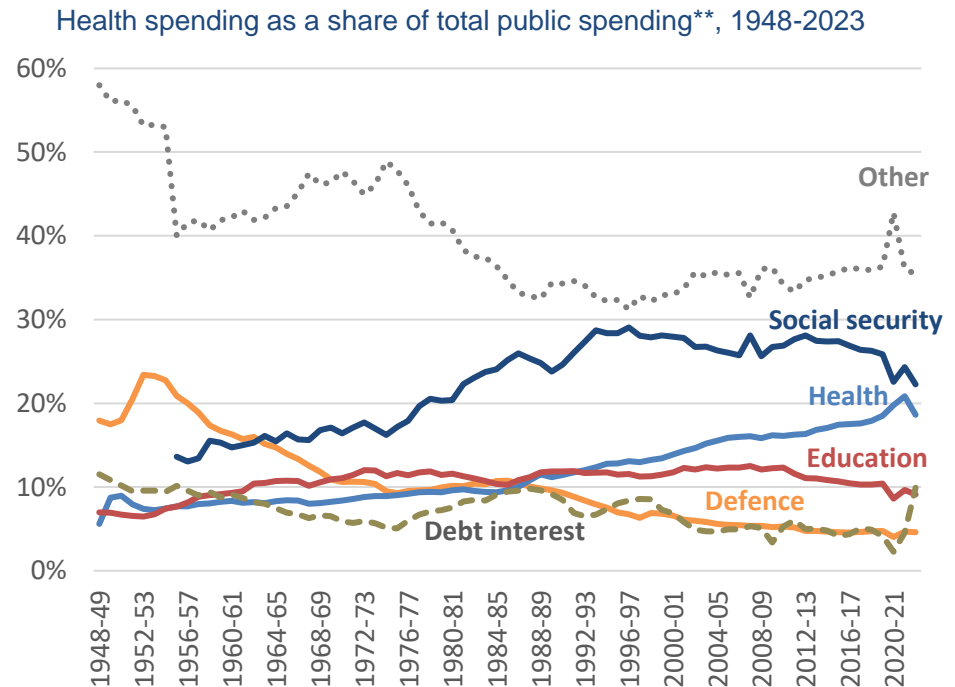
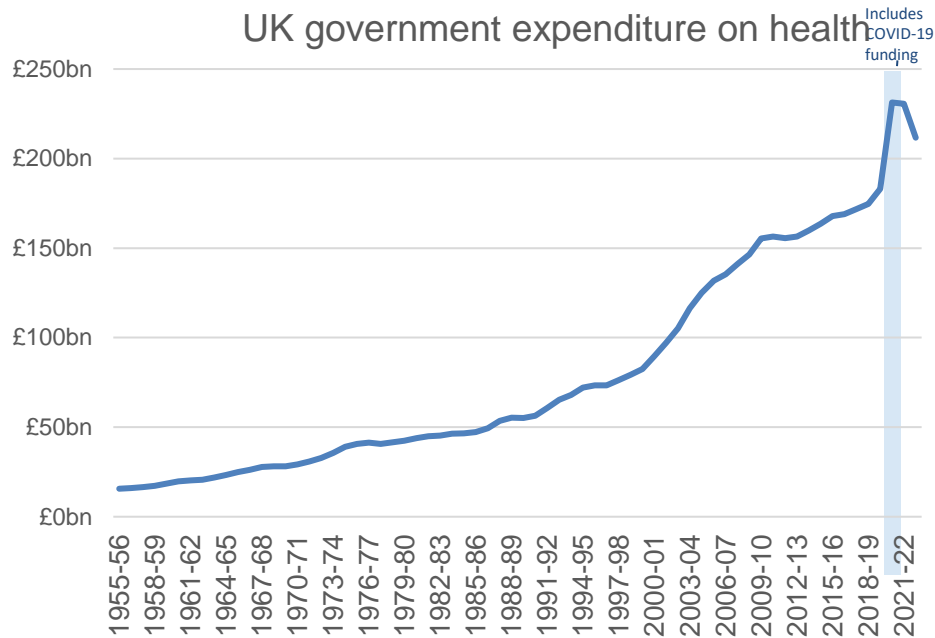
Strategic Financial Context for Health and Social Care

Health Funding Basics

Healthcare spend has grown substantially since 1948, taking up a greater share of GDP and overall public spending

Total healthcare expenditure in the UK is expected to increase from £15 billion in 1955/56 to £212 billion in 2022/23; this means total spending will have grown by **4.0% per year*** in real terms.

Public expenditure on health increased from c.3% of GDP when the NHS was founded in 1948 to **c.8% today**. Throughout this period health has steadily grown as a % of public spending.

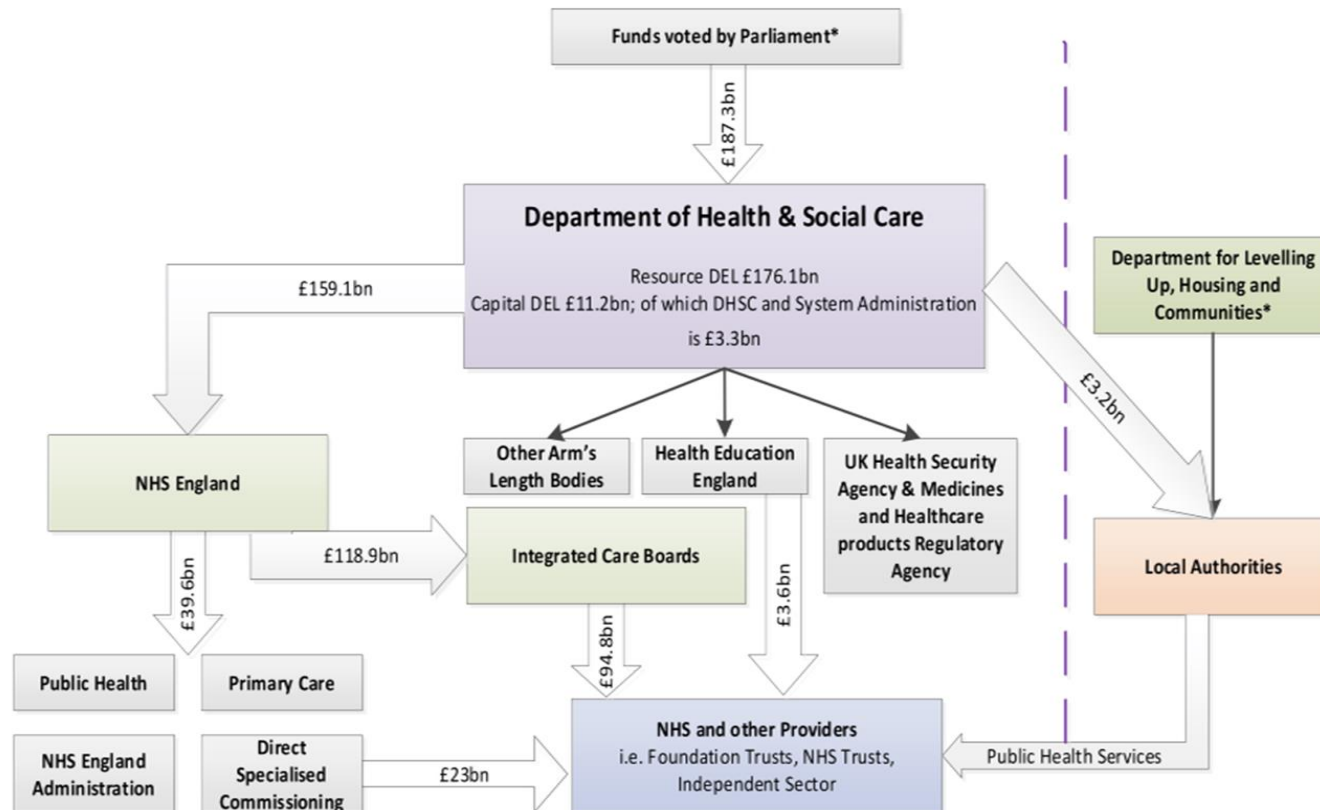


*compound annual growth rate (CAGR) used except where indicated, and 2022-23 prices used for real terms comparisons
 ** this includes social security and debt interest
 Sources: IFS (2023), [IFS spending composition sheet](#) | [IFS Taxlab](#); OBR (2023), [Historic public finances database](#)

Health Funding Basics

Where does the money go?

The vast majority (c85%) of the DHSC budget is spent by the NHS. Significant amounts are also spent on Health Education, public health and health security, Social Care services and Capital programmes.



*2022-23



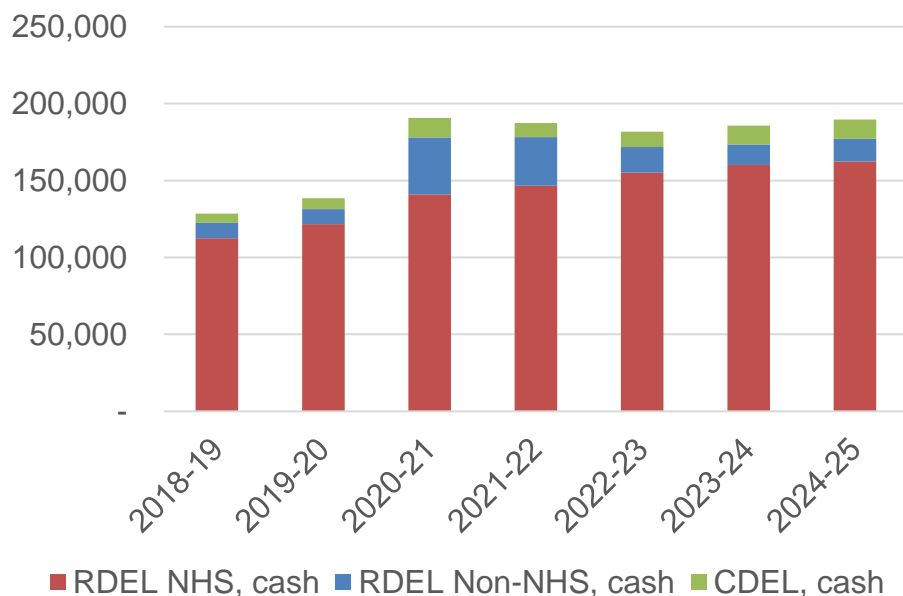
Health Funding Basics

Most of our funding goes to the NHS, and increasingly to acute services

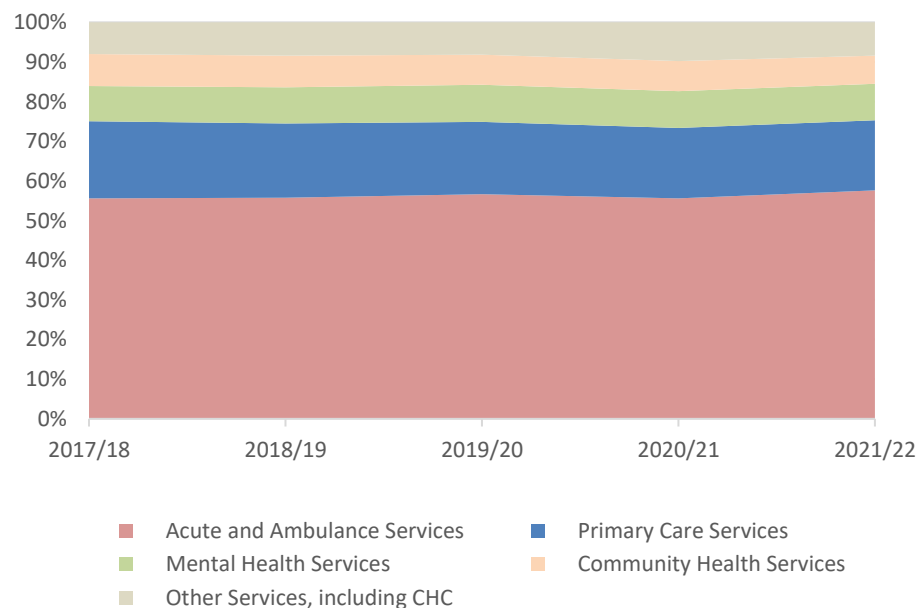
In 2023-24 planned spend, **RDEL accounted for c.85%** and **CDEL accounted for c.15%** of DHSC's total departmental expenditure limit (TDEL).

Spending on **acute services is over 50%** of total NHS spending and has risen over the five years to 2021/22.

Current DHSC Group Spend



NHS Spending by Service Area*

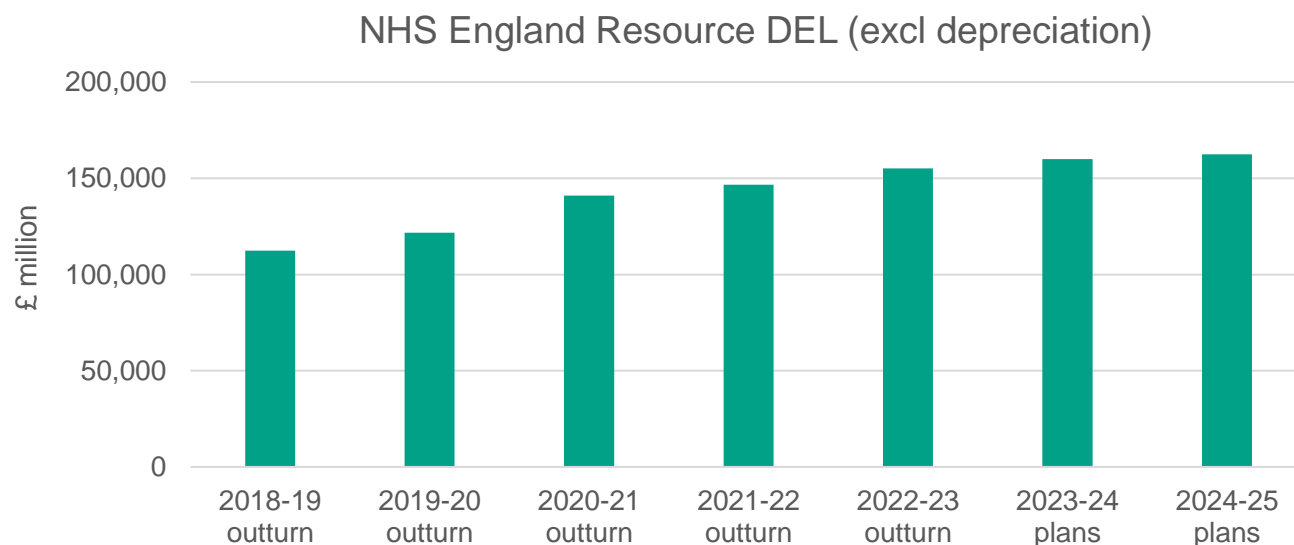


* Figures intended to provide an estimate of total spend across key service areas but may differ to other breakdowns due to difference in categorisation. Latest data available is 2021/22 as figures taken from [NHS England > National Cost Collection for the NHS](#)



Spending Review 2021 / Autumn Statements

- *NHS funding is agreed at Spending Reviews or other fiscal events.*
- *The Long Term Plan Settlement agreed for the NHS in 2018 provided a c£33.9bn increase over five years.*
- *2020-21 & 2021-22 saw one-off agreements to separately fund the impact of COVID-19 – more than £80bn across both years for the DHSC.*
- *Additional funding was also agreed at the Spending Review 2021 and subsequent fiscal events.*



Source: Public Expenditure Statistical Analyses 2023



HM Government's objectives for the NHS in 2023-24

The Government is committed to delivering on the key concerns of the public and recognises the importance of allowing Integrated Care Systems the freedom to deliver effectively. Government is supporting innovation and the adoption of the right digital health technologies and is ensuring the workforce is well supported.

HM Government set out three basic objectives through the mandate to NHS England:

1. Cut NHS waiting lists and **recover performance**
2. Support the workforce through **training, retention and modernising** the way staff work
3. Deliver recovery through the use of **data and technology**




Strategic financial challenges

- **Inflation** is having a detrimental impact across health and social care, eroding the levels of investment from SR21/other funding settlements and driving increased costs across all areas of spend.
- **Pay awards** above planning assumptions have posed a particular challenge in 23/24, requiring extensive re-prioritisation of budgets and negotiations with HMT and No10.
- **Industrial action** has resulted in significant additional costs and disruption, including to improvements in productivity.
- **COVID-19** legacy – the healthcare demands that built up and were exacerbated during the pandemic - continues to put significant pressure on the NHS.
- **Productivity** dropped by c. 30% in 2020/21 and is still up to 16% below pre-pandemic levels – roughly equivalent to £16 bn of lost output a year. Improving productivity is key to the sustainability of public spending – hence HMT's Productivity Programme.
- **Workforce** capacity constraints have hampered the NHS's ability to address backlogs, recover services and boost productivity disrupted during COVID – hence the Long-Term Workforce Plan.




HMG & NHS collective responsibilities



HM Treasury

Managing Public Money

March 2022




Department of Health & Social Care

ALB Schedule of Delegations

Authorised by:
Andy Brittain
DG Finance

May 2022



Department of Health & Social Care


The Government's 2022-23 mandate to NHS England

Published 31 March 2022

The Secretary of State for Health and Social Care has ultimate responsibility for ensuring the whole system works together to meet the needs of patients and the public and reflect their experiences.

The Department of Health and Social Care's purpose is to help people live better for longer. We lead, shape and fund health and care in England. We support Secretary of State to deliver government policies and commitments.

Together we have collective responsibility to make the best most effective use of the resources made available by HMG to deliver health services and are accountable to Parliament and the Public.



Department of Health & Social Care

Department of Health and Social Care

Annual Report and Accounts

2020-21

(For the period ended 31 March 2021)

Accounts presented to the House of Commons pursuant to Section 6(4) of the Government Resources and Accounts Act 2000


Secretary of State's annual report presented to Parliament pursuant to Section 247(D) of the National Health Service Act 2006

Annual Report presented to the House of Commons by Command of Her Majesty

Annual Report and Accounts presented to the House of Lords by Command of Her Majesty

Ordered by the House of Commons to be printed on 31 January 2022

HC1053



House of Commons
Committee of Public Accounts

NHS backlogs and waiting times in England

Forty-Fourth Report of Session 2021-22

Report, together with formal minutes relating to the report

Ordered by the House of Commons to be printed 7 March 2022

HC 987
Published on 16 March 2022
by authority of the House of Commons



Department of Health & Social Care

Department of Health & Social Care

Assessment of NHS England (the NHS Commissioning Board) for 2019-20

Published January 2021





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Annual Report and Accounts 2022-23 and into 2023-24

Annual Report and Accounts - 2022-23 Headlines

- 2022-23 DHSC Annual Report & Accounts were laid in Parliament on 25 January 2024, later than planned due to late completion of significant group bodies resulting from delays in local NHS audits and UKHSA.
- Department still aiming to move back to pre-summer recess laying in due course. This is impacted by the capacity issues in the local audit market. The Department is working with key stakeholders to overcome strategic options for the local audit market.
- 2022-23 has been the first year since the Covid-19 pandemic where the Department has been able to operate on a 'business as usual' basis.

Annual Report and Accounts - 2022-23 Financial Headlines

Other than Resource DEL, DHSC Group Expenditure and cash was contained within the budgets set by Parliament



The outcome of the NHS Pay Deal in 2022-23 meant that Resource DEL expenditure was **£0.9bn higher** than the budget set by Parliament

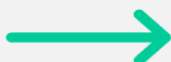


Implementation of the Government's 'Living with COVID' strategy resulted in 2022-23 COVID spend (£12.6bn) being **66% lower** than in 2021-22

23% spending growth in real terms over 2018-19



£3.2bn COVID-19 funding secured to procure 110m doses and deploy 25m COVID-19 vaccinations



£9.9bn (net) investment in Capital



NHSE's £159bn RDEL budget was **the biggest for any ALB** in Government. Underspent by only 0.1% - maximising almost every penny whilst still keeping within budget

Over **£500m CDEL** invested on supporting elective recovery



Annual Report and Accounts - 2022-23 Headlines

1. Parliamentary Control Totals

	Budget £m	Outturn £m	Under/ (Overspend) £m
Parliamentary Controls:			
Resource Departmental Expenditure Limit (RDEL)	176,148	177,095	(946)
<i>of which: Resource Administration</i>	3,308	2,808	499
Capital Departmental Expenditure Limit (CDEL)	11,193	9,848	1,345
Resource Annually Managed Expenditure (RAME)	(35,957)	(61,972)	26,015
Capital Annually Managed Expenditure (CAME)	106	20	85
Net Cash Requirement	185,122	144,489	5,003
Further HM Treasury Controls:			
Ringfenced Resource DEL	2,219	1,519	700
Non-ringfenced Resource DEL	173,929	175,576	(1,647)

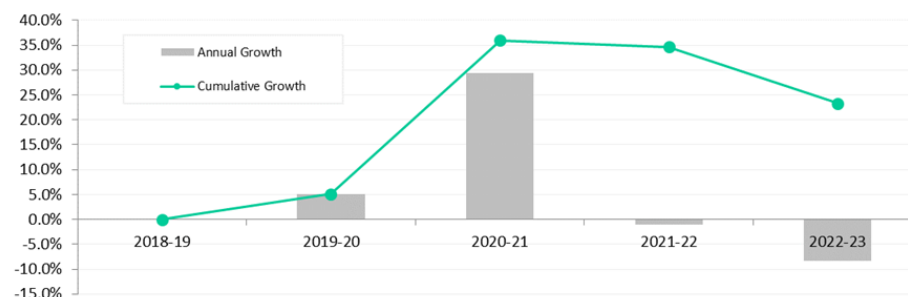
2. NHS Financial Performance

	RDEL NRF £m	RDEL RF £m
NHSE Central	38,281	225
Integrated Care Boards	119,088	34
NHS Trusts and Foundation Trusts	978	24
Net NHS Outturn as per Statement of Parliamentary Supply	158,347	283
Budgets as per 22.23 Financial Directions	158,521	288
Over / Underspend	175	5

DHSC overspent its RDEL budget by £946m, driven by the agenda for change pay award accrual.

The Department's total DEL has now begun to fall since the height of the Covid-19 pandemic.

3. Real Term Change in Spending



1. Cumulative growth figures are from 2017-18
2. GDP Deflators at June 2023 used to calculate real terms growth

Annual Report and Accounts - 2022-23 Audit Qualifications

The Departmental group accounts were qualified on the following three points:

- A breach of parliamentary spending limits resulting from the offer and implementation of the non-consolidated element of the 2022-23 NHS Agenda for Change pay settlement close to and after the end of the financial year (a Ministerial Direction was put in place to enable this)
- A breach of HM Treasury funding conditions in relation to £1bn of expenditure in NHSE under the Elective Recovery Fund (regularity opinion).
- UK Health Security Agency's (UKHSA) accounts were disclaimed for a second year, leading to a limitation of scope for the Department.

Other significant group body qualifications

- For both 2022-23 and 2021-22, NHS England has received a regularity audit opinion in relation to suspended medical practitioner overpayments.

However, the following qualifications from the previous year were lifted in 2022-23:

- DHSC closing balances for inventory items, mainly personal protective equipment (PPE).
- Excess vote in NHS Resolution

2023-24 Accounts Preparation - What's New?

- Timescales remain broadly the same (Annex A)
- No entirely new standards adoption for 2023-24

Key accounting and reporting updates

- Transition to IFRS 16 measurement of PFI liabilities:
 - Key change relates to changes in index or rate now being built into PFI liabilities.
 - Revised model, associated guidance, FAQs and webinar available since October 2023.
 - Department has provided ongoing assistance when requested
- Sustainability reporting reflecting HM Treasury's phased approach to adopting TCFD recommended disclosures

Regular accounting and reporting updates

- Usual updates for HMT Discount and Injury Cost Recovery rates.
- New IFRS 9 adaptation for financial instruments issued not at fair value and no active market or market data exists.
- Additional IAS 32 interpretation content relevant only to the Department as issuer of PDC.
- Approach to negative figures in pensions tables relating to McCloud.
- Usual updates to follow for Q4 such as the PDC dividend policy update – expected to reflect 22-23 Q4 policy.



Future Years Accounts Preparation

Standards adoption

- IFRS 17 Insurance Contracts adoption:
 - Adoption 1 April 2025 across the public sector.
 - Complex Standard with a broad scope, requiring significant judgements to be applied.
 - Full retrospective restatement is standard approach
 - Extensive set of interpretations and adaptations
 - HMT Implementation guidance published in 2023
 - Further content forthcoming from the Department throughout 2024

Other accounting and reporting matters to note

- Work to bring forward accounts preparations timelines is ongoing
- HMT thematic review into asset class valuations under IAS 16 and 38 – in particular moving away from alternative site valuation and mandating a quinquennial valuation approach with indexation in interim years
- Continued phased approach to implementing TCFD recommended disclosures





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Annex A – Accounts Timetable

Accounts Timetable

Month 12 - unaudited	Deadline
Accounts submission - ALBs	24 April (9am)
Accounts submission - providers	24 April (noon)
Accounts submission - ICBs	24 April (5pm)
AoB I&E/ Dr Cr variance reports issued	1 May
AoB resubmission I&E (& Dr Cr) - ICBs	8 May (9am)
AoB resubmission I&E (& Dr Cr) - providers	8 May (noon)
AoB I&E variance reports issued	14 May

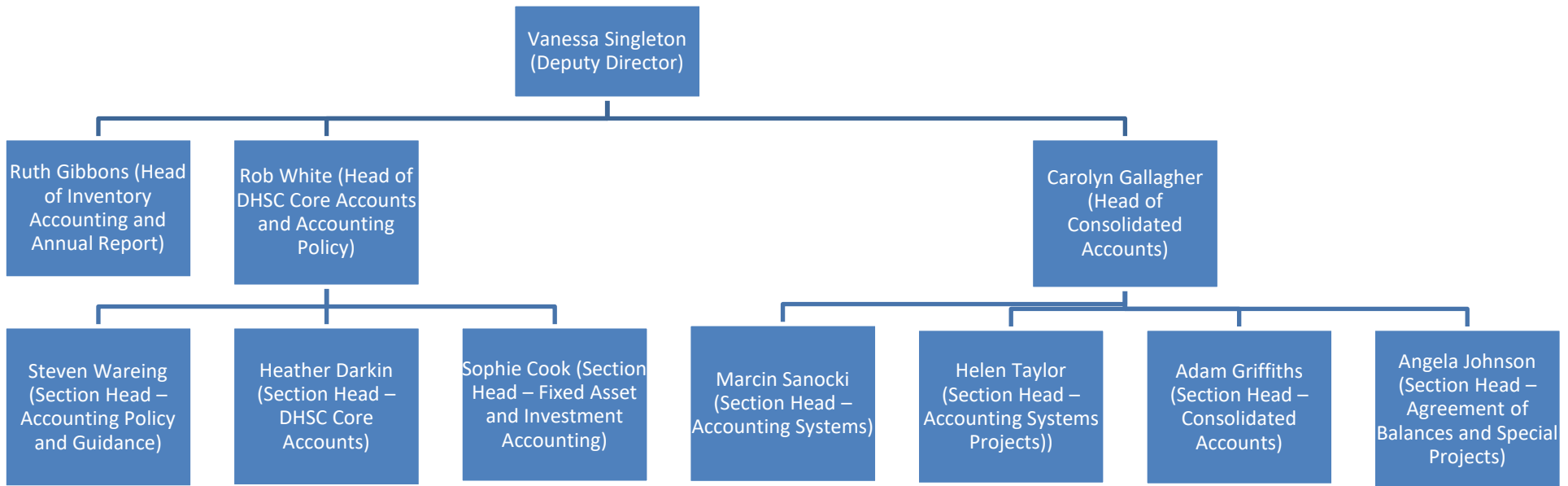
Month 12 - audited	Deadline
Audited accounts submission – ALBs and ICBs	28 June (5pm)
Audited accounts submission – providers	28 June (noon)
DHSC annual report and accounts laid in Parliament	TBC



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Annex B – Key Accounts Contacts

DHSC Key Accounts Contacts



Any questions?

