



To:
Chief executives of all NHS
providers

NHS England and NHS Improvement
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Copy to:
Chairs of all NHS providers
Chairs of local resilience forums
Chairs of ICSs and STPs
NHS regional directors

2 April 2020

Reforms to the NHS Cash and Capital Regimes for 2020/21 Financial Year

Throughout this year the Department of Health and Social Care and NHS England and NHS Improvement have been working together to improve the NHS financial framework.

Our aim has been to make it simpler to navigate, better joined up and more aligned to the future shape of the system set out in the Long Term Plan, therefore contributing to the overall goal of putting the NHS on a sustainable financial footing, while expanding and improving the services and care it provides to patients and the public.

We are writing today to outline the new cash and capital regimes that will be effective as of 1 April 2020. In summary the changes include:

- New Public Dividend Capital (PDC) issued to repay over £13 billion of the NHS' historic debt, in effect writing it off.
- A move away from interest-bearing loans for future interim capital and revenue support, which instead will be provided as PDC.
- Providing a capital spending envelope for the year to every local area, within which each STP/ICS will be expected to work together to manage their spending.

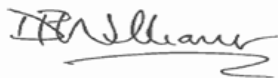
These significant changes, as set out in more detail in the accompanying annexes, will allow for more consistent financial planning and free providers up to invest in maintaining vital services and capital requirements.



We appreciate these changes come at a difficult time given the demands driven by the COVID-19 response. We would like to reiterate that financial constraints must not stand in the way of taking immediate and necessary action as part of this response. Having already simplified the contracting and payment process and made available additional funding to cover your extra costs of responding to the emergency, these changes are designed to support and further improve the financial framework you operate in.

Thank you to all of you who have contributed your views as part of designing this new framework, and more importantly for all that you are currently doing to support the frontline response to COVID-19

Yours faithfully,



David Williams CB
Second Permanent
Secretary
Director General – Finance
and Group
Operations/Chief Operating
Officer
Department of Health and
Social Care



Simon Stevens
NHS Chief Executive



Julian Kelly
NHS Chief Financial
Officer