

*These notes refer to the National Health Service Finance (Wales) Act 2014 (c.2) which received Royal Assent on 27 January 2014*

# NATIONAL HEALTH SERVICE FINANCE (WALES) ACT 2014

## EXPLANATORY NOTES

### INTRODUCTION

1. These Explanatory Notes are for the National Health Service Finance (Wales) Act 2014 which was passed by the National Assembly for Wales on 3 December 2013 and received Royal Assent on 27 January 2014. They have been prepared by the Department for Health and Social Services of the Welsh Government to assist the reader of the Act. The Explanatory Notes should be read in conjunction with the Act but are not part of it.

### COMMENTARY ON SECTIONS

#### *Section 1 – Overview*

2. [Section 1](#) provides an overview of the provisions in the Act. The Act has 3 sections.

#### *Section 2 – Financial duties of Local Health Boards*

3. [Section 2\(2\) to \(6\)](#) detail the specific changes to section 175 of the National Health Service (Wales) Act 2006 ('the 2006 Act') required to move Local Health Boards from an annual financial duty to one which is measured over a rolling three year accounting period. An illustration of how the financial duty is assessed over a rolling three year accounting period is identified in Table 1. An illustration of how the financial duty in section 175 as amended will operate is set out in Table 2.

Table 1– Illustration of how the financial duty is assessed over a rolling three year accounting period

<i>2014/15</i>	<i>2015/16</i>	<i>2016/17</i>	<i>2017/18</i>	<i>2018/19</i>	<i>2019/20</i>
		X			
			X		
				X	
					X

4. The first assessment (X) of the financial duty will take place at the end of 2016/17. (This table shows the first four three-year accounting periods only).

Table 2 – Local Health Board performance for the three year accounting period ending 31 March 2017

	<i>2014/15</i>	<i>2015/16</i>	<i>2016/17</i>	<i>Aggregate</i>
Net operating costs	X1	X2	X3	X1+X2+X3

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	2014/15	2015/16	2016/17	Aggregate
Expenditure Limit	Y1	Y2	Y3	Y1+Y2+Y3
Under/(over) spend against Expenditure Limit				=(Y1+Y2+Y3)-(X1+x2+x3)

5. Where a Local Health Board has not spent in excess of its expenditure limit (which is determined by the Welsh Ministers) in the rolling three year accounting period it will be assessed as having met its financial duty.
6. As amended section 175(1) of the 2006 Act creates a duty for each Local Health Board to manage its expenditure in each rolling three year accounting period so that it does not exceed its funding for that period, subject to a margin of tolerance as may be permitted by the Welsh Ministers.
7. Sections 175(2) and (2A) of the 2006 Act require the Welsh Ministers to direct each Local Health Board to prepare, and submit, for approval, a plan which sets out how it will comply with its financial duty while fulfilling its overarching responsibilities to those people to whom it provides health services.
8. Section 175(6A) of the 2006 Act places a duty upon the Welsh Ministers to report to the National Assembly for Wales on each Local Health Board's compliance with its financial duty. The first report must be submitted before 31 March 2018 and subsequently on an annual basis.
9. By virtue of section 2(7) of this Act, section 176 of the 2006 Act is repealed.

### ***Section 3– Short title and commencement***

10. This section provides that this Act comes into force, in full, on 1 April 2014.

### **RECORD OF PROCEEDINGS IN NATIONAL ASSEMBLY FOR WALES**

11. The following table sets out the dates for each stage of the Act's passage through the National Assembly for Wales. The Record of Proceedings and further information on the passage of this Act can be found on the National Assembly for Wales' website at: <http://www.senedd.assemblywales.org/mgIssueHistoryHome.aspx?IId=7575>

<i>Stage</i>	<i>Date</i>
Introduced	30 September 2013
Stage 1 - Debate	8 October 2013
Stage 2 Scrutiny Committee – consideration of amendments	7 November 2013
Stage 3 Plenary - consideration of amendments	3 December 2013
Stage 4 Approved by the Assembly	3 December 2013
Royal Assent	27 January 2014