

NATIONAL HEALTH SERVICE FINANCE (WALES) ACT 2014

EXPLANATORY NOTES

COMMENTARY ON 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

2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
		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

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

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

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.