

# NHS FUNDING ACT 2020

## EXPLANATORY NOTES

### What these notes do

These Explanatory Notes relate to the NHS Funding Act 2020 (c. 5) which received Royal Assent on 16 March 2020.

- These Explanatory Notes have been prepared by the Department of Health and Social Care to assist the reader of the Act. They do not form part of the Act and have not been endorsed by Parliament.
- These Explanatory Notes explain what each part of the Act will mean in practice; provide background information on the development of policy; and provide additional information on how the Act will affect existing legislation in this area.
- These Explanatory Notes might best be read alongside the Act. They are not, and are not intended to be, a comprehensive description of the Act.

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## Overview of the Act

- 1 The Act sets out in legislation the current long-term funding settlement for the NHS, as set out in the NHS Long Term Plan (LTP), published January 2019.
- 2 The Act makes two main provisions to:
  - Place a duty on the Secretary of State to ensure that the sums paid to NHS England for revenue spending do not fall below the amounts specified in the LTP Funding Settlement for the remaining financial years of that settlement, up to and including the financial year 2023/24.
  - Place a legal duty on the Treasury to ensure that the annual Supply Estimates for the Department of Health and Social Care (DHSC) are consistent with the amounts of NHS England funding for each financial year.
- 3 These provisions cease to have effect at the end of the financial year 2023/24.

## Policy background

### The role of the Department of Health and Social Care in NHS funding

- 4 NHS England (NHSE) receives its funding from the Department of Health and Social Care (DHSC). Under section 13A of the National Health Service Act 2006 (the “2006 Act”), the Secretary of State must publish and lay before Parliament a “Mandate” before the start of each financial year.
- 5 Under section 223D of the 2006 Act, the Secretary of State must set limits on the total capital and revenue resource use of NHSE (which includes capital and revenue resource for use of Clinical Commissioning Groups (CCGs)) for each financial year. These limits must be specified in the mandate. NHSE is under a duty to ensure that its and CCGs’ revenue and capital resource use does not exceed these limits (section 223D(2) and (3) of the 2006 Act). The Secretary of State may also specify such limits for subsequent financial years (section 13A(4) of the 2006 Act).

### The role of Her Majesty’s Treasury in NHS funding

- 6 The Crown is charged with the management of all the revenue of State, and with all the payments for public service. Departments (as representatives of the Crown) are required to present to Parliament their requirements for the financing of public services, which they do by presenting estimates of their expenditure, known as “Supply Estimates”. Parliament will then vote on whether to authorise that expenditure and therefore provide the ways and means to meet it.
- 7 Under a long-standing convention, departmental Supply Estimates must be approved by the Treasury before they are presented to Parliament and must be fully consistent with Treasury budgetary controls.

- 8 Most departments' Estimates (including DHSC's) are then presented to Parliament by the Treasury as a single publication<sup>(1)</sup>. The Commons then considers the Estimates put forward by the government and confirms authorisation of the amounts in the Estimates through passing Supply and Appropriation Acts annually which grant the supply of funding from the Consolidated Fund to Departments.

### The Long Term Plan funding settlement

- 9 In June 2018, the Government announced its intention to work with the NHS in England to develop a ten-year plan for the health service, underpinned by an increase in funding for the NHS in England amounting to a £33.9 billion per year increase in cash terms by the financial year 2023/24. This funding settlement was set out at Autumn Budget 2018.
- 10 This long-term funding commitment aimed to provide the NHS with financial certainty allowing it to plan for the next decade.
- 11 The NHS Long Term Plan was published in January 2019. It sets out how the NHS will develop over the next 10 years, including a move to more integrated care, a greater focus on prevention and changes to ensure financial sustainability.
- 12 The table below sets out NHS England's revenue funding for each year up to (and including) 2023-24. These figures include the Government's funding settlement for the Long Term Plan.

NHS England revenue budget	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Total budget (£bn) in cash terms	114.6	120.8	127.0	133.3	140.0	148.5

## Legal background

- 13 The relevant legal background is explained in the policy background section of these Notes.

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<sup>(1)</sup> This year's estimates can be found at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/800671/main\\_estimates\\_2019-20\\_web.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/800671/main_estimates_2019-20_web.pdf). Separate figures in relation to NHSE are included at page 129.

## Territorial extent and application

- 14 Section 2 sets out the territorial extent of the Act, which describes the jurisdictions in which the Act forms part of the law. The extent of an Act can be different from its application. Application is about where an Act produces a practical effect.
- 15 Healthcare is a devolved matter. The Act extends to England and Wales but will apply only to the NHS in England.

# Commentary on provisions of Act

## Section 1: Funding Settlement for the Health Service in England

- 16 Subsection (1) sets out the duty on the Secretary of State to allot to NHSE, as a minimum, the amount of funding for each financial year set out in the table below.

Financial Year	Amount
Ending with 31 <sup>st</sup> March 2021	£127,007,000,000
Ending with 31 <sup>st</sup> March 2022	£133,283,000,000
Ending with 31 <sup>st</sup> March 2023	£139,990,000,000
Ending with 31 <sup>st</sup> March 2024	£148,467,000,000

- 17 The funding settlement, announced in January 2019, referred only to revenue spending for NHSE. It is the intention that this Act also only covers NHS England revenue spending. As such subsection (2) confers a duty on the Secretary of State to ensure this funding is only used as revenue resource, rather than as capital resource.
- 18 The 2006 Act (section 13A) states that NHSE is subject to an annual “mandate”, which the Secretary of State must publish and lay before Parliament before the start of each financial year. The mandate must specify the limits that the Secretary of State has decided on NHSE’s capital and revenue resource use for that financial year as set out in section 223D of the 2006 Act.
- 19 Subsection (2) requires the Secretary of State to specify such limits on capital and revenue resource use under section 223D of the 2006 Act as the Secretary of State considers necessary to ensure that the amounts specified in the table in subsection (1) are used only as revenue resource.
- 20 Estimates are the documents presented to Parliament by the Treasury setting out the Government’s plans for spending for the relevant year. Estimates take into account Departments’ proposed Departmental Expenditure Limits, Annually Managed Expenditure and Total Managed Expenditure grouping the planned expenditure for each department in accordance with these categories. The Treasury lays the Estimates before Parliament for its approval and once approved the relevant limits are subsequently set out in Supply and Appropriation Acts which provide statutory authority for the amounts of resources sought in the Estimates and therefore for most departmental expenditure.
- 21 Subsection (3) puts a duty on the Treasury to ensure that the Department of Health and Social Care Estimates laid before Parliament are consistent with the amounts of revenue resource funding for NHSE for the relevant year, as set out in the table in subsection (1).
- 22 Subsection (4) defines an “allotment to the health service in England” as an allotment under section 223B(2) of the National Health Service Act 2006 or a new allotment under section 223B(3) of the National Health Service Act 2006. This ensures that the duty in subsection (1) on the Secretary of State applies to any allotment in the relevant financial years.
- 23 Section 223B(1) of the 2006 Act provides that the Secretary of State must pay to NHSE sums not exceeding the amount allotted for that year towards meeting the expenditure of NHSE.

## Section 2: Extent, commencement, expiry and short title

- 24 Subsection (1) sets out the territorial extent of the Act, that is the jurisdictions within which the Act forms part of the law.
- 25 The Act extends to England and Wales only.
- 26 Subsection (2) provides that the provisions of the Act come into force on the day that the Act is passed.
- 27 Subsection (3) provides that the legislation will expire at the end of 31st March 2024. This reflects the fact that the Act makes provision in relation to NHSE funding for the financial years 2020/21 to 2023/24 only.
- 28 Subsection (4) states the Act's short title as the 'NHS Funding Act 2020'.

## Commencement

29 The Act comes into force on the day on which it is passed.

## Related documents

30 The following documents are relevant to the Act and can be read at the stated locations:

- National Health Service Act 2006:  
<https://www.legislation.gov.uk/ukpga/2006/41/contents>
- National Health Service Long Term Plan:  
<https://www.longtermplan.nhs.uk/wp-content/uploads/2019/08/nhs-long-term-plan-version-1.2.pdf>



## Annex A - Territorial extent and application in the United Kingdom

31 The Act extends to England and Wales but will apply only to the NHS in England. No provisions of the Act have effect outside England.

Provision	Extends to E & W and applies to England?	Extends to E & W and applies to Wales?	Extends and applies to Scotland?	Extends and applies to Northern Ireland?
Section 1: Funding Settlement for the Health Service in England	Yes	No	No	No
Section 2:Extent, commencement, expiry and short title	N/A	N/A	N/A	N/A

## Annex B - Hansard References

32 The following table sets out the dates and Hansard references for each stage of the Act's passage through Parliament.

Stage	Date	Hansard Reference
<i>House of Commons</i>		
Introduction	15 January 2020	<a href="#">Vol. 669 Col. 1027</a>
Second Reading	27 January 2020	<a href="#">Vol. 670 Col. 559</a>
Public Bill Committee	04 February 2020	<a href="#">Vol. 671 Col. 212</a>
Report and Third Reading	04 February 2020	<a href="#">Vol. 671 Col. 277</a>
<i>House of Lords</i>		
Introduction	05 February 2020	<a href="#">Vol. 801 Col. 1855</a>
Second Reading	26 February 2020	<a href="#">Vol. 802 Col. 215</a>
Grand Committee	26 February 2020	<a href="#">Vol. 802 Col. 215</a>
Report	26 February 2020	<a href="#">Vol. 802 Col. 215</a>
Third Reading	26 February 2020	<a href="#">Vol. 802 Col. 215</a>
Commons Consideration of Lords Amendments	N/A	N/A
<i>Royal Assent</i>	16 March 2020	House of Lords <a href="#">Vol. 802 Col.1269</a> House of Commons <a href="#">Vol. 673</a>





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