

HFMA introductory guide to NHS finance

Chapter 3: NHS finance - the role of the centre



Chapter 3. NHS finance – the role of the centre

The role of government, ministers, the Department of Health and Social Care, NHS England and other arm's length bodies



Overview

This chapter focuses on the role of the 'centre' in relation to NHS finance and governance. The chapter covers:

- **Parliament**
- **government ministers**
- **the Department of Health and Social Care**
- **NHS England and other arm's length bodies (ALBs).**

For each element, the chapter looks at its status, accountabilities, roles and financing. To remind yourself of the overall structure of the NHS and where 'the centre' fits, look back at the diagram on page 11.

3.1 Parliament

What it is – status and accountabilities

Parliament is the United Kingdom's highest legislative body and sits at the top of the accountability tree. In relation to the NHS, Parliament holds the Secretary of State for Health and Social Care to account for the functioning and use of resources of the Department of Health and Social Care (DHSC) and the NHS.

Parliament approves the estimates for spending and supplementary estimates. This forms the bedrock of regularity - that is, ensuring that taxpayers' money is spent wisely and well, and for the purposes intended.

The devolved nations of Northern Ireland, Wales and Scotland

Parliament has devolved responsibility for some functions to the legislatures of the devolved nations, including the provision of healthcare services. Chapters 20 (Northern Ireland), 21 (Wales) and 22 (Scotland) explore the legislative and accountability arrangements for each nation.

What the UK Parliament does – roles and responsibilities

The main functions of the UK Parliament, where powers have not been devolved, can be described as providing:

- checks on, and challenges to, the work of government
- making and changing laws
- debating the important issues of the day

- checking and approving government spending.

As part of this process, the House of Commons (and the House of Lords) appoint select committees. House of Commons select committees have a duty to check and report on the work of government departments, in particular on spending, policies and administration.

The Health and Social Care Select Committee³⁴ (a Commons select committee) has a maximum of 11 members and the quorum for any formal proceedings is three. As the members of the committee are appointed by the House they remain on the committee until the next dissolution of Parliament, unless discharged. The members of this committee are appointed by the House of Commons and its constitution, and powers are set out in *House of Commons Standing Order No.152*³⁵.

As well as holding the Secretary of State to account, the cross-party House of Commons Health and Social Care Select Committee examines the expenditure, administration and policy of the DHSC and its associated bodies.

The chair of the committee is a backbench member of Parliament (MP) (i.e., not a government minister) elected by MPs at the beginning of each Parliament. The chair has considerable influence over the focus and working practices of the committee.

Within its remit, the committee has complete discretion to decide which areas to investigate and has the power to require the submission of written evidence and documents, and to send for and examine witnesses. The committee's oral evidence sessions are usually open to the public and are often televised. Deliberative meetings of the committee, where there are full and free discussions of issues and courses of action, are held in private.

When an inquiry ends, a report is agreed by the committee and then published by Her Majesty's Stationery Office. The report is usually published in two volumes: the findings of the committee and the background (memoranda and oral) evidence. The government is committed to responding to such reports within two months of publication.

The committee is supported in its work by a team of staff and by part-time specialists, usually academics or experts from professions relevant to its inquiries.

Two other Parliamentary committees can scrutinise the DHSC and the NHS:

- the Public Accounts Committee³⁶ (PAC)
- the Public Administration and Constitutional Affairs Committee³⁷ (PACAC).

The PAC keeps a check on all public expenditure including money spent on health. Its remit takes it far wider than a view on the annual accounts, with the results of National Audit Office (NAO) value for money studies usually being considered. In these instances, the PAC takes evidence, usually questioning accounting officers, chief executives and director generals from relevant organisations (such as the DHSC and NHS England), before publishing its own report and making recommendations.

The PACAC examines the reports of the Parliamentary and Health Service Ombudsmen. It considers matters relating to the quality and standards of civil service administration and constitutional issues.

Other select committees, and the House of Lords, may from time-to-time conduct inquiries into government policies that impact upon the DHSC.

³⁴ UK Parliament, *Role – Health and social care committee*, n.d.

³⁵ House of Commons, *Standing Orders of the House of Commons - Public Business 2002, 2001*

³⁶ UK Parliament, *Our role, Public accounts committee*, n.d.

³⁷ UK Parliament, *Public administration and constitutional affairs committee*, n.d.

3.2 Secretary of State for Health and Social Care

What the role is – status and accountabilities

The Secretary of State for Health and Social Care³⁸ is a Cabinet minister with responsibility for the 'work of the Department of Health and Social Care, including:

- overall financial control and oversight of NHS delivery and performance
- oversight of social care policy'.

The Secretary of State is accountable to Parliament for the provision of a comprehensive health and care service in England.

What the Secretary of State does – roles and responsibilities

The NHS was established under the National Health Service Act 1946. This and other subsequent Acts of Parliament relating to the NHS set out the duty of the Secretary of State to provide a comprehensive health and care service in England.

The Secretary of State is politically accountable for the NHS and for the resources allocated to the health and social care system.

They are also responsible for:

- oversight of all NHS delivery and performance
- system design
- the legislative framework
- overall strategic direction
- mental health
- championing patient safety.

The Health and Care Act 2022³⁹ allows the Secretary of State to intervene in local service reconfigurations. These new provisions came into force on 31 January 2024 and statutory guidance has been issued outlining the processes⁴⁰. It is expected that most reconfigurations will continue to be managed locally and that intervention will only occur in exceptional circumstances.

3.3 Health ministers

What they are – status and accountabilities

The Secretary of State is supported by a team of health ministers who are appointed by the government. These ministers are either MPs elected by the public or members of the House of Lords. They are accountable to the Secretary of State.

What ministers do – roles and responsibilities

Health ministers each have individual responsibility for different aspects of the DHSC's work. The portfolios attached to the ministerial posts often change, depending on the priorities at that point in

³⁸ UK Government, *Secretary of State for Health and Social Care*, n.d.

³⁹ UK Government, *Health and Care Act 2022*

⁴⁰ Department of Health and Social Care, *Reconfiguring NHS services - ministerial intervention powers*, updated January 2024

time and the personal interests of the individuals. For the latest information on ministerial portfolios see the DHSC's website⁴¹.

3.4 The Department of Health and Social Care

What it is – status and accountabilities

The Department of Health and Social Care (DHSC) is the Department of State responsible for the NHS, public health and adult social care in England. The DHSC is accountable, via its principal accounting officer (the permanent secretary), to Parliament 'for safeguarding the public funds' allocated to it⁴². The current accounting officer statement has yet to be updated for changes as a result of the Health and Care Act 2022. Once updated, the statement will be published on the government website⁴³.

The DHSC supports the Secretary of State and ministers in carrying out their ministerial responsibilities including:

- accounting to Parliament and the public for the way money is spent and what is achieved with it
- answering Parliamentary questions and dealing with other Parliamentary business such as debates and enquiries
- responding to communications from the public and MPs
- communicating with the public.

There is a departmental board chaired by the Secretary of State that includes non-executives from outside government. This board provides advice and support to ministers, and the principal accounting officer, across all the DHSC's responsibilities. An audit and risk assurance committee reports into the board, with the department being subject to external audit by the National Audit Office (NAO). The board scrutinises reports on performance and challenges the DHSC on how well it is achieving its objectives.

What the Department of Health and Social Care does – roles and responsibilities

The Department of Health and Social Care's (DHSC) overarching purpose is to help people live more independent, healthier lives for longer. It works closely with its partners in the health and care system, its arm's length bodies (ALBs), agencies, local authorities, across government, and with both patients and the public to achieve this aim. The governmental website⁴⁴ identifies the DHSC's responsibilities as being:

- supporting and advising ministers: to help them shape and deliver policy that delivers the government's objectives
- setting direction: anticipating the future and leading debate so that global and domestic health is protected and improved
- accountability: making sure the department and its ALBs deliver agreed plans and commitments
- acting as guardians of the health and care framework: making sure the legislative, financial, administrative and policy frameworks are fit for purpose and work together

⁴¹ UK Government, *Ministers*, n.d.

⁴² Department of Health and Social Care, *Accounting officer system statement*, July 2018

⁴³ UK Government, *Accounting officer system statements*, updated June 2023

⁴⁴ Department of Health and Social Care, *About us*, n.d.

- troubleshooting: in the last resort, taking the action needed to resolve crucial and complex issues.

The DHSC's outcome delivery plan (latest version July 2021)⁴⁵ lists five priority outcomes that are shared with its ALBs and partner organisations.

Outcome delivery plan priority outcomes

The Department of Health and Social Care supports ministers in leading the nation's health and social care and helping people live more independent, healthier lives for longer by:

- protecting the public's health through the health and social care system's response to Covid-19
- improving healthcare outcomes by providing high-quality and sustainable care at the right time in the right place and by improving infrastructure and transforming technology. Supporting the NHS to deliver high-quality, safe and sustainable hospital care and secure the right workforce
- improving healthcare outcomes through a well-supported workforce
- improving, protecting and levelling up the nation's health, including reducing health disparities
- improving social care outcomes through an affordable, high-quality and sustainable adult social care system.

Performance against the short-term objectives and long-term ambitions in the outcome delivery plan (ODP) is set out in the DHSC's annual report and accounts⁴⁶.

Linked to these responsibilities and objectives, the DHSC has several key roles including:

- providing leadership for the NHS, adult social care and public health services (including - for example, health promotion, health protection against infectious diseases, the safety of medicines and ethical issues) and setting the strategic framework within which they operate
- developing policy and legislation relating to the NHS, adult social care and public health
- supporting the delivery of improvements in the health and adult social care system via performance monitoring and evaluation; managerial and professional leadership of external groups; building capacity and capability and ensuring value for money
- leading on the integration of health and wellbeing into wider government policy
- allocating the funding received from HM Treasury
- setting healthcare standards, targets and outcome measures – there are separate outcomes frameworks for the NHS, public health and adult social care
- agreeing the mandate⁴⁷ with NHS England based on these outcome frameworks
- reviewing the performance of its arm's length bodies (see below) and intervening (by direction) if necessary

⁴⁵ Department of Health and Social Care, *DHSC outcome delivery plan, July 2021*

⁴⁶ Department of Health and Social Care, *DHSC annual report and accounts: 2022 to 2023, January 2024*

⁴⁷ Department of Health and Social Care, *The government's 2023 mandate to NHS England, June 2023*

- managing performance against its statutory responsibilities and holding the NHS to account – this includes ensuring that the NHS lives within its allocated resources and achieves required efficiency savings.

These roles are translated into several specific ‘deliverables’ for the NHS by NHS England which is responsible for the day-to-day operational management of the NHS and operates at arm’s length from the DHSC.

A key part of the DHSC is the Office for Health Improvement and Disparities (OHID)⁴⁸; it is responsible for:

- national health improvement, prevention of poor health and tackling health disparities
- regional public health
- public health analysis
- public health advice on nursing, midwifery and allied health professionals.

How the Department of Health and Social Care is financed

Parliament, through HM Treasury, usually sets the DHSC’s budget for a five-year period in a budgetary exercise known as the spending review, that takes place across government. The DHSC submits evidence to the Treasury setting out its proposals for expenditure plans covering the five-year period. These plans are then discussed and challenged over several months before being finalised. The outcome of the most recent spending review was released in September 2021 and covers the years 2022/23 to 2024/25, a three-year budget on this occasion. More information about the spending review process is included in chapter 12.

Once the Treasury has set the overall budget total, the DHSC determines how this should be allocated. Most of the funding is allocated to NHS England, but some is retained in central budgets - for example, for 2023/24 the total revenue budget for the DHSC was £178.5bn, of which £163.2bn was allocated to NHS England⁴⁹. The DHSC’s funding also finances its associated ALBs (see below).

Once resources have been allocated, the DHSC has an on-going responsibility to ensure that the NHS lives within them, and that its objectives are achieved as efficiently as possible. This includes monitoring performance against national targets.

3.5 Arm’s length bodies

What they are – status and accountabilities

Arm’s length bodies (ALBs) are stand-alone national organisations sponsored by the DHSC to undertake activities to help deliver its agenda. They range in size but tend to have boards, employ staff and publish accounts. The working arrangements between the DHSC and its ALBs are described in dedicated framework agreements⁵⁰.

There are three types of ALB.

Types of ALB

Executive agencies – these are part of the DHSC (and are accountable to it) but have greater operational independence than a division or section of the DHSC.

⁴⁸ UK Government, *Office for health improvement and disparities: about us*, n.d.

⁴⁹ HM Treasury, *Spring budget 2024*, March 2024

⁵⁰ DHSC, *Framework agreements between the Department of Health and Social Care and its arm’s length bodies*, updated March 2024

Special health authorities – these are independent bodies created by order under section 28 of the NHS Act 2006 and subject to direction by the Secretary of State for Health and Social Care.

Executive non-departmental public bodies (NDPBs) – these are established by primary legislation and have their own statutory functions. Their relationship with the DHSC is defined in legislation and some have greater independence than others.

Regardless of their status, every ALB has a framework agreement that sets out its relationship with the DHSC – in particular, these agreements cover:

- lines of accountability
- working arrangements
- core financial requirements
- relationships with other ALBs and organisations in the system
- how the ALB is held to account for delivering its objectives and outcomes and for the use of public money.

Each ALB must also submit a business plan to the DHSC for approval each year indicating how its objectives will be achieved and forecasting its financial performance. Every ALB must lay its annual report and accounts before Parliament.

The DHSC has a duty to keep the performance of ALBs under review and the Secretary of State can intervene in the event of ‘significant failure’.

What ALBs do – roles and responsibilities

ALBs can be categorised by function as follows.

Regulatory – ALBs that hold the health and social care system to account:

- NHS England (NDPB)
- Care Quality Commission (CQC) (NDPB)
- Medicines and Healthcare Products Regulatory Agency (executive agency)
- Human Fertilisation and Embryology Authority (NDPB)
- Human Tissue Authority (NDPB).

Public welfare – ALBs that focus primarily on safety and protection of the public and patients:

- UK Health Security Agency (UKHSA) (executive agency)
- Health Research Authority (NDPB).

Standards – ALBs that focus primarily on establishing national standards and best practice:

- National Institute for Health and Care Excellence (NICE) (NDPB).

Central services to the NHS – ALBs that provide cost-effective services and focused expertise across the health and social care system:

- NHS Blood and Transplant (special health authority)
- NHS Business Services Authority (special health authority)

- NHS Counter Fraud Authority (special health authority)
- NHS Resolution (special health authority).

Some of the other ALBs that have a particular bearing on NHS finance and governance are considered later in this chapter.

How ALBs are financed

ALBs are financed primarily out of the settlement received by the Department of Health and Social Care (as 'grant in aid') although some levy fees for services provided - for example, the CQC charges a registration fee. Others are financed largely via charges to users of their services - for example, in the case of NHS Blood and Transplant, hospitals (both NHS and private) pay for each unit of blood and blood product supplied.

Wholly or partially owned companies

There are also some bodies that are either wholly or partially owned by the DHSC, and so fall within the DHSC group. These include:

- Supply Chain Coordination Ltd (SCCL) – set up in 2018, NHS Supply Chain is an NHS body and manages the sourcing, delivery and supply of healthcare products, services and food for NHS trusts and healthcare organisations across England and Wales.
- NHS Property Services Ltd – set up in 2012 to take over the residual estate left by the abolition of strategic health authorities and primary care trusts.
- Community Health Partnerships (CHP) – established in 2001, the CHP's purpose is to provide high quality health and social care facilities that meet local needs.

Annual accounts

ALBs produce accounts in a format prescribed by the DHSC under the group accounting manual, and will, in almost all circumstances, be consolidated into the DHSC's annual report and accounts.

3.6 NHS England

Establishment and legacy arrangements

In constitutional terms, NHS England is an executive non-departmental body working at arm's length from the DHSC (i.e., it is a Department of Health and Social Care arm's length body or ALB).

In its current statutory form NHS England was established by the Health and Care Act 2022⁵¹, merging the previous version of NHS England with NHS Improvement (comprised of Monitor (being responsible for foundation trusts) and the NHS Trust Development Authority (TDA - being responsible for NHS trusts)).

In 2023 both NHS Digital (from 1 February 2023) and Health Education England (from 1 April 2023) became part of NHS England as standalone directorates, reducing the DHSC's number and range of ALBs.

Accountability and working arrangements

NHS England is accountable to the Secretary of State for Health and Social Care and the DHSC for meeting its legal duties and fulfilling its mandate. In formal terms, the line of accountability runs from NHS England's accountable officer (the chief executive, as designated in the Health and Social Care

⁵¹ UK Government, NHS Health and Care Act 2022

Act 2012) to the DHSC's accountable officer (the permanent secretary) to the Secretary of State and Parliament.

The mandate⁵² is a document published and updated by the Secretary of State. It sets out the objectives that NHS England is expected to deliver and is accompanied by financial directions. The latter are published annually and specify the total revenue resource available. As set out in the Health and Social Care Act 2012, NHS England publishes a business plan prior to the beginning of the financial year to set out how it intends to exercise its functions in that year and each of the next two financial years. An annual report is published showing how it performed.

As with all ALBs, there is also a 'framework agreement' that sets out the working relationship and lines of accountability between the DHSC and NHS England along with financial requirements and relationships with other organisations.

NHS England is accountable to the DHSC for staying within its allocated resources (the revenue limit allocated to it by the DHSC) as well as delivering a wide range of improvements to healthcare through several 'outcomes frameworks'.

Roles and responsibilities

Comprehensive health service

Alongside the Secretary of State, NHS England has an overriding statutory responsibility for promoting a comprehensive health service that will 'secure improvements in the physical and mental health of the people of England and in the prevention, diagnosis and treatment of physical and mental illness'⁵³. As well as general duties - for example, having regard to the *NHS constitution*; exercising its functions economically, efficiently and effectively; securing continuous improvement and promoting innovation, NHS England has several specific statutory duties relating to:

- establishing and holding integrated care boards (ICBs) to account
- commissioning of services - for example, NHS England must commission directly those services specified in regulations – see below
- partnership working/ co-operation - for example, a duty to co-operate with the DHSC, the Care Quality Commission (CQC) and the National Institute for Health and Care Excellence (NICE), meeting safeguarding duties for children and vulnerable groups
- emergencies – to ensure that it and ICBs are properly prepared and resilient. In the event of a major incident, NHS England assumes responsibility for coordinating the input of all healthcare organisations
- finance – to manage overall expenditure on commissioning and general management, and to produce accounts that include the consolidated accounts of all ICBs. This is facilitated by the mandated use of a single financial ledger system called the integrated single financial environment (ISFE) that is designed to ensure consistency of reporting and simplify consolidation.

NHS England allocates funding to ICBs and holds them to account for the management of these public funds. It is also responsible for managing financial risk across integrated care systems (ICSs).

As mentioned above, NHS England commissions some services itself (referred to as 'direct commissioning') – specifically:

- primary care services provided by GPs, dentists, opticians, and community pharmacists (this is delegated to ICBs - see chapters 5 and 6 for more details)

⁵² Department of Health and Social Care, *The government's 2023 mandate to NHS England, June 2023*

⁵³ NHS England's legal duties and powers are set out in sections 9 and 23 and schedule A1 of the 2012 Act

- specialised services⁵⁴ – specialised services support people with a range of rare and complex conditions. They often involve treatments provided to patients with rare cancers, genetic disorders or complex medical or surgical conditions. Specialised services are not available in every local hospital because they must be delivered by specialist teams of doctors, nurses and other health professionals who have the necessary skills and experience. Unlike most healthcare, that is planned and arranged locally, specialised services are planned nationally and regionally by NHS England. A good example is transplant surgery. This is also delegated to ICBs
- offender healthcare (including high security psychiatric facilities)
- some services for members of the armed forces.

These services are commissioned using common 'single operating models' that have been designed to ensure that all patients are offered consistent, accessible, high-quality services across the country.

In addition, although local authorities are responsible for commissioning some public health services, many of which are delivered by NHS providers, NHS England has a direct commissioning responsibility for some preventive public health services. These are commissioned through a model developed with stakeholders and include:

- the national immunisation programmes
- the national screening programmes
- public health services for offenders in custody
- sexual assault referral centres
- child health information systems.

In 2022/23 NHS England spent £30.7bn⁵⁵ on direct commissioning activities.

NHS England is also required to carry out several other roles, including those set out below:

- setting commissioning guidelines
- allocating funding for the purchase of healthcare to ICBs
- developing model care pathways
- establishing model contracts for ICBs to use when commissioning services
- supporting ICBs as they develop their skills and capacity including promoting good practice
- determining the structure of future payment systems
- promoting and extending choice
- the roll-out of personalised care (see chapter 5 for more details)
- championing patient and carer involvement
- overseeing the cancer drugs fund.

Regulation of health and social care

NHS England is the sector regulator for health and social care. NHS England promotes high quality health and care for all. It will support NHS organisations to work in partnership to deliver better outcomes for patients and communities, with the best possible value for taxpayers and to continuously improve.⁵⁶

⁵⁴ NHS England, *Specialised services*, n.d.

⁵⁵ NHS England, *Annual report and accounts 2022-23*, January 2024

⁵⁶ NHS England, *What we do*, n.d.

NHS England has responsibility for licensing all providers of NHS-funded care in England, including independent providers, under the duty of protecting and promoting the interest of NHS patients. In extreme circumstances, if licence conditions are breached, there is the power to remove directors and governors, as well as revoking the provider's licence to operate. Regulation of providers is carried out in co-operation with the CQC who also registers providers against safety and quality criteria. It has several enforcement powers⁵⁷ at its disposal.

There is more detail about the regulatory role of NHS England in chapter 9.

Commissioning support units

NHS England also hosts several commissioning support units (CSUs). CSUs provide both transactional and transformational support and services to many ICBs, helping them to deliver their commissioning role. This may be in the form of business support functions such as finance and human resources; providing data analysis and storage; developing the health needs assessment or handling media enquiries.

Arrangements between CSUs and ICBs are covered by service level agreements (SLAs) that set out the expectations and requirements of each party.

Each CSU is led by a managing director and operates with a governing body (but not a legal board). As they are part of NHS England, all hosted CSUs fall within NHS England's own governance arrangements.

Each CSU operates under an agreed NHS England operating framework. The operating framework includes the powers delegated by NHS England and reflects any additional conditions under which the CSU must operate. CSUs are required to break even with any profits reinvested into the business.

Regional teams

NHS England has seven regional teams. The regions act as the local offices of NHS England with functions that include commissioning some primary care and specialised services. There are seven regions – East of England, London, Midlands, North East and Yorkshire, North West, South East and South West. The regional teams are responsible for the quality, financial and operational performance of the NHS organisations in their region. Their core functions are focused on:

- healthcare commissioning and delivery across their geographies
- professional leadership on finance, nursing, medical staff
- specialised commissioning
- patients and information
- human resources
- organisational development
- assurance and delivery.

The regional teams also commission some primary care services, although ICBs commission GP services themselves (see chapter 5 for more details). Local professional networks (LPNs) are hosted by the regional teams and cover dentistry, pharmacy and eye health. They encourage service improvements for their local communities.

⁵⁷ NHS England, *NHS enforcement guidance*, updated December 2023

Clinical senates and strategic clinical networks

NHS England hosts 10 clinical senates across the country. Their role is to help ICBs, health and wellbeing boards and NHS England to make the best possible decisions about healthcare for the population they serve. Clinical senates are multi-professional forums and operate on a geographical basis, that are in general, aligned to the regional boundaries.

NHS England also hosts several strategic clinical networks. These networks bring together those who use, provide and commission services for complex patient pathways, in order to develop integrated, whole system approaches. The clinical networks focus on four main areas: cardiovascular; maternity, children and young people; mental health, dementia and neurological conditions; and cancer. However, regions can set up other clinical networks if there is local need.

Workforce, education and training

Health Education England (HEE) is a stand-alone directorate within NHS England and provides national leadership and oversight on strategic planning and development of the health and public health workforce. It also allocates education and training resources, ensuring that the healthcare workforce has the right skills and is available in the right numbers.

HEE has the following key functions:

- providing national leadership on workforce planning and development, ensuring the security of supply of the professionally qualified clinical workforce
- promoting high quality education and training, responsive to the needs of patients and local communities
- allocating and accounting for NHS and public health education and training resources and the outcomes achieved.

Data and information

NHS Digital is a stand-alone directorate within NHS England and is responsible for the information, data and IT systems for commissioners, analysts and clinicians in health and social care in England. It has the following key functions:

- collect and disseminate data, to maximise the accessibility, quality and utility of health and care data
- run live services, both citizen-facing such as the NHS app, and systems such as the electronic prescribing service
- develop new products, services and enablers.

How NHS England is financed

NHS England's budget is allocated to it by the DHSC. Most of this budget is then allocated to ICBs and used by them to commission services. For 2023/24 the total revenue budget allocated to NHS England to deliver the mandate was £179.7bn⁵⁸, and is £185.8bn in 2024/24⁵⁹. See chapter 12 for more detail on how the NHS is financed.

NHS England also has a capital budget as part of the wider DHSC allocation. The total NHS England capital budget is allocated - via ICBs, to the provider sector. See chapter 14 for more detail on capital funding in the NHS.

⁵⁸ Department of Health and Social Care, *2023 to 2024 financial directions to NHS England*, March 2024

⁵⁹ Department of Health and Social Care, *2024 to 2025 financial directions to NHS England*, March 2024

Initial allocations for revenue and capital can change during the year depending on circumstances, and to address issues - for example, additional funding during the Covid-19 pandemic.

3.7 UK Health Security Agency

What it is – status and accountabilities

Fully operational in October 2021⁶⁰ the UK Health Security Agency (UKHSA) was established to help ensure that the UK can respond quickly and at greater scale to deal with pandemics and future threats. It is an executive agency of the Department of Health and Social Care and is therefore accountable to the DHSC.

What the UKHSA does – roles and responsibilities

The UKHSA is responsible for planning, preventing and responding to external health threats, and providing intellectual, scientific and operational leadership at national and local level.

The responsibilities of the UKHSA⁶¹ include:

- pandemic and major epidemics preparedness
- detection and containment of infectious diseases
- emergency preparedness, resilience and response
- vaccinations, immunisations and treatments
- establish a scientific infrastructure
- work closely with academia and industry.

3.8 Care Quality Commission (CQC)

What it is – constitution, structure and accountabilities

The Care Quality Commission⁶² began operating on 1 April 2009 as the independent regulator of health and adult social care in England. It is an executive non-departmental public body and was established to regulate fundamental standards of quality and safety, which were first set out in the Health and Social Care Act 2008.

Although it is formally an ALB of the Department of Health and Social Care, the CQC is independent of central government and directly accountable to Parliament⁶³. However (as with all ALBs), the CQC has a framework agreement with the DHSC that sets out its relationship and lines of accountability. It also publishes a strategic plan that forms the basis of regular meetings with the Department.

What it does – roles and responsibilities

The CQC was given a range of legal powers and duties as part of the Health and Social Care 2008 Act; these include:

⁶⁰ UK Health Security Agency, *About us*, 2023

⁶¹ Department of Health and Social Care, *UK Health Security Agency strategic remit and priorities 2023 to 2024*, August 2023

⁶² Care Quality Commission, *About us*, 2023

⁶³ UK Government, *Care Act 2014*

- registering providers of healthcare and social care to ensure that they are meeting the fundamental standards of quality and safety
- monitoring how providers comply with the standards by gathering information and inspecting them when the CQC think it is needed
- using enforcement powers, such as fines and public warnings and closing down services, if services drop below the fundamental standards and, particularly, if the CQC think that people's rights or safety are at risk
- acting to protect patients whose rights are restricted under the Mental Health Act
- promoting improvement in services by conducting regular reviews of how well those who arrange and provide services locally are performing
- carrying out special reviews of particular types of services and pathways of care, or investigations on areas where the CQC has concerns about quality and safety
- seeking the views of people who use services and involving them in the CQC's work
- telling people about the quality of their local care services to help providers and commissioners of services to learn from each other about what works best, where improvement is needed, and help to shape national policy.

As a result of the Health and Social Care Act 2012, the CQC gained additional responsibilities including the establishment of HealthWatch England.

HealthWatch England

HealthWatch England is a national body established to enable the views of people who use NHS and social care services to influence national policy, advice, and guidance. It is constituted as a statutory committee of the CQC and its chairperson is a CQC non-executive director. Its role is to provide leadership, guidance and support to local HealthWatch organisations (see chapter 8) and advise the Secretary of State, NHS England, and local authorities. HealthWatch England is funded as part of the Department of Health and Social Care's grant in aid to the CQC and must make an annual report to Parliament.

The Care Act 2014 required the non-executive members of the CQC to appoint executive members to be the Chief Inspector of Hospitals, the Chief Inspector of Adult Social Care and the Chief Inspector of General Practice.

The CQC's strategy from 2021⁶⁴ sets out ambitions under four themes:

- people and communities - regulation that is driven by people's needs and experiences, focusing on what is important to people and communities when they access, use and move between services
- smarter regulation - smarter, more dynamic and flexible regulation that provides up-to-date and high-quality information and ratings, easier ways of working with the CQC and a more proportionate response
- safety through learning - regulating for stronger safety cultures across health and care, prioritising learning and improvement and collaborating to value everyone's perspectives
- accelerating improvement - enabling health and care services and local systems to access support to help improve the quality of care where it's needed most.

⁶⁴ Care Quality Commission, *A new strategy for the changing world of health and social care - CQC's strategy from 2021*, November 2023

How the CQC is financed

The CQC is funded through fee income from providers registered with the CQC.



Key learning points

- The Secretary of State is accountable to Parliament for the provision of a comprehensive health and care service in England.
- The Secretary of State is supported by a team of health ministers who are appointed by the government. These ministers are either MPs elected by the public or members of the House of Lords. They are accountable to the Secretary of State.
- The Department of Health and Social Care (DHSC) is the Department of State responsible for the NHS, public health and adult social care in England.
- Arm's length bodies (ALBs) are stand-alone national organisations sponsored by the DHSC to undertake activities to help deliver its agenda.
- Examples of ALBs include NHS England, the Care Quality Commission, and the UK Health Security Agency.
- NHS England has an overriding statutory responsibility for promoting a comprehensive health service that will 'secure improvements in the physical and mental health of the people of England and in the prevention, diagnosis and treatment of physical and mental illness'.
- NHS England has seven regional teams. The regions act as the local offices of NHS England with functions that include commissioning some primary care and specialised services.
- NHS England's revenue budget is allocated to it by the Department of Health and Social Care. Most of this budget is then allocated to ICBs and used by them to commission services.
- NHS England's capital budget is allocated to it by the Department of Health and Social Care. All this budget is allocated, via ICBs, to the provider sector.

Additional HFMA resources

The HFMA maintains a directory of resources which provides links to other HFMA outputs such as briefings and webinars across a range of subjects. It also highlights online learning courses that are available. [The directory of resources can be found here.](#)