

BOARD PAPER - NHS ENGLAND

Title: Outcome of 2015/2016 spending round for NHS England

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Purpose of paper:

- To update the Board on the outcome of the 2015/2016 spending round and the outline funding settlement for NHS England.

Key issues and recommendations:

On 26 June the government announced the outcome of the 2015/2016 spending round. The government announced that NHS funding will grow in real terms, consistent with the existing commitment to protect the NHS.

In addition, however, the NHS, the Department for Communities and Local Government (DCLG) and the Department of Health (DH) will pool c£3.8bn of funds for investment in the integration of health and social care. £3.4bn of these funds will come from clinical commissioning group (CCG) budgets and will require substantial savings to be made in other costs.

In order to achieve the full year financial impact of any savings in 2015/2016 CCGs will need to develop and begin implementation of plans in 2014/2015.

Actions required by Board Members:

- Note the outcome of the 2015/2016 spending round and the outline settlement for NHS England.

- Support plans to ensure that robust metrics and performance management of investment in the transformation fund is put in place at a local level.
- Support discussions with the Department of Health to route transformation fund funding through CCGs.
- Support acceleration of the strategic planning process in order that CCGs can begin implementation of plans to disinvest in services and move resources in 2014/2015.

Outcome of the Spending Round 2015/2016 for NHS England

1. On 26 June the government announced the outcome of the Spending Round process. This Spending Round sets the budgets across government for 2015/2016. There will be a further spending review after the election in 2015 that will set longer term budgets for the NHS and other services.
2. The government announced that NHS funding will grow in real terms, consistent with the existing commitment to protect the NHS.
3. This level of settlement for the NHS continues the trend set in the spending review 2010. Given rising demand and health inflation pressures, from for example the adoption of new technologies, the NHS in recent years has had to set 4-5% per annum annual efficiency targets in order to sustain services at current levels with a real terms funding settlement. By 2015/2016, with this level of settlement we estimated that to maintain current services the NHS would need to deliver 4% efficiency plus a further £0.7bn of savings.
4. In addition, however, the NHS, DCLG and the DH will pool c£3.8bn of funds for investment in the integration of health and social care (the "Integration Transformation Fund"). The £3.8bn Integration Transformation Fund will be a pooled fund, held by local authorities and funded from:
 - the £0.9bn of funding NHS England already transfers to fund social care in 2013/2014;
 - an additional £0.2bn of investment in social care from within commissioner resources in 2014/2015;
 - £0.4bn of capital grants currently administered by the DH and other government departments;
 - £0.4bn of funding currently in CCG baselines intended to support health/social care integration (£0.3bn of reablement funds and £0.1bn of carer's break funding); and
 - an additional investment from CCG budgets of £1.9bn.
5. The funding at a local level will formally sit with local authorities but be overseen by Health and Wellbeing Boards (H&WBs). HWBs will be responsible for coordinating the development of plans to invest the funding. These plans will need to be signed off by CCGs and local authorities before funds can be released. Plans will also be subject to assurance at national level. CCGs and local authorities will need to begin developing plans this year.
6. It is vital that the NHS realises the benefits of integration in terms of reducing demand on health services, improving outcomes for patients and generating cost efficiencies. Hence, there will be conditions attached to the pooled funding and the creation of new incentives to support integration and the

delivery of improved outcomes for both health and social care. Plans and assurance will need to satisfy nationally prescribed conditions, including:

- protection for social care services (rather than spending) with the definition determined locally;
 - seven day working in social care to support patients being discharged and prevent unnecessary admissions at weekends;
 - better data sharing between health and social care, based on the NHS number;
 - plans and targets for reducing A&E attendances and emergency admissions;
 - risk sharing principles and contingency plans for if/when targets are not being met; and
 - agreement on consequential impacts of changes in the acute sector.
7. The overall impact of the settlement on CCGs will be confirmed in allocations. It is NHS England's intention to explore the scope to give CCGs two year allocations for 2014/2015 and 2015/2016 to support commissioners to deliver the changes required in the NHS to realise the necessary efficiencies. Implementation of the recommendations from the fundamental review of allocations commissioned by the Board last December and due later in the year will also be important to ensure that resources are appropriately distributed within the system.
 8. For the average CCG, the establishment of the integration fund will mean £10m of allocated funding will be transferred to the pooled budget (in addition to the pooling of reablement and carers' breaks funding that is currently within CCG baseline allocations). This is in the context that the average CCG was allocated c£300m in 2013-2014 and hence the figure is equivalent to around 3% of CCG allocations.
 9. Under current Section 256 requirements, NHS England has to make transfers to local authorities on behalf of CCG commissioners. We have asked the Department of Health to work with NHS England to identify ways to route funding for the Integration Transformation Fund through CCGs. This would reinforce ownership at a local level.
 10. As part of the spending round settlement the DH has also agreed a £300m reduction in admin spend between 2014/15 and 2015/2016. Discussions are ongoing regarding the share of this reduction in admin spend that will be allocated to NHS England, CCGs and commissioning support units (CSUs). Following confirmation of the scale of any reduction, implementation plans will be developed.

11. Potentially this settlement will give commissioners the opportunity to accelerate the development of integrated services with the objective of providing more joined-up care for care for patients with complex needs, enabling them to be supported at home.
12. Merging health and social care budgets to support integrated care at a time when resources are constrained will however be challenging and require commissioners to rethink how services are organised around patients.
13. Moving resources from CCGs and the NHS into a pooled budget with the intention of providing social care and community based services will require disinvestment in other services.
14. In order to achieve the full year financial impact of any savings in 2015/2016, CCGs will need to begin implementation of plans to move resources in 2014/2015.
15. Implementation plans will need to be developed and aligned at a local level to the emerging outputs from the “Big Conversation” planned for later in the year. The 2015/2016 spending round settlement in effect means that the development of the strategy process will need to be accelerated, with the first full year of implementation becoming 2015/2016.

The Board is asked to:

- note the outcome of the 2015/2016 spending round and the outline settlement for NHS England;
- support plans to ensure that robust metrics and performance management of investment in the transformation fund are put in place at a local level;
- support discussions with the DH to identify ways to route the transformation fund through CCGs; and
- support acceleration of the strategic planning process in order that CCGs can begin implementation of plans to disinvest in services and move resources in 2014/2015.

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July 2013