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BOARD PAPER - NHS ENGLAND

Title: Chief Executive's report
By: Simon Stevens, CEO
Purpose of paper: • Update on the work of the Chief Executive over the last month • Information on a number of NHS England priorities not covered elsewhere on the agenda.
Actions required by Board Members: • To note, and to discuss various items referred to herein.

NHS England Chief Executive's Board Report
17 December 2015

Spending Review 2016/17-2020/21

Five days after our last public board meeting the Chancellor announced the outcome of the Spending Review (SR) on 25th November. At our NHS England Annual General Meeting I had set out five tests the NHS would use to assess the outcome of the SR relative to the Five Year Forward View. Here is my assessment of those tests.

First, our request for a '*frontloaded*' settlement has been met. £3.8 billion of the overall £8.4bn real terms annual growth will be available to us next year, with an incremental £1.4bn real terms growth added the year after, 2017/18. So three fifths of the extra funding will be available in the first two fifths of the period stretching out to 2020/21.

Second, the need to phase any new '*deliverables*' requested by Government in line with the 'U'-shaped profile of our extra SR funding over the five years is on track. Today the Government will lay before Parliament its new Mandate to NHS England - and through us, to the NHS as a whole. This sets some specific requests for 2016/17 and a broader set of goals for 2020/21. We will discuss the Mandate at Item 5 of today's public board meeting, and are reflecting its contents in the NHS Planning Guidance we will be issuing with our partners in the next few days.

Third, in addition to the available new funding, we argued that the *efficiencies* needed to provide the NHS with further 'headroom' to respond to likely demand could not all come from traditional provider tariff-style efficiency targets. Government, the NHS, and our partners would all need to support a broader range of actions to put the NHS on a sustainable footing. Subsequent to the SR (and indeed subsequent to the writing of the NAO's report published this week) there is now an agreed cross-system efficiency profile, which will enable NHS England and NHS Improvement to consult on a net tariff efficiency of 2%, as against 3.5%-3.8% this past year.

Fourth, the Forward View called for a radical upgrade in *prevention*, and support for wider public health measures. Given the funding pressures in the local authority-financed public health services and the need for wider government action on obesity and related challenges, we cannot yet conclude that this test has been met. Much hinges on whether the Government's proposed childhood obesity strategy comprises an effective package of credible actions when it is published in the New Year. Absent this, and other linked action, the NHS will be exposed to patient demand and consequent funding pressures over and above that modeled in the Five Year Forward View assumptions.

Fifth, the Forward View made the obvious point that the level of patient demand on the NHS is partly a function of the availability of *social care*, particularly for frail older people. The SR makes some welcome moves to hypothecate new funding streams for social care, but the overall funding quantum nationally and the distributional effects across England still imply a widening gap between growing need and available services. If unaddressed this would result in extra demand on GPs, community health services and hospitals over and above the FYFV NHS cost estimates. Our ‘fifth test’ should therefore be regarded as ‘unfinished business’.

Allocations

With the SR now settled, NHS England has the opportunity to make allocation decisions for the next five years. Today’s board meeting will decide how to allocate £560 billion of NHS spending for the period 2016/17 to 2020/21. Three elements of the approach we are proposing are:

- Stabilising performance and funding the Forward View

  Establishing a Sustainability and Transformation Fund of £2.14bn for 2016/17. Of this, £1.8bn will be deployed on 'Sustainability' to stabilise NHS operational performance, and £340m for 'Transformation' to continue the Vanguard programme and invest in other key FYFV areas). The Sustainability and Transformation Fund will grow from £2.1bn in 2016/17 to £2.9bn in 2017/18, rising to £3.4bn in 2020/21, with an increasing share of the growing fund being deployed on transformation including the FYFV's New Care Models, and mental health parity of esteem. The NHS England Board will make decisions on allocating the STF for 2017/18 and beyond in the light of place-based Sustainability and Transformation Plans to be developed by July 2016 across the NHS.

- Local funding for primary care, CCGs and specialised care

  Real terms funding increases for CCGs in every year, with firm allocations for the next three years and indicative allocations for the final two years.

  Higher funding increases for GP services/primary medical care than for overall CCG growth, with the ability for CCGs to make further investments on top of this using the co-commissioning option.

  Resourcing for new specialised services in 2016/17 and beyond.

- Action to cut inequalities

  Action is being taken to cut inequalities by improving the fairness of funding allocations to respond to unmet need. First by ensuring next year for the first time that no CCG is more than 5% below their fair share funding, both in terms of their CCG-commissioned spending, and for the first time also taking account of their overall 'place based' population budget (combining primary, CCG-commissioned, and specialised care). Second, factoring in the pressures facing CCGs with faster population growth. Third, taking full account of inequalities in resourcing for primary medical care. Fourth, introducing for the first time a new inequalities adjustment for specialised services. Fifth, factoring in the unavoidable pressures of rurality and sparsity.

Devolution

Consistent with the approach agreed by our board to so-called 'devolution' agreements, we've continued to engage constructively with various initiatives under way around England. The SR settlement provides the basis for agreeing with partners in *Greater Manchester* their ringfenced resourcing, as they move to set out their strategic plan for the next five years. I remain a strong supporter of this endeavour. In *London*, George Osborne, Boris Johnson, Jeremy Hunt and I launched on Tuesday five integration pilots in conjunction with local councils, covering prevention, social care and surplus land sales. I've also recently met with the leaders, chief executives and senior officers from the local authorities of Newcastle, Gateshead, County Durham, South Tyneside and Northumberland to discuss our proposed joint *North East* Health Commission. However in Cornwall we have had to issue legal directions to the CCG which will need to raise its game before it, the local council and local providers could realistically be asked to take on more responsibilities.

Other activities

Since our last board meeting I have visited various frontline NHS services, including GP and community health clinics in Streatham south London, Newcastle University Hospitals, Manchester Royal Infirmary and Great Ormond Street children's hospital. Jim Mackey and I hosted meetings in Leeds and London for all NHS CCG and trust chief executives to brief them on the SR outcome and our shared expectations of them for 2016/17.

I've given evidence twice to the Commons Public Accounts Commitee, on the new Cancer Drugs Fund and on Neurological Services. And I've continued to give a number of speeches including at the Chief Nursing Officers conference, NHS Citizens, the NHS Confederation Partners summit, the Richmond Group of health charities, NHS Providers, Roy Lilley's Academy of Fabulous NHS Stuff, a No 10 reception for Vanguards, the Institute for Healthcare Improvement's annual summit and the Commonwealth Fund's International Symposium.

Simon Stevens
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