Management of NHS resources by integrated care boards (ICBs)

NHS England and NHS Improvement (NHSE/I) has today published guidance on how the NHS financial framework will support collaboration between NHS organisations and their partners across integrated care systems (ICSs). It summarises previously published guidance, rather than introducing any new policies or requirements for ICSs. This briefing sets out the key points and our initial analysis of the implications for trusts. Please contact Amelia Chong, Senior Policy Manager, on amelia.chong@nhsproviders.org if you have any questions.

Key points

- NHSE/I will make funding allocations to ICBs, including the budgets for services currently commissioned by Clinical Commissioning Groups (CCGs), general practice and, where agreed with NHSE/I, other primary care services. The guidance states that any additional costs of establishing ICBs and implementing legislative reform will be managed within existing budgets. Systems will have the flexibility to establish arrangements for the allocation of NHS resources to 'place'.
- Many providers will deliver services for, and receive income from, multiple ICBs. NHSE/I expects these providers to be a formal partner of multiple ICBs, but intends to fully map each provider's revenue resources to only one ICB for the purpose of nationally assessing system balance. The final approach for capital resources will be agreed as part of a separate review into operational capital.
- The NHS financial framework will enable systems to collaborate and explore options to manage NHS resources through working together at place and at scale.
- ICBs and the boards of their partners must be clear on the lines of financial accountability that will be maintained in any arrangements established to manage NHS resources.
- NHSE/I identifies two key actions for system leaders: (1) identify the financial arrangements they will put in place to support collaboration between partners and (2) establish the necessary financial governance and processes to provide assurance on sound management of NHS resources.
- Model terms of reference documents for the audit committee and remuneration committee have been published alongside the guidance, and an ICB financial governance and reporting guide is expected to follow soon. Final policy decisions on the NHS financial framework will be confirmed alongside the 2022/23 NHS operational planning and contracting guidance.

Financial framework

From 1 April 2022, subject to legislation, the NHS financial framework is expected to include ICBs as statutory NHS bodies. ICBs will spend most of the resources made available to the NHS and should do so focused on agreed system plans to meet the health needs of the population within their area.

NHSE/I highlights that the current NHS financial framework reflects the system-by-default approach developed in recent years to support collaboration. It already includes a wide range of enablers for shared investment in system objectives and plans, such as: setting system funding envelopes for both capital and revenue; establishing aligned payments and incentives; including a system collaboration and financial management agreement (SCFMA) in NHS standard contracts; and focusing the system oversight framework (SOF) on working with and through systems to tackle problems.

Allocating NHS resources to ICBs

NHSE/I will make funding allocations to ICBs from 1 April 2022. In 2022/23, ICB allocations will include the budgets for services currently commissioned by CCGs, general practice and, where agreed with NHSE/I, other primary care services (dental, optometry and pharmacy). Delegation of some specialised services and other direct commissioning is expected from 2023/24.

Core ICB funding will be distributed using the current national needs-based formula (aggregated from GP practice data to ICBs) and a policy to manage how quickly ICBs move from current spending towards their target allocation. NHSE/I argues that this methodology enables funding flows to reflect the 'fair share' of NHS resources for each ICB without destabilising local health economies.

The level and distribution of funding for ICB administration costs will remain the same in aggregate for 2022/23, as with current CCGs in 2021/22. NHSE/I states that any additional costs of establishing ICBs and implementing legislative reform would generally need to be managed within existing budgets.

NHSE/I will not make a central determination of the 'fair share' of resources for each locality or community within ICBs ('places'). Local systems will have the flexibility to establish these arrangements. NHSE/I is developing a new tool to support ICBs to manage NHS resources, enabling systems to understand their target allocation at a granular level.

Financial duties and relationships

Many providers will deliver services for, and receive income from, multiple ICBs (particularly ambulance and specialised services providers). NHSE/I expects that these providers will be a formal partner of multiple ICBs, but will be mapped to only one ICB for the purpose of nationally assessing system balance. This is explained in more detail below:

- ICB partners – providers delivering a significant share of an ICB's activity (as determined by the relevant NHSE/I regional team) will be expected to be a formal partner of that ICB. This means the provider must agree the five-year system plan and the annual capital plan, may receive grants from the ICB, and will participate in the nomination process for the ICB provider board member.
- Financial apportionment – proposed legislation creates a new collective financial duty for ICBs and providers to exercise their functions in a way that does not consume more than their fair share of NHS resources. For 2022/23, NHSE/I intends to fully map each provider's revenue resources to only one ICB to avoid the risk of implementing complex rules on financial apportionment. The final approach for capital resources will be agreed as part of the ongoing review into operational capital and set out in the 2022/23 NHS operational planning and contracting guidance.
- Working across systems – providers will need to work with the single ICB they are mapped to, and other providers mapped to that ICB, to agree how they will collectively deliver a balanced financial position. However, these discussions should not be isolated from the relationships providers will have with other systems. For example, providers that are formal partners of more than one ICB will be required to confirm that their operational and financial plans are compatible with all relevant system plans. Furthermore, systems should be mindful of the impact their decisions have on services delivered for other systems and the resources available for other providers or services.

Managing ICB NHS resources through collaboration

The NHS financial framework will enable systems to collaborate and explore options to manage NHS resources through working together at place, such as through place-based partnerships, and at scale, such as though provider collaboratives. The table below (from p.12 of the guidance) provides a summary of how systems may look to collaborate on the management of NHS resources by ICBs:

	Collaboration at place	Collaboration at scale
Likely focus	• Integrating health and social care • Primary, community and 'front door' acute care	• Elective recovery and unwarranted variation • Sustaining otherwise fragile services • Tackling health inequalities

	• Population health management approaches • Tackling health inequalities	
Requirements	• Every ICB must identify and define their place arrangements, including responsibilities and leadership agreed locally with partners	• Each acute and mental health trust should be part of at least one provider collaborative • All specialised mental health, learning disabilities and autism services will be managed through an NHS-led provider collaborative
Flexibility	• Place-based partnerships have flexibility to agree the governance and decision-making arrangements suited to support shared local objectives	• Providers can determine their own arrangements or else these are agreed through a lead provider contract
Decision-making arrangements	• Consultative forum • Individual executives or staff • Committee of a statutory body • Joint committee • Lead provider	• Provider leadership board • Lead provider • Shared leadership
Financial flows	• ICBs may agree to delegate financial decisions to a place-based partnership, and enable ICB resources to be managed at place to support collaborative decision-making between relevant partners, in line with ICB requirements	• ICBs may pay providers separately or pay a lead provider, and resources can be managed through a provider collaborative, including with sub-contracts
Contracts	NHS contracts are awarded and held by the ICB in accordance with the new provider selection process, and payments are made by the ICB to providers.	

Ensuring financial accountability

ICBs and the boards of their partners must be clear on the lines of financial accountability that will be maintained in any arrangements established to manage NHS resources. The guidance summarises key information on financial governance, budgeting and reporting, payment and contracting, and national expectations:

- Financial governance – NHSE/I will publish resources as part of best practice guidance, designed to support ICBs in establishing good financial governance. This includes: schemes of reservation and delegation; terms of reference documents for required ICB committees, specifically the audit committee and remuneration committee; and conflicts of interest policies.
- Budgeting and reporting – tools are being developed to support systems to understand the estimated need on which ICB allocations are set, which could help them to allocate budgets, including at place. ICBs should look to manage any delegated budgets through internal financial reporting, allowing for a robust understanding of where NHS resources are being spent.
- Payment and contracting – ICBs should develop a more strategic and collaborative approach to managing relationships with providers. This will be supported by the aligned payment and incentive approach. An ICB should look to hold one single contract with each main provider, covering the requirements of its different places and, where appropriate, should collaborate with other ICBs on awarding and managing contracts.
- National expectations – ICBs will be expected to deliver the mental health investment standard (MHIS), which should be seen as a minimum and not a target. Other national expectations will be set out alongside the 2022/23 NHS operational planning and contracting guidance.

NHS Providers view

This guidance helpfully summarises and confirms expectations regarding resource allocation and management that have been set out in other recent guidance on ICB functions and wider ICS partnership arrangements, such as the ICS design framework published in June 2021. In doing so, it will enable systems and their constituent organisations to make progress on developing clear financial arrangements for 2022/23.

The scale of the task ahead cannot be underestimated. It is vital that systems and their partners are offered as much practical support as possible over the next few months. Alongside the publication of resources to support ICBs in establishing good financial governance (schemes of reservation and delegation, terms of reference documents and conflicts of interest policies), NHSE/I should create opportunities for existing best practice to be shared.

NHSE/I should also continue engaging with providers to shape final policy decisions on the NHS financial framework, which will be confirmed alongside the 2022/23 NHS operational planning and contracting guidance. One area that requires further exploration is the management of NHS resources across multiple ICBs. The guidance states that:

- A provider may be a formal partner of multiple ICBs, meaning that they must agree the five-year system plan and the annual capital plan
- A provider will be required to work with the single ICB they are mapped to by NHSE/I, and other providers mapped to that ICB, to collectively deliver a balanced financial position
- A provider who is a formal partner of multiple ICBs will be required to confirm that their operational and financial plans are compatible with all relevant system plans
- Systems should be mindful of the impact their decisions have on services delivered for other systems and the resources available for providers of other services

It is unclear how this will all work in practice, particularly for ambulance providers that tend to span several systems. For example, what happens if a provider is expected to contribute to the delivery of multiple system or capital plans that are not fully aligned? What information will be available to enable systems to understand the impact their decisions may have on other systems and providers? We appreciate that this is an extremely complex issue with no straightforward solution and would therefore welcome the opportunity to work closely with NHSE/I as it finalises the financial framework for 2022/23.

Finally, we are deeply concerned that the level and distribution of funding for ICB administration costs will remain the same as with current CCGs from 2021/22 to 2022/23, meaning any additional costs of establishing ICBs (including resourcing place-based partnerships and provider collaboratives) and implementing legislative reform will need to be covered by existing budgets. This appears to create a tension between essential spending on running costs, and investing in delivering and transforming frontline services. Furthermore, it should be recognised that these reforms – the most far reaching for nearly a decade – have the potential to take up considerable leadership time just as trusts head into what is going to be a very challenging winter.