HFMA introductory guide to NHS finance

Chapter 5: NHS finance – the role of integrated care systems

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Overview

This chapter looks at what integrated care systems (ICSs) are, how they are structured and what their role is. The *Health and Care Act 2022*[50] (the Act) is expected to be enacted on 1 July 2022 and it will bring the proposals set out in the white paper, *Integration and innovation: working together to improve health and social care for all*[51], into effect.

Current arrangements and expectations for ICSs will be reflected in this chapter. ICS arrangements are expected to be refined over time as legislation changes are made and greater system working develops.

Subject to legislation being agreed each ICS will comprise:

- **an integrated care partnership (ICP): the broad alliance of organisations and representatives concerned with improving the care, health and wellbeing of the population, jointly convened by local authorities and the NHS.**
- **a statutory integrated care board (ICB) bringing the NHS together locally to improve population health and care, replacing CCGs.**

The Act will establish ICBs and ICPs across England. This will be done at the same time as abolishing clinical commissioning groups (CCGs).

To remind yourself of the overall structure of the NHS and where ICSs fit, look back at the diagram on page 13.

5.1 What are ICSs?

ICSs currently exist as non-statutory partnerships, bringing together acute, community and mental health trusts, GPs, other primary care services, local authorities and other care providers including the voluntary, community and social enterprise (VCSE) sector. ICSs cover the whole of England and the principle of coterminosity – an ICS being coterminous with one or more upper-tier local authority areas – has been applied in most cases, with a small number of exceptions[52].

The aim of ICSs is to 'improve the health of all residents, better support people living with multiple and long-term conditions, preventing illness, tackling variation in care and delivering seamless services while getting maximum impact for every pound'.[53]

ICSs represent a shift away from the former focus on competition towards a new model of collaboration. Building on sustainability and transformation partnerships (STPs) set up in 2016, an ICS is 'a new type of even closer collaboration. In an ICS, NHS organisations, in partnership with

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[50] UK Parliament, *Health and Care Bill*, July 2021 – the Act was not available to reference at time of publication
[51] Department of Health and Social Care, *Integration and innovation: working together to improve health and social care for all*, February 2021
[52] Department of Health and Social Care, *Integrated care systems boundaries review: decision summary*, July 2021
[53] NHS England » NHS achieves key Long Term Plan commitment to roll out integrated care systems across England

local councils and others, take collective responsibility for managing resources, delivering NHS standards, and improving the health of the population they serve'. [54]

As set out in the Act, a statutory body will be created for each ICS – known as the integrated care board (ICB) - to drive forward the progress on integration. An integrated care partnership (ICP) must be established as a joint committee of every ICB with those local authorities that fall wholly or in part in the area covered by the ICB.

Integrated care is about giving people the support they need, joined up across local councils, the NHS, and other partners. It removes traditional divisions between hospitals and family doctors, between physical and mental health, and between NHS and council services. In the past, these divisions have meant that too many people experienced disjointed care.

Integrated care systems (ICSs) are new partnerships between the organisations that meet health and care needs across an area, to coordinate services and to plan in a way that improves population health and reduces inequalities between different groups.

Integrated care boards (ICBs) will take on the NHS commissioning functions of CCGs as well as some of NHS England's commissioning functions. It will also be accountable for NHS spend and performance within the system.

Integrated care partnerships (ICPs) bring together the ICBs, their partner local authorities and other locally determined representatives and are tasked with developing a strategy to address the health, social care and public health needs of their system, and being a forum to support partnership working.

5.2 ICS structure and responsibilities

Current arrangements

Prior to the *Health and Care Act 2022,* there was no statutory basis for ICSs. They were voluntary partnerships, which developed with varying priorities and arrangements to reflect different local geography, demography, health challenges and history of collaboration. The Act will put these arrangements onto a statutory footing.

ICSs bring together local organisations in a pragmatic and practical way to deliver integration with the aim to deliver their 'four core purposes of:

- improving outcomes in population health and healthcare
- tackling inequalities in outcomes, experience and access
- enhancing productivity and value for money; and
- helping the NHS to support broader social and economic development'.[55]

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[54] NHS England and NHS Improvement, *Integrated care systems*, January 2021
[55] NHS England and NHS Improvement, *2021/22 priorities and operational planning guidance: implementation guidance*, March 2021

As set out in *Next steps to building strong and effective integrated care systems across England*[56], to deliver the aim to provide a more integrated service 'will require all parts of our health and care system to work together as ICSs, involving:

- stronger partnerships in local places between the NHS, local government and others with a more central role for primary care in providing joined-up care
- provider organisations being asked to step forward in formal collaborative arrangements that allow them to operate at scale
- developing strategic commissioning through systems with a focus on population health outcomes
- the use of digital and data to drive system working, connect health and care providers, improve outcomes and put the citizen at the heart of their own care.'**Error! Bookmark not defined.**

In delivering on the core ICS design principles of subsidiarity (performing only those tasks which cannot be performed at a more local level) and collaboration, NHSE&I has set out three key components within an ICS – system, place and neighbourhoods.

As set out in *Designing integrated care systems in England*, 'there are three important levels at which decisions are made:

- **Neighbourhoods** (populations circa 30,000 to 50,000 people) - served by groups of GP practices working with NHS community services, social care and other providers to deliver more coordinated and proactive services, including through primary care networks (PCNs).
- **Places** (populations circa 250,000 to 500,000 people) - served by a set of health and care providers in a town or district, connecting PCNs to broader services including those provided by local councils, community hospitals or voluntary organisations.
- **Systems** (populations circa 1 million to 3 million people) - in which the whole area's health and care partners in different sectors come together to set strategic direction and to develop economies of scale.'[57]

Legislative changes

The Act, due to take effect from 1 July 2022, will put ICSs on a statutory footing, legislating for every part of the England to be covered by an ICB and ICP (together known as an ICS). As well as establishing ICSs on a statutory footing, other elements in the Act include formally merging NHS England and NHS Improvement; and making changes to procurement and competition rules relating to health services. The Act does not cover wider reforms of the social care and public health systems.

In 2021/22 ICSs were expected to build on developments so far in preparation to become statutory organisations. The Act and explanatory notes, alongside the white paper and *Integrated care systems: design framework*[58] begin to set out how the NHS will operate within a statutory ICS. This includes areas of consistent national requirements for all ICSs, as well as where local determination of approach can be applied. A number of guidance documents have been published by NHSE&I[59] to cover areas such as governance, provider collaboratives and engagement, as well as a due diligence checklist to support the transition from CCGs to ICBs.

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[56] NHS England, *Integrating care: Next steps to building strong and effective integrated care systems across England*, January 2021
[57] NHS England and NHS Improvement, *Designing integrated care systems in England*, June 2019
[58] NHS England and NHS Improvement, *Integrated care systems: design framework*, June 2021
[59] NHS England and NHS Improvement, *FutureNHS Collaboration Platform – ICS guidance workspace* (login to the FutureNHS site is required)

There are two forms of integration which will be underpinned by the legislation: integration within the NHS to remove some of the boundaries to collaboration; and greater collaboration between the NHS and local government, as well as wider delivery partners, to deliver improved outcomes to health and wellbeing for local people

There is also a clear recognition that place-based partnerships and provider collaboratives will be important elements of an ICS structure. Neither of these will be statutory bodies, but instead be constructs of existing organisations.

Integrated care board (ICB)

The ICB's function will be to arrange for the 'provision of services for the purpose of the health service in England'. This means commissioning health services, including primary care services, for the area that the ICB covers unless those services are commissioned by NHS England. NHS England will be able to delegate some of its functions to ICBs.

All ICBs will have a duty to exercise their functions effectively, efficiently and economically. The general duties of an ICB will include improving the quality of services, reducing inequalities, promote patient involvement and patient choice, promote innovation, research, education and training.

Property, rights and liabilities will be transferred from CCGs to ICBs or NHS England in accordance with a transfer scheme. The schemes will transfer everything either to a single ICB where the areas both bodies cover are the same or to one or more ICBs where the areas do not coincide. Staff will transfer in accordance with TUPE regulations. ICBs will be able to employ staff, their remuneration and terms and conditions are to be determined by the ICB.

However, an ICB will not simply be a larger CCG and is expected to work differently in practice – its governance model reflects the need for integration and collaboration across the system. It will have the ability to exercise its functions through place-based committees (while remaining accountable for them) and it will also be directly accountable for NHS spend and performance within the system.

Each ICB will be governed by a constitution. Each ICB will consist of:

- a chair – appointed by NHS England with the approval of the Secretary of State for Health and Social Care
- a chief executive – appointed by the chair with the approval of NHS England
- at least three other members – referred to as ordinary members. Ordinary members must include:
    - one member jointly nominated by the NHS providers that provide services in the ICB's area
    - one member jointly nominated by those who provide primary medical services in the ICB's area
    - one member jointly nominated by the local authorities whose areas coincide with, or include all or part of, the ICB's area.

At the start of each year, the ICB and its partner NHS trusts and NHS foundation trusts must prepare a forward plan setting out how they propose to exercise their functions in the next five years and a plan setting out their planned capital resource use. Both plans must be shared with the ICP for the area, each health and wellbeing board established by a local authority that covers some or all of the ICB's area and NHS England. The forward plan must be subject to consultation with the people that the ICB is responsible for.

For some services that cover wide geographical areas, ICBs will need to work together to develop shared plans. The supporting governance arrangements will be co-designed between the relevant providers, ICBs and NHS England regional teams. It will be important for those working across integrated care system boundaries, such as ambulance providers, to agree their working relationships with the ICSs that they support, with a view to avoiding unnecessary variation of practice or duplication.

Integrated care partnership (ICP)

The ICP must be established as a joint committee of the ICB with those local authorities that fall wholly or in part in the area covered by the ICB. The ICP will be made up of:

- one member appointed by the ICB
- one member appointed by each of the responsible local authorities
- any other members appointed by the ICP.

As well as local NHS bodies and local authorities, members of the partnership could include the voluntary, community and social enterprise (VCSE) sector; statutory bodies with an interest in housing, justice or education; or members from health and wellbeing boards. The *ICS design framework* sets out the intention that there should be a broad representation of partners working to improve health and care in their communities.

The ICP must be given the local authorities' joint strategic needs assessment. The ICP will prepare an integrated care strategy that sets out how the assessed needs of the area are to be met by the exercise of the functions of the ICB, NHS England and local authorities. This strategy must consider the extent to which those needs could be met more effectively by making pooled budget arrangements under section 75 of the *NHS Act 2006*.

Place-based partnerships

The legislation will create an enabling framework for local partners to build on existing partnerships at place and system levels that align services and decision-making in the interest of local people. There will be no legislative provision about the arrangements at place, although there is the expectation that ICBs will establish place-based arrangements. There is no definition given for what place should be as this is down to local determination. For small ICSs, place could have the same geographic footprint as the ICS. However, it is important that places reflect meaningful communities and enable joined-up decision making across the NHS, local authority and other partners. The ICB will remain accountable for resources deployed at a place level. A number of possible governance structures for place-based partnerships are set out within the *ICS design framework*.

Provider collaboratives

Provider collaboratives are partnership arrangements involving two or more trusts working across multiple places to realise the benefits of mutual aid and working at scale. From April 2022 trusts providing acute or mental health services are expected to be part of at least one provider collaborative. Collaboratives are expected to be a key part of service transformation, enabling shared ownership of objectives and plans. Governance arrangements for the collaborative will be subject to local determination. ICBs may contract with a provider collaborative with a lead provider or with each individual party within the collaborative.

Providers of NHS services will play a key role in identifying the priorities for change and delivering the solutions for better outcomes for the population. It is expected that the contracts held by the providers

of healthcare services will evolve to support longer-term, outcomes-based agreements, with less transactional monitoring.

Collaborative culture

As set out in the Act, all NHS bodies (NHS England, ICBs, NHS trusts and NHS foundation trusts) will have a new statutory duty to 'have regard to wider effect of decisions'. When making decisions about the exercise of the body's functions, regard must be taken 'to all likely effects of the decision in relation to':

- the health and well-being of the people of England
- the quality of healthcare services provided to individuals in England
- efficient and sustainable use of resources.

As recognised in the white paper, legislation is just one part of the change and much relies on having trust, the right workforce, good leadership and getting the incentives and financial flows right. It is not possible to legislate for collaboration and co-ordination of local services. This requires changes to behaviours, attitudes and relationships. The financial framework and governance arrangements can support this, but it will take time and effort to embed the current cultural changes taking place.

One of the fundamental principles of an ICS is to use the power of partnership working to coalesce around the citizen to deliver health and social care. To improve population health, address inequalities, improve allocative efficiency, and help to support broader social and economic development, there will need to be real clarity on the relative and combined role of all partners on these agendas.

5.3 How ICSs are financed and regulated

System envelopes were introduced in 2021/22 with NHSE&I allocations provided to ICSs (via a lead CCG for the system). These combined core CCG revenue allocations with non-recurrent funds such as the financial recovery fund, and any Covid-19 funding. In addition, capital allocations and elective recovery funding are accessed at a system level, and distributed to partner organisations in accordance with agreed priorities. There is more detail about CCG allocations in chapter 6 and chapter 10 includes more information about how the NHS is financed.

ICSs are expected to work across their partner organisations to produce plans that consider alignment between CCGs and providers, and between activity, workforce and finances. Plans should summarise how, as systems, the operational planning guidance priorities will be delivered.

Once the Act is enacted, ICBs will have to contain expenditure within the limits directed by NHS England. This is the ICBs statutory duty as an organisation and is separate to the requirement to deliver system financial balance. The ICB will be able to set a delegated budget for place-based partnerships, adopting the principle of equal access for equal need and the requirements to reduce health inequalities. The ICB board and chief executive will remain responsible for services under delegation arrangements and should ensure that assurance can be provided on the spending of public money. ICBs will be able to enter into income generation arrangements as long as they do not interfere with its other functions. They will also be able to make grant payments to NHS trusts or NHS foundation trusts and grants or loans to voluntary bodies.

NHS England may make directions about ICBs' management or use of financial or other resources. NHS England may also set joint financial objectives for ICBs and their partner NHS trusts and NHS foundation trusts. ICBs and partner NHS trusts and NHS foundation trusts must exercise their

functions with a view to ensuring that limits specified by a direction by NHS England are not exceeded.

ICBs, as statutory organisations, will be held to account by the regional teams of NHS England for ensuring the discharge of their functions. System oversight[60] arrangements have been put in place from 2021/22 (see chapter 12 for further detail).

Each ICB will prepare an annual report that will include disclosures specified in the Act. It will also prepare annual accounts as directed by NHS England. These accounts will be audited by local auditors in accordance with the Local Audit and Accountability Act 2014.

Key learning points

- The aim of ICSs is to 'improve the health of all residents, better support people living with multiple and long-term conditions, preventing illness, tackling variation in care and delivering seamless services while getting maximum impact for every pound'.
- The *Health and Care Act 2022* will create integrated care boards and integrated care partnerships, putting ICSs on a statutory footing.
- The ICB's function will be to arrange for the 'provision of services for the purpose of the health service in England'. This means commissioning health services, including primary care services, for the area that the ICB covers.
- Property, rights and liabilities will be transferred from CCGs to ICBs.
- Provider collaboratives are partnership arrangements involving two or more trusts working across multiple places.
- ICBs will have to contain expenditure within the limits directed by NHS England.
- All NHS bodies (NHS England, ICBs, NHS trusts and NHS foundation trusts) will have a new statutory duty to 'have regard to wider effect of decisions'.
- One of the fundamental principles of an ICS is to use the power of partnership working to coalesce around the citizen to deliver health and social care.

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, including a section dedicated to system working. It also highlights e-learning courses that are available. The directory of resources can be found here.

[60] NHS England and NHS Improvement, *NHS system oversight framework 2021/22*, June 2021