

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 their role. Introduced by the Health and Care Act 2022⁶³ (the Act), ICS arrangements are expected to be refined over time as system working develops.

Each ICS comprises:

- **an integrated care partnership (ICP): a formal committee 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.**

To remind yourself of the overall structure of the NHS and where ICSs fit, look back at the diagram on page 21.

5.1 What are ICSs?

ICSs bring together NHS commissioners, 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. Created by the Health and Care Act 2022 (the Act), 42 ICSs cover the whole of England based on the principle of coterminosity - an ICS is coterminous with one or more upper tier local authority areas (county council or unitary body), with a small number of exceptions⁶⁴.

In an ICS, NHS organisations in partnership with local authorities and others, 'plan and deliver joined up health and care services, and...improve the lives of people who live and work in their area'.⁶⁵

There are two forms of integration that are underpinned by ICSs: integration within the NHS to remove some of the barriers 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.

As set out in the Act, the NHS statutory body for each ICS is the integrated care board (ICB). An integrated care partnership (ICP) has been 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.

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

⁶³ UK Parliament, *Health and Care Act 2022*

⁶⁴ Department of Health and Social Care, *Integrated care systems boundaries review: decision summary*, July 2021

⁶⁵ NHS England, *What are integrated care systems?* March 2023

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 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) buy or commission healthcare services for the people living in their area. ICBs are accountable for NHS expenditure 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 an integrated care 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 purpose and structure

Purpose

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’⁶⁶. They do this by bringing together local organisations in a pragmatic and practical way to deliver integration to:

- ‘improve outcomes in population health and healthcare
- tackle inequalities in outcomes, experience and access
- enhance productivity and value for money; and
- help the NHS to support broader social and economic development’⁶⁷.

As set out in *Next steps to building strong and effective integrated care systems across England*⁶⁸, this involves:

- 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.’

⁶⁶ NHS England, *NHS achieves key long term plan commitment to roll out integrated care systems across England*, March 2021

⁶⁷ NHS England, *What are integrated care systems?* March 2023

⁶⁸ NHS England, *Integrating care: Next steps to building strong and effective integrated care systems across England*, January 2021

In delivering on the core ICS design principles of collaboration and subsidiarity (performing only those tasks that cannot be performed at a more local level), NHS England has set out three key components within an ICS:

- **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). These are also known as local area partnerships.
- **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.⁶⁹

In November 2022, the Secretary of State for Health and Social Care commissioned an independent review of ICSs. Focussed on helping local leaders to deliver improved health outcomes across England, the review was chaired by former health secretary Rt Hon Patricia Hewitt⁷⁰.

The review⁷¹ was published in April 2023, and six key principles were identified:

- collaboration
- a limited number of shared priorities
- give local leaders space and time to lead
- systems need the right support
- balancing freedom with accountability
- enabling timely, relevant, high-quality and transparent data

To support development across these areas, the report made 36 recommendations across four headings:

- from focusing on illness to promoting health
- delivering on the promise of systems – effectiveness of health care delivery under the revised NHS structure.
- unlocking the potential of primary and social care and building a sustainable, skilled workforce
- Resetting our approach to finance to embed change – focusing on value as well as cost.

The government's response to the recommendations made is detailed in *Government response to the House of Commons Health and Social Care Committee's seventh report of session 2022 to 2023 on 'integrated care systems: autonomy and accountability'*⁷².

⁶⁹ NHS England and NHS Improvement, *Designing integrated care systems in England*, June 2019

⁷⁰ Department of Health and Social Care, *Independent review of integrated care systems*, November 2022

⁷¹ Rt Hon Patricia Hewitt, *Hewitt review, an independent review of integrated care systems*, April 2023

⁷² Department of Health and Social Care, *Government response to the HSCC report and the Hewitt Review on integrated care systems*, June 2023

Integrated care board (ICB)

The ICB's function is 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 can delegate some of its functions to ICBs.

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

ICBs can employ staff and determine their remuneration and terms and conditions.

The ICB governance model reflects the need for integration and collaboration across the system. It can exercise its functions through place-based committees (while remaining accountable for them) and it is also directly accountable for NHS spend and performance within the system.

Each ICB is governed by a constitution. Each ICB board consists 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 the ICB's area and NHS England. The forward plan must be subject to consultation with the people that the ICB is responsible for. *Guidance on developing the joint forward plan*⁷³ was published by NHS England in December 2022.

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

Integrated care partnership (ICP)

The ICP is 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 is made up of:

- one member appointed by the ICB
- one member appointed by each of the responsible local authorities

⁷³ NHS England, *Guidance on developing the joint forward plan*, December 2022

- any other members appointed by the ICP.

As well as local NHS bodies and local authorities, members of the partnership can 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 membership 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 2006⁷⁴.

Place-based partnerships

While ICBs are expected to have place-based arrangements, these are locally determined. 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 remains accountable for resources deployed at a place level.

Provider collaboratives

Providers of NHS services play a key role in identifying the priorities for change and delivering the solutions for better outcomes for the population. 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. Collaboratives are expected to be a key part of service transformation, enabling shared ownership of objectives and plans. Governance arrangements for the collaborative are subject to local determination. ICBs may contract with a provider collaborative via a lead provider or with each individual party within the collaborative. The Health and Care Act 2022 'allows ICBs, trusts and foundation trusts to delegate their functions to each other, jointly exercise functions and form joint committees'⁷⁵. You can find out more about provider collaboratives in chapter 8.

Collaborative culture

As set out in the Act, all NHS bodies (NHS England, ICBs, NHS trusts and NHS foundation trusts) have a statutory duty to 'have regard to the 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.

However, it is not possible to legislate for collaboration and co-ordination of local services. Much relies on having trust, the right workforce, good leadership and getting the incentives and financial flows right. 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 necessary cultural changes.

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

⁷⁴ UK Government, *National Health Service Act 2006*

⁷⁵ NHS Providers, *The evolution of provider collaboration*, March 2023

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

Since 2021/22, allocations have been made at a system (or ICS) level. This helps ensure that revenue funding is distributed to meet agreed priorities. Capital monies are also held at system level.

The ICS partner organisations work together on planning (activity, workforce, finances) to identify how, as a system the national and local NHS priorities will be met.

ICBs have a statutory duty to contain expenditure within the limits directed by NHS England, with a requirement to deliver system financial balance. However, given the withdrawal of Covid-19 funding, this requires ICSs to deliver significant savings⁷⁶.

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, are held to account by the regional teams of NHS England for ensuring the discharge of their functions. System oversight⁷⁷ arrangements are now in place (see chapter 12 for further details).

Each ICB is required to prepare an annual report that includes disclosures specified in the Act, and annual accounts as directed by NHS England. These accounts are audited by local auditors in accordance with the Local Audit and Accountability Act 2014.

There is more detail about allocations in chapter 6 and chapter 10 includes more information about how the NHS is financed.



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'.
- Integrated care boards (ICBs) and integrated care partnerships (ICPs) were created by the Health and Care Act 2022.
- The ICB's function is 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.
- Provider collaboratives are partnership arrangements involving two or more trusts working across multiple places.
- ICBs must contain expenditure within the limits directed by NHS England.
- All NHS bodies (NHS England, ICBs, NHS trusts and NHS foundation trusts) have a 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.

⁷⁶ National Audit Office, *Introducing integrated care systems: joining up local services to improve health outcomes*, October 2022

⁷⁷ NHS England. *NHS Oversight Framework*, July 2022

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 online learning courses that are available. [The directory of resources can be found here.](#)