Meeting Date: 14th June 2022

Report To: Solihull Health and Wellbeing Board

Report Title: Update on the development of the ICS Financial Framework and the approach to Resource Allocation

Report From: Paul Athey, Chief Finance Officer, NHS Birmingham and Solihull CCG

1) 22/23 BSOL ICS Financial Position

Birmingham and Solihull ICS submitted a 22/23 financial plan on 28th April 2022 showing a forecast deficit position of £35.8m. This met the requirement to submit a balanced financial plan in line with the assumptions set out in the NHS planning guidance in December 2021. The deficit position was solely driven by increases in inflation over and above the funded levels included in the planning guidance and ongoing Covid costs due to the unplanned level of Covid cases still requiring health input during April and May of 2022.

The ICS's financial allocation for 22/23 included an £83m reduction in Covid funding, along with the clawback of other non-recurrent funding such as the resources for the Hospital Discharge Programme. Whilst NHS partners were able to remove some of the costs associated with these pressures, there remains a funding gap which has resulted in the requirement to deliver additional efficiencies in order to offset this shortfall. The overall efficiency target for the ICS in 22/23 is therefore 3.4%.

Since the original submission on 28th April, the national NHSE/I team has reallocated £1.5 billion of central funds out to systems to support the excess inflationary pressures that were driving system deficits. At the time of writing, BSOL have not received confirmation of our full share of this funding, however it is expected that this will enable the ICS to resubmit a balanced financial plan by the revised planning deadline of 20th June.

2) Update on overall health expenditure at a Place level

As stated at a previous H&WB meeting, the ICB's approach to the allocation of resources is intended to deliver two key aims:

1) Provide a full and transparent understanding of the way in which resources are currently invested, enabling benchmarking with local and national norms and supporting the strategic planning of future services
2) Support Provider Collaboratives and Place-based Partnerships to plan and deliver delegated services in order to achieve their commissioned outcomes

To support the first of these aims, the CCG developed and continues to refine a model which fully apportions all of our current expenditure by Care Programmes and Place. It is intended that this will support Population Health Management, providing information that supports an understanding of health inequalities in relation to the use of financial resources. It can also be used to support

investment decision-making through the use of a prioritisation framework which acknowledges, and aims to rectify, targeted areas of underinvestment.

Using the terminology discussed at the Health and Wellbeing Boards, this will enable Place to understand the way in which resources are currently being utilised and, combining this information with broader Population Health Management, influence the relevant parts of the system to address identified areas of inequality.

Building on the previous work, the analysis of the split of current resources apportioned at a Place level has been updated and is outlined below. This will require further updating following the next submission the System plan on 20th June 2022. The methodology used is in line with the detail shared with the Solihull Health and Wellbeing Board in January 2022, with further refinements where additional patient level data or more targeted apportionment has been identified. The figures also include the impact of realigning West Birmingham into the BSOL ICS from 1st July 2022.

The outcome of this work is summarised in the tables below. **Table 1** presents an overall apportionment of the full budget of £2.72bn across Birmingham and Solihull. (Noting this is the plan position of the CCG/ICB as at 28th April NHSEI submission). **Table 2** provides a comparison per 1000 weighted population.

Table 1: Apportionment of 22/23 CCG Plan at Place

Service Area	BIRMINGHAM £000's	SOLIHULL £000's	TOTAL £000's
Acute	1,129,365	227,833	1,357,198
Mental Health	276,233	34,995	311,228
Learning Disabilities	78,894	11,144	90,038
Community	229,518	41,830	271,349
Continuing Healthcare/Funded Nursing Care	102,057	28,372	130,429
Primary Care inc Prescribing	224,319	46,219	270,538
Primary Care - General medical services	207,000	38,634	245,635
Other Programme Expenditure	15,693	2,396	18,089
Corporate Running Costs	21,707	4,036	25,743
TOTAL CCG/ICB ANNUAL PLAN 22/23	**2,284,787**	**435,460**	**2,720,247**

Table 2: Apportioned cost per 1000 weighted population

Service Area	*Per 1000 Weighted popn***		
	BIRMINGHAM £000's	**SOLIHULL £000's**	**TOTAL £000's**
Acute	893	970	905
Mental Health	218	149	208
Learning Disabilities	62	47	60
Community	182	178	181
Continuing Healthcare/Funded Nursing Care	81	121	87
Primary Care inc Prescribing	177	197	180
Primary Care - General medical services	164	164	164
Other Programme Expenditure	12	10	12
Corporate Running Costs	17	17	17
Total at Place per 1000 wighted population for 22/23 CCG/ICB Plan	**1,807**	**1,854**	**1,814**

*** Needs weighted Population*

Birmingham (with West Bham population prorated to 75% in line with allocation from 1 July 22 i.e 9 months)	*1,264,562*	*84%*
Solihull	*234,882*	*16%*
Total	***1,499,444***	***100%***

From the table above, comparison of costs comparing Birmingham and Solihull indicates:

- The cost per 1000 weighted population for Solihull is in line with the previous presentation. Although the CCG/ICB has received additional allocations for 22/23 , other resources largely linked to support for covid, have been reduced leaving the System in a broadly "flat cash" position.
- The cost per 1000 weighted population for Birmingham has reduced (it was previously quite close to the Solihull value). This is possibly not a surprise following the inclusion of the West Birmingham boundary realignment because this is an area recognised as historically attributed with a level of healthcare resource usage below its needs weighted share. The resource usage transfer from Black Country System is based on that usage profile, and this brings down the overall Birmingham average per 1000 weighted population.
- The cost per 1000 weighted population is higher for Birmingham in mental health and learning disabilities.
- The cost per 1000 weighted population is higher for Solihull in acute care, CHC/FNC and other primary care.

Clearly, these are initial workings for 22/23 with more work to follow, and therefore there is a need to use this information with caution and as part of next steps continue to test and triangulate it. We continue to look at the refinement of the methodology including at locality level and to support the development of the Care Programmes and Service Integrators. Further work will be undertaken following the System plan refresh and resubmission on 20th June 22

3) Delegation Under the Health and Care Act 2022

The Health and Care Act 2022 introduces new sections 65Z5 to 65Z7 to the 2006 NHS Act. Section 65Z5 allows relevant NHS bodies (which includes ICBs) to delegate their functions to each other, to local authorities (LAs) and to combined authorities (CAs). Arrangements that involve the delegation or collaborative working of LA health related services are still covered by Section 75 of the 2006 NHS Act.

The legislation allows significant flexibilities, but it does not specify circumstances where organisations should delegate or jointly exercise any particular function. NHS guidance is clear that, when using s65Z5 and s75 arrangements, partner organisations must ensure that governance and oversight arrangements are clear, including demonstrating that arrangements improve the delivery of the function. For 22/23, the guidance recommends that delegation is restricted to allow system working and new structures to bed in.

As part of this assurance process, the ICB is engaging with partners around the development of a Delegated Assurance Framework, which will be used to determine whether organisations or collaboratives are ready to take on delegated functions, including an assessment of capacity and capability in a range of domains.

4) Development of the ICB draft Operating model and the associated Financial Framework

The ICB is in the process of developing it's draft operating model, building upon the principles set out in it's Inception Framework. For managing key services – acute care, paediatric care and maternity and mental health – the ICB will devolve responsibilities to three major Service Integrators. For managing the delivery of integrated services within communities and neighbourhoods, the ICB will devolve responsibility to the Place Integrator.

All four Integrators will work with the two Place Boards to develop and agree their plans, but the Place Boards will have a more direct responsibility in shaping how the Place Integrator will operate. Place Boards will be responsible for setting outcomes to ensure each place, locality and neighbourhood is able to receive the services it needs. They will do this by working with each Service and Place Integrator as they develop their operating model for delivery.

In 22/23, the funding for all services covered by the four Integrators continues to be transacted through standard NHS contracts between the ICB and each NHS provider. From 23/24 onwards, it is intended that this funding will begin to align into four Integrator contracts, subject to the Delegated Assurance process outlined above. For services included in the Place Integrator contract, NHS funding will continue to flow directly from the ICB however Place Boards will have delegated responsibility for some aspects of how this funding is utilised. This could include a role in prioritising investment decisions and ensuring delivery of transformational and transaction efficiencies to ensure the ICB and it's partners are able to deliver against statutory financial targets. Where Local Authority Funding is also aligned, s75 arrangements will be put in place as appropriate.

Engagement is continuing between NHS and LA partners to consider the services that would be appropriate to align to Place Boards in the first phase of working. During 22/23, the budgets associated with these services will be aligned in shadow form. In addition to this, Place Boards will also manage the allocation of the Fairer Futures Fund from July 2022 onwards.

5) Fairer Futures Fund

Whilst core NHS budgets will not be delegated to Place until 1st April 2023 at the earliest, the ICB is keen for the Fairer Futures Fund (FFF) to be set up from the ICB's inception in July 2022. The FFF is one of the key components of the BSOL ICB draft Operating Model and it's Financial Framework. It supports the ICB's commitment to invest in the determinants of health rather than the consequences of poor health and is targeted at delivering against the four key aims set out in the Inception Framework, namely:

- Improving population health and healthcare
- Tackling unequal outcomes and access
- Enhancing productivity and value
- Supporting the broader social and economic development of Birmingham and Solihull.

The FFF is designed to be delegated to Place Boards and should meet the following key principles:

- Subsidiarity – Supporting local innovation, making investment decisions as close to citizens as possible.
- Clinically and professionally led – Supporting clinicians and professionals to lead on programmes of work that will support improved service delivery and greater integration
- Transformation and Innovation – at the heart of the FFF is the investment and skills to better support rapid and long-term innovation in heath and care
- Tackling inequalities by empowering our communities – Enabling our neighbourhoods and communities to influence investment decisions that will make a real impact on the things that they know will make a difference to their health and wellbeing.

£18million has been earmarked non-recurrently, split proportionally to Birmingham and Solihull places, to support the ICB's ambition to hit the ground running on tackling health inequality and appealing to clinicians and professionals to lead change that creates better services and more integration. The Solihull share of this funding is £3.172m. It is anticipated that this will be invested over a 2 to 3 year time period from the launch of the ICB.

During Quarter 1 of 2022/23, two key streams of work have been ongoing:

1) Engagement with key stakeholders to develop the areas of focus for the Fund (building on the initial scooping), including the principles and outcomes that will support the prioritisation of investments. The workstream has also been considering the approach to scheme evaluation to ensure to we are able to plan and monitor benefits in a way that is both practical and robust.
2) Ensuring the right operational processes and governance arrangements are in place to support the decision making and manage the resources effectively through the Place Boards

This is being undertaken by NHS and local authority partners, drawing in engagement with other key stakeholders including the local community and voluntary sector. It is expected that the formal documentation supporting the FFF will be taken through NHS and LA governance routes from July onwards, enabling FFF to be an early area of focus for Place Boards upon their inception.