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**A CIPFA INTRODUCTORY GUIDE FOR CLINICAL COMMISSIONING GROUPS**

AN INTRODUCTION TO THE NHS REFORMS AND FINANCIAL CHALLENGE WITHIN THE  
NHS

**JUNE 2011**

## Foreword

This is one of a series of CIPFA guides to the fundamental responsibilities of the Accountable Officer in a Clinical Commissioning Group.

The guides are intended as introductions to key aspects of these responsibilities. They are intended to help and support Accountable Officers, and the wider leadership and decision-making structures in the Consortia. They will also enable key staff members to recognise the requirements placed upon them, and enable them to act as critical friends to the Accountable Officers.

The guides will assist Accountable Officers in developing their non-clinical skills and abilities, enabling them to challenge effectively, and to hold to account their specialist staff and advisers.

The subjects to be covered in the first set of guides include:

- An Introduction to the NHS Reforms and Financial Challenge
- An Introduction to establishing a Clinical Commissioning Consortia
- An Introduction - Preparing and Evaluating Business cases – Option Appraisal
- An Introduction - Pooling budgets and the benefits of integrated care provision

CIPFA is keen to support the effective leadership and management of Commissioning Consortia and encourages users of these guides to raise questions and make suggestions for future guides and more in depth support

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CIPFA is one of the leading professional accountancy bodies in the UK and the only one which specialises in the public services. It is responsible for the education and training of professional accountants and for their regulation through the setting and monitoring of professional standards. Uniquely among the professional accountancy bodies in the UK, CIPFA has responsibility for setting accounting standards for a significant part of the economy, namely local government. CIPFA's members work (often at the most senior level) in public service bodies, in the national audit agencies and major accountancy firms. They are respected throughout for their high technical and ethical standards, and professional integrity. CIPFA also provides a range of high quality advisory, information, and training and consultancy services to public service organisations. As such, CIPFA is the leading independent commentator on managing and accounting for public money.

## **The NHS and Social Care Bill for England**

The NHS Bill for England had its first reading in the Commons on Wednesday 19 January and detailed significant changes to the provision of Health and Public Health Services. It follows an NHS White Paper and consultation process that closed on the 5 October 2010 and a command paper that detailed changes as a result of this consultation.

As a result of continuing concerns surrounding the changes proposed by the Coalition Government the NHS Future Forum was established as a panel of experts to advise on changes to the legislation. The Forum reported its findings from an eight week listening exercise on Monday 13 June and the Coalition Government responded on Tuesday 14 June

The NHS and Social Care Bill, the NHS Future Forum report, the Coalition Government response, the Comprehensive Spending review (CSR) and the current NHS Operating Framework dictate the structural and financial challenge facing the NHS in England.

This briefing paper covers the organisational changes and the financial challenge set out for the NHS.

The June 2010 budget outlined by the Chancellor had a requirement to reduce the overall UK fiscal deficit by £112bn pa. This was to be achieved by cutting public spending by £83bn and raising an extra £29bn through increased taxation by 2014/15.

The CSR for this period was published showing a small real terms increase for Health compared with reductions in most other government departments. The Office for Budget Responsibility (OBR) has subsequently revised its forecast of cumulative inflation over the CSR period and a 10.21% overall (revenue & capital) increase in financing translates into a small real terms reduction over the CSR period.

The main structural, financial, service and personnel changes for Health are shown below.

### **The Initial NHS Health & Social Care Bill Changes are detailed below**

#### **Structural**

- Strategic Health Authorities to be abolished
- Primary Care Trusts to be abolished.
- Arms length bodies reduced to 10
- New Clinical Commissioning Groups (CCG), formally GP Consortia to take the lead on local commissioning.
- A new NHS Commissioning Board (NHSCB) that can intervene in failing CCG, remove its accountable officer or require it to be taken over or dissolved.
- The (NHSCB) will allocate and account for NHS resources, it will control and support Clinical Commissioning Groups and hold these to account in terms of outcomes, financial performance and operating in a fair and transparent manner
- Changes to the remit of the Department of Health and Monitor.
- Public Health functions transferred to Local Authorities, the Secretary of State to have the final say over appointments and dismissal of Directors of Public Health.
- The Care Quality Commission will house an independent consumer champion, "HealthWatch England"
- Revised Scrutiny arrangements with new Health & Wellbeing Boards inputting into "Joint Strategic Needs Assessment" and facilitating close agency working
- Mergers of Foundation Trusts granted simply on approval of a majority of both sets of Governors. All NHS Hospital trusts to be approved as FTs or become part of an existing FT originally by 2014 but amended – refer below

**Changes to the NHS & Social Care Bill as recommended by the NHS Future Forum report of 13 June and accepted by the Coalition Government are;**

*The Role of the Secretary of State*

- The Secretary of State for Health to remain responsible for promoting a comprehensive health service and ultimately accountable for securing the provision of services.

*Establishing the NHS Commissioning Board (NHSCB)*

- To ensure a focused leadership for quality, safety and the financial challenge the NHSCB to be established by October 2012 with full responsibilities by April 2013.
- The NHSCB and Monitor will set out guidance on how choice and competition should be applied to specific services, guided by a Ministers mandate

*A focus on universal support, protection of and promotion of the principles of the NHS Constitution*

- The NHS Commissioning Board (NHSCB) and Clinical Commissioning groups to actively promote the values and principles within the NHS Constitution
- The NHSCB; Clinical Commissioning groups; Monitor and the Care Quality Commission to set out how they are meeting their duty to have regard to the NHS Constitution in Annual reports, including the right to drugs and treatments recommended by NICE

*Clinical Commissioning Groups (formally GP Commissioning) – Governance and multi-professional engagement in commissioning and changes to health services*

- Clinical Commissioning Groups to be approved only when they can demonstrate that they have the right skills, capacity and capability to do so.
- Clinical Commissioning groups to be predominantly coterminous with Local Authorities unless there are good reasons to the contrary.
- Clinical Commissioning Groups to obtain multi-professional advice to inform commissioning and redesign of patient pathways. The NHSCB process for initial authorisation and annual assessment to provide assurance on this.
- A requirement for a non local provider Hospital (secondary Care) doctor & a registered Nurse to be on Clinical Commissioning Group Boards
- Boards of Clinical Commissioning groups to have 2 lay members championing patient and public engagement and key aspects of governance (audit/renumeration/conflicts of interest)
- A Strengthened role for clinical and professional networks and Multi-Specialty Clinical Senates established to provide advice to Clinical Commissioning Groups, Health & Well Being Boards and the NHSCB, these networks will be hosted by the NHSCB.
- Transparency about how public money is spent and decisions made; Commissioning consortia to have a Governing body that meets in public, with independent representation; published Board papers & minutes and consultation on commissioning plans
- Clinical Commissioning groups will be unable to delegate commissioning to private companies or contractors
- Quality Premium for improved CCG outcomes to remain but subject to safeguards

### *Competition and the Role of Monitor*

- A new Framework to be developed on Choice and competition.
- Monitor's role changed to support choice, collaboration and integration.
- Competition used only as a tool to support choice, service integration and improved quality
- The Private sector not to be allowed to "cherry pick" profitable patients
- The Competition and Co-operation Panel to be placed on a statutory footing, leaving Monitor with a duty to protect and promote patients' interests.
- Monitor to continue with its FT regulatory role checks until 2016.
- Strong expectation that NHS Trusts will achieve FT status by April 2014 but legislation to abolishing any remaining NHS trusts not subject to a blanket deadline
- An effective failure regime to be established
- Separate accounts for FT NHS & private funded services.

### *The provision of Integrated Care and joined up health (Primary / Secondary / Community and social care)*

- An enhanced emphasis on Integrated Care with the NHSCB to actively support the commissioning of integrated packages of care
- Better information systems and integrated electronic care records.
- A renewed emphasis on the importance of CPD and the need for Health Education England to be operational as soon as possible.
- Work on developing tariffs for integrated pathways of care and single budgets for health and social care.

### *An Independent Expert - Public Health England*

- Public Health England not to be established as part of the Department of Health but as an Executive agency.
- Public Health continuing to encompass health protection, public health and health services
- Independent advice from public health professionals should be available at every level of the system.

### *Patient Engagement – "no decision about me, without me" to become a reality*

- The duty to promote Patient involvement to be made stronger & clearer.
- Further consideration of the public to have a new right to challenge poor quality services and a lack of choice.
- A Citizens panels within Health Watch England to assess how well Choice is working
- Health and Well being Boards (HWBs) to have stronger powers to require Commissioners of Health & Social care services to account (not to Veto) and to refer concerns to the NHSCB if plans are not in line with joint health & well-being strategies
- HWB to have a formal role in Authorising Clinical Commissioning Groups
- HWB boards to monitor outcomes where these relate to joint working.
- Training for patient representatives and adoption of the "Nolan principles" of conduct

*The Financial Challenge for the NHS is set out below;*

#### Financial

- Health budgets for revenue expenditure will rise from £98.7bn in 2010-11 to £109.8bn in 2014-15, an increase of £11.1bn or 11.2% over 4 years.
- Health budgets for capital expenditure will change from £5.1bn in 2010-11 to £4.6bn in 2014-15, a decrease of £0.5bn.
- The overall cash increase of 10.21% compares with an updated GDP deflator (measure of Inflation) from the OBR (Office For Budget responsibility) of 10.49% over the same period)
- A local government settlement that can be expected to lead to pressure on social care budgets (after a £1bn Capital transfer from Health) and grants to the voluntary sector.
- The carry forward of NHS prior year underspends from the Treasury to the DH of £5.5bn cancelled (arrangements between the DH & NHS unchanged)
- Confirmation of the need to make efficiencies of £15-£20bn by 2014/15 to reinvest in pressures that stem from an ageing population, increasing obesity, improvements in new technology and drugs.
- A proposed 45% reduction in Commissioning Management costs.
- The cost of the transformation is estimated at £1.2bn over the next 2 years, commissioning to cost £1.3bn less following implementation of the reforms.
- The NHS Commissioning Board will have the ability to establish contingency funds, establish risk-pooling arrangements and provide support to GP consortia in the form of finance, time and other resources
- Consortia of 100,000 or less patients where support services are not shared are expected to incur higher costs of approximately 17%.

*Service Changes outlined for the NHS by the Coalition were;*

#### Service

- Planned improvements under the previous administration deferred
  - The extending of free prescriptions for long term conditions
  - One to one Nursing care for cancer patients
  - One week wait for cancer results
- A new cancer drugs fund of up to £200 million a year
- Expanding access to psychological therapies
- Clarity that responsibility for people not registered with GP practices such as the homeless, travellers and other vulnerable groups will be with CCGs.

*The personnel challenge had been outlined as below with the NHS Future Forum report recommending the retention of experienced managers*

#### Personnel

- An Estimated 20,900 redundancies across SHAs, PCTs, ALBs and the Department of Health
- Staff earning over £21,000 to face a two year pay freeze
- On average an extra 3% employee contribution to pensions
- Review of the NHS pension scheme, in particular to embrace competition amid the perceived advantages the public sector has over the private sector in having an affordable pension scheme and access to capital.
- Coaching of GPs and the Medical Profession to embrace fully the clinically led White Paper

The abolition of Primary Care Trusts and Strategic Health Authorities and the establishment of new Clinical Consortia to manage significant parts of the NHS budget at a time when the service has to find efficiency gains of £20bn by 2014-15 remains a significant challenge. The pace of transition has been moderated but this can be expected to create difficulties in managing multi-system arrangements and uncertainties for staff.

Operational and Financial performance tends to decline at times when the service is under-going extensive restructuring but the Department of Health have acknowledged this and strategies are in place such as the clustering of current Primary Care Trusts and Strategic Health Authorities to counter against risk.

The challenges remain to commission services that will deliver improved quality and productivity for an ageing population within the financial envelope available.

Opportunities exist to,

- Deliver evidence based, best practice care pathways that reduce clinical variation particularly for unscheduled care, planned care and long term conditions.
- Review productivity improvements in areas where information flows are not well developed, i.e. Community and Mental Health services
- Look at opportunities to develop integrated care services, particularly around acute, community, primary and social services and to take on board lessons from excellent examples in this area from providers such as Torbay Care Trust.

Clinical Commissioning Groups have a steep learning curve and will need to have excellent financial management skills and strong governance arrangements.

CIPFA recommends that qualified and experienced Chief Financial Officers (CFO) are an integral part of Clinical Commissioning Group Boards. It is acknowledged that these staff may cover more than one consortium.

There is no doubt that good governance and accountability for Clinical Commissioning groups are important components to essential success

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