



North East London

NEEL Financial Strategy Update

Key messages from the financial framework currently under development

Context – How we've used our budget in 21/22 and 22/23

The tables give an overview of how our budget – for 21/22 and 22/23 – splits across the system, between different types of care and across our seven places.

Note that it is not possible to split the whole budget in this way, and therefore the tables won't add up to our full allocation (around £4bn in 22/23).

We can see funding growth (in the allocation NEL received from NHSE) was predominantly used to support services in Barking & Dagenham, Havering, Redbridge and Newham.

2021/22 NEL CCG Month 12 Outturn (£m)								
	Barking and Dagenham	Havering	Redbridge	Waltham Forest	Tower Hamlets	Newham	City & Hackney	Total
Acute	171.5	229.2	250.5	233.2	228.7	277.2	242.1	1632.4
MH	41.6	42.5	42.5	53.4	67.3	65.9	80.3	393.7
Community	34.6	41.9	30.9	55.2	62.5	49.5	64.0	338.6
CHC	19.4	30.8	31.0	26.8	18.0	20.3	17.3	163.8
Prescribing	26.5	39.8	39.2	37.1	34.2	44.5	28.4	249.7
Primary Care	40.8	47.3	53.6	60.6	80.1	80.3	70.2	433.0
Total	334.5	431.5	447.8	466.4	490.9	537.7	502.4	3,211.2

2022/23 NEL ICB Budget (£m)								
	Barking and Dagenham	Havering	Redbridge	Waltham Forest	Tower Hamlets	Newham	City & Hackney	Total
Acute	172.6	245.7	262.8	239.7	239.3	285.8	248.5	1694.3
MH	43.3	44.1	43.2	56.5	66.8	66.3	80.9	401.1
Community	43.9	46.4	38.0	42.4	58.2	64.8	57.1	350.8
CHC	20.8	31.1	35.4	30.0	18.1	22.0	18.1	175.5
Prescribing	26.7	39.3	39.0	37.3	35.8	46.3	29.1	253.5
Primary Care	40.2	50.3	59.3	57.8	80.6	85.6	72.0	445.9
Total	347.5	457.0	477.6	463.7	498.8	570.8	505.7	3,321.1
Implied growth	3.9%	5.9%	6.7%	-0.6%	1.6%	6.2%	0.7%	3.4%

Note that 21/22 figures may be distorted by covid funding and that changes in funding between years can reflect changes in how some national funds were allocated (e.g. discharge funding)

Comparison of spend on different types of care, by place (22/23 budget)

Our seven places have different populations with different needs and so a level of variation between them is to be expected, but we also know that some of the variation reflects differing inputs/resource (even between populations with similar needs) and differing services that are not always organised to enable the most appropriate patient pathway.

	2022/23 percentage of spend within geography on care type						
	Barking and Dagenham	Havering	Redbridge	Waltham Forest	Tower Hamlets	Newham	City & Hackney
Acute	49.7%	53.8%	55.0%	51.7%	48.0%	50.1%	49.1%
MH	12.5%	9.7%	9.0%	12.2%	13.4%	11.6%	16.0%
Community	12.6%	10.2%	7.9%	9.1%	11.7%	11.4%	11.3%
CHC	6.0%	6.8%	7.4%	6.5%	3.6%	3.9%	3.6%
Prescribing	7.7%	8.6%	8.2%	8.0%	7.2%	8.1%	5.8%
Primary Care	11.6%	11.0%	12.4%	12.5%	16.2%	15.0%	14.2%

As described later in the slides, our financial strategy aims to ensure that we are spending the right (and fair) amounts of our NEL resource on different populations, and that we are spending it in ways that add the most value for our residents, including a greater proportion on prevention and earlier intervention.

The ambitions of our financial framework

Our new financial framework will need to iterate over time as we ‘learn by doing’ and we are keen to work with partners to develop it further.

We have a number of ambitions for what we want the new financial framework to help us achieve. These are aligned to our system design principles and include:

Improving quality and outcomes for residents

- **Incentivising transformation and innovation** in clinical practice and the delivery of services to improve resident outcomes
- Supporting delivery of **care closer to patients’ homes**, specifically investing resources in services that take place outside of the hospital environment to reduce demand for acute and specialist services

Securing greater equity for our residents

- Refocusing how the system spends its money **to focus on population health**, including proactive investment in measures that keep people healthier
- **Increasing investment in prevention**, primary care, earlier intervention and the wider determinants of health, including environmental sustainability
- **Levelling up investment** and addressing any historic anomalies in funding distribution

Maximising value for money

- Supporting our providers to **reduce transactional costs, improve efficiency** and reduce waste and duplication
- **Supporting the financial stability** of our providers and underpinning a medium-term trajectory to financial balance for all partners
- **Recognising existing challenges**, including that NEL is, as a SOF 3 ICS, financially challenged with a growing population and BHRUT in SOF 4 for financial performance.
- Ensuring we do not **create unnecessary additional financial risk**, especially in the acute sector

Deepening collaboration between partners

- Supporting the **integration of health and social care** for people living with long term conditions who currently receive care from multiple agencies
- Ensuring that all partners are able to **understand and influence** the total amount of (ICB) resources being invested in residents’ care.

We face significant challenges, both now and over the longer term

NEL faces significant challenges over the coming years, including increased demand for urgent and emergency care, a substantial backlog of elective care, workforce shortages and a cost-of-living crisis among many of our staff.

The system also faces significant financial tightening, with (unfunded) inflation and the removal of covid funding already creating pressure and more tightening expected across the whole public sector.

NEL also expects to have significant population growth over the coming years.

With this financial framework we are trying to achieve financial stability over the short to medium term – recognising the significant challenges the system faces this year and next – while also ensuring that we have a sustainable model over the medium to long term, by beginning the transformation of services now

To support new ways of working and the improvement of health and wellbeing outcomes, we are developing a financial framework which:

- **Moves, over time, to a population-based financial planning and funding approach**
- **Allocates funding in a way that recognises the costs of care provision**
- **Supports transformation via a system investment pool**

Moving to a population-based approach

The ambition of PHM is to draw a cause-and-effect line between all the money we spend and the health and wellbeing outcomes impacted. In the meantime, there are three main ways in which the framework is supporting a shift to a more population-focused funding arrangement:

- Reducing inequalities in care provision and outcomes by ensuring that where we spend our money reflects the needs of our population.
- Increasing the proportion of our ICB budget that is spent on prevention and early intervention year-on-year.
- Providing financial support for the testing and deployment of interventions and care models that seek to improve health and wellbeing outcomes.

The proposed approach for reducing inequalities in the short to medium term is that, as a system, we define a core set of services that should be available to everyone and that we focus funding uplift on ensuring that that minimum service exists everywhere, before then moving on to target additional funds into areas with poorer outcomes.

Reflecting the costs of care provision to support partnership working

During financial year 2022/23 the whole NHS is still transitioning from the top down emergency funding regime, which channelled funding direct to front line service providers based on actual expenditure in response to the pressures of the pandemic

Beginning with the 2023/24 financial year, revenue allocations (and associated savings requirements) will be made through a central process to one of three settings: i) place committees of the ICB (which operate in close alignment with the wider place partnership in each place), ii) directly to trusts, or iii) be held centrally by the ICB.

The approach will enable partnership working rather than an unhelpful focus on finances and contractual negotiation. **We will use the following two principles when determining which budgets**, for which services, sit with different parts of the system:

- **Trust partners** (NELFT, ELFT, Barts Health, BHRUT, Homerton and London Ambulance Service) should hold and manage budgets for the care they provide and should receive “block payments” directly from NHS NEL to cover this.
- For non-trust budgets the default assumption is that **place committees** (on behalf of PbPs) hold budgets, unless coordination/planning for the services concerned is best done over a larger footprint (in which case they will either be held by the ICB centrally, or by one of the place committees on behalf of several).

Regardless of who holds the budget, partnerships will have full visibility of all the funding that is spent on their local population, with the ability to agree between partners to shift resources to support different care services or programmes.

Creating headroom for investment

The financial framework will support NEL to have a sustainable health and care system over the medium and long term through the creation of an ICS investment pool, with the core goal of dampening demand for more acute services

For 2023/24 a proportion of the ICB's budget will be allocated to the ICS investment pool.

To ensure that the investment pool is used as effectively as possible, funding decisions will be based on evidence and will use an open book/transparent process, so that it is clear to all partners how money has been spent and the impact expected.

Each place-based partnership are asked to ensure that they have investable plans, agreed by partners, for transformation and service improvement that will lead to (at least) a 150% return on investment in reduction in acute demand for 2024/25 versus forecast levels.

Savings from demand reductions greater than 150% will be reinvested in the system, with 50% of additional savings used for future years' investment pools and 50% invested at the discretion of the relevant PbP.