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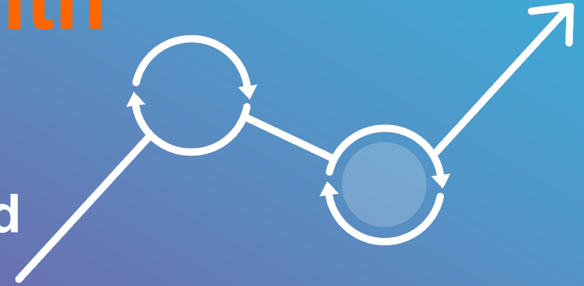
The future financial sustainability of health and social care



Messages from a joint HFMA and CIPFA roundtable

Introduction

On 6 July 2021 the *Health and Care Bill*[1] (the bill), was given its first reading in Parliament and is now making its way through the various stages in the House of Commons and House of Lords. Once the bill is enacted, it will bring into effect some of the proposals set out in the white paper *Working together to improve health and social care for all*[2].

But does the new vision of the NHS produce a sustainable health service and what does it mean for social care? Do the plans address the long-term financial challenges of rising demand, addressing health inequalities, growing waiting lists, increasing complexity of condition and the development of new treatments?

This briefing considers whether the bill enables the change that the health and social care system needs, both in the short term as the country seeks to recover from the pandemic and in the longer term as the sector more fully addresses population health and wellbeing. It builds on a joint HFMA and CIPFA roundtable discussion held on 21 July 2021 with senior leaders from across the NHS and social care, covering a range of organisation types and geographies.

Some of the issues raised at the roundtable have subsequently been acknowledged in *Build back better: our plan for health and social care*[3] (the plan). This plan sets out intentions for healthcare and adult social care, supported by a new health and social care levy to raise £36bn over the next three years through taxation. The plan will be supplemented by a white paper due later in 2021, setting out proposals for system reform of adult social care, and a national plan will also be developed to support further integration between health and social care. Despite the publication of the plan, the messages from the roundtable remain relevant as the government develops further plans for change.

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[1] UK Parliament, *Health and Care Bill*, July 2021
[2] DHSC, *Working together to improve health and social care for all*, February 2021
[3] UK Government, *Build back better: our plan for health and social care,* September 2021

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Key messages

- The removal of legislative barriers to integrated working that were created by the *Health and Social Care Act 2012* is welcomed.
- There is a concern that the *Health and Care Bill* as currently drafted is too focused on NHS structures and systems and there is a danger that relationships and joint working with local government will be damaged as a result.
- Roundtable participants demonstrated the passion in health and social care to do the right thing for their populations. This must be harnessed, not stifled, through the *Health and Care Bill.*
- A long-term sustainable funding settlement for social care is essential for the whole health and care sector.
- Funding allocations across health and social care need to be clear. It is essential that the way resources are allocated recognises the impact that the funding decisions can have on local systems' abilities to effect the necessary change for the population. Current allocation methods do not fully meet the needs of organisations and do not go far enough to recognise health inequalities.
- Current short-term contracts and funding envelopes do not allow a prevention focus where the return on investment may not be seen for many years.
- Finance staff across health and social care play a key role in supporting change but adequate funding is required across the whole sector in order to deliver this effectively. The next spending review must consider the health and social care sector as a whole, to better align funding and finance with proposals for integration.

Roundtable participants

The HFMA and CIPFA would like to thank the following for their participation in the roundtable and subsequent support with this document.

Name	Role	Organisation
Lee Outhwaite (chair)	Director of finance and contracting	Chesterfield Royal Hospital NHS Foundation Trust
Tim Swift	ICS chair and councillor	West Yorkshire ICS/ Calderdale Council
Andy Hardy	Chief executive	University Hospitals Coventry and Warwickshire NHS Trust
Kathy Roe	Director of finance	Tameside and Glossop CCG and Tameside Council
Alison Henly	Chief finance officer	Somerset CCG
Nicci Briggs	Chief finance officer	Leicester, Leicestershire and Rutland CCGs
Paul McKevitt	Chief finance officer	Wigan CCG and Wigan Council
Sandra Beard	Social care networks adviser	CIPFA
John Jackson	National care and health improvement adviser finance and risks	ADASS/ LGA

The future financial sustainability of health and social care

Does the bill meet the needs of local systems?

While it is expected that the bill will change as it proceeds through the parliamentary process, in trying to legislate for integration, the bill has set out a retrograde step for many systems. There is a broad sense of disappointment that the spirit of collaboration demonstrated throughout the pandemic has been replaced by a plethora of NHS structures and boards that local government are expected to be a part of, rather than a partner to. However, the mandation of local government involvement does suggest that they are likely to have a stronger voice in local system discussions and this is to be welcomed.

While the permissive nature of the bill was welcomed by many at the roundtable, there was concern that there was very little to fall back on if collaborative working failed. Legislative levers for local systems have been replaced by a concerning centralisation with additional interventional powers for the Secretary of State.

"A duty to collaborate became a duty to cooperate by the time it came to publication."

Nicci Briggs, Leicester, Leicestershire and Rutland CCGs

"The bill gives us permission to get on and do things differently."

Alison Henly, Somerset CCG

Experience of working together across a health and care economy has shown that relationships between people and organisations within that system are vital to the success of integrated working. It is these relationships which will make a success of the legislation despite the new NHS focused bodies. Local systems will need to continue working together, keeping to their core principles to improve population health and wellbeing in order to counteract the legislated structures which could drive organisations apart. There was a sense of optimism that the legislation would recognise the joint decision making that is needed across the NHS and local government but, unfortunately, it has remained as an NHS led initiative.

There is real concern that there is a drive to move oversight and regulation of local systems to integrated care boards (ICBs), meaning that their stated aim of working as a collaborative system body will be tainted by the requirement to also assess and potentially penalise the performance of system partners.

The unwinding of provisions from the 2012 Act around procurement and competition will no doubt help effective system working and these are welcomed. However, the lack of a long-term settlement for social care continues to be a worry as local systems seek to create a sustainable financial footing to meet the health and care needs of their populations. Health and social care work together hand in hand to support the people in their areas but continue to be treated separately when it comes to funding, workforce and legislation. While this is understandable given the statutory differences, it does not ease the process of collaboration or a seamless delivery of care for the population.

"We're very transparent. We share all the finance information between each other on a regular basis and produce joint finance reports. We understand where we have problems, and we raise them early."

Kathy Roe, Tameside and Glossop CCG and Tameside Council

Relationships and trust are fundamental to the success of integrated care systems, and these cannot be legislated for. However, as the supporting guidance is developed for implementation of the bill, it is vital that the financial systems, governance, and operating frameworks put in place do not disincentivise joint working. As health, local government and other partners come together to support

their populations, it is important for each organisation to understand the requirements and pressures on the others. If the time is taken to acknowledge how different parts of the local system work and the history that has got them to that point, joint working can be carried out much more effectively.

The challenge of social care funding

It is widely accepted that social care is underfunded and in need of wider reform[4], and the challenge of resolving this issue has not yet been fully accepted by the government. With over 70% of social care costs funded directly by local authorities[5], the pressures fall on local communities to fund the care needs of the population. To date, the government has taken only short-term approaches to nominally address the shortfall in funding versus need, such as the social care grant and a maximum of 3% council tax precept which is ring fenced for use on adult social care. However, this exacerbates inequalities in care across the country. Those most in need will be unable to pay a higher council tax demand, adding pressure to already tight household budgets. As council tax is linked to house value, local authorities with deprived neighbourhoods will only see a small rise in absolute income through this approach, if they choose to take it. In more affluent areas, where the need for local government funded social care is unlikely to be as great, more funding will be raised through the council tax precept meaning that more services can be delivered to the least deprived areas.

"The financial pressures in adult social care are going up by at least 7% every year – that's 3% for demography and 4% for inflation, linked to the national living wage."

John Jackson, ADASS / LGA

"Councils are funded differently and have been affected differently by austerity. As a result, each council is coming into this from a different position - some have made cuts, some are using reserves, but councils are facing massive issues financially."

Paul McKevitt, Wigan CCG and Wigan Council

The pressure on local authorities to fund social care, at a time when overall local government funding has been reduced, means that many need to raise eligibility criteria and other services frequently need to be cut. These areas often include those services which support the maintenance of good health and wellbeing such as housing support and leisure facilities. As the NHS seeks to invest in a more preventative approach to ill health through local systems, it is contrary to collaborative working that local government is often forced to do the opposite.

Those taking part in the roundtable were agreed that they want to be enabled to work more collaboratively to deliver more joined-up services, removing the 'competitive deciding about who pays a bill'. When thinking about place-based budgets, many areas are using the concept of a local public sector pound, nominally combining resources across health and social care to use public money in the best way for the population. This approach can enable a different way of thinking about social care and the way that it is provided, however it is still stymied by a lack of resource.

"The hospital discharge programme, and how quickly it worked, showed how much it helps to take away some of the boundaries between what becomes health and what becomes social care and the arguments that fall in between."

Nicci Briggs, Leicester, Leicestershire and Rutland CCGs

[4] CIPFA, *The Road to Reform: COVID-19 as a catalyst for change in funding social care*, September 2020

[5] NHS Digital, *Adult social care activity and finance report, England – 2019-20,* December 2020

"Local authorities are having to try to find ways to charge customers more through increasing the eligibility criteria. That's moving away from the whole idea of integrated public funding. So there needs to be a sustainable funding solution for the social care element of local government."

Sandra Beard, CIPFA

Local government representatives at the roundtable highlighted several areas of concern when it comes to social care funding. Politically there is a focus on preventing individuals from incurring 'catastrophic costs' in order to pay for care. This has been set out explicitly in *Build back better: our plan for health and social care*, with the extension of capital limits in the means test and the cap on care costs. However, this increases the burden on local government as it means that more people will be eligible for publicly funded care, so increasing overall costs. Although there is £5.4 billion allocated over three years to cover these additional costs, the plan states that existing pressures must continue to be met from short-term measures such as council tax and the social care precept. Therefore, the plan does nothing to help the sector onto a more sustainable financial footing, despite the extra funding raised through the health and social care levy. It was highlighted that additional funding is needed in the short term to address the ongoing impact of Covid-19, although this is not yet fully known. But, more fundamentally, a sustainable settlement for social care is essential. Sir Andrew Dilnot estimates that an additional £10bn is needed to do this[6].

It is essential to recognise that investment in social care supports the whole population. It enables people to be cared for in the right place and allows the whole health and care system to operate effectively. It is hoped that this will begin to be addressed in the next spending review.

Focusing on prevention and improving population health

"We're spending all our time focusing on the treatment costs. We've got to talk about how we stop that treatment cost being required in the first place"

Kathy Roe, Tameside and Glossop CCG and Tameside Council

Even before the pandemic, the NHS and local government were looking at how demand for services could be reduced through improving the health and wellbeing of their local populations. Covid-19 shone a bright light on health inequalities and starkly demonstrated how social inequity is exacerbated by poor health and vice versa. As local systems seek to work more closely together to address the social determinants of health, those at the roundtable were asked how that can practically be achieved and who should hold what role.

"I've got a public health consultant in my organisation which is a joint post with the local authority. They are making a massive difference in terms of thinking what we can do as an acute hospital."

Andy Hardy, University Hospitals Coventry and Warwickshire NHS Trust

Those present highlighted that everybody has a role to play in improving population health and that is recognised across the whole health and care sector. With responsibility for public health sitting with local authorities, it is important for local systems to remember that partnering with local government is about more than just social care. Participants highlighted that local councils hold a wealth of data about their populations, with much richer information than the NHS. This data can support population health management, but it is essential that local systems work together to maximise its value and impact. Using data that is shared across sectors could support the development of shared performance standards that are targeted towards population health issues, such as improving the healthy life expectancy of the local population. A draft data strategy for health and social care sets out plans to tackle some of the barriers to sharing data within a local system[7].

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[6] BBC, *Social care: Ministers urged to 'act now' on funding reform,* June 2021

[7] Department of Health and Social Care, *Data saves lives: reshaping health and social care with data (draft),* June 2021

"The challenge is how you find a funding model that encourages the shift of resources because we are talking about things that will reduce demand in 10- or 15-years' time."
Tim Swift, West Yorkshire ICS

Preventing ill health can feel a little intangible, with the benefits often realised several years later. The propensity of the NHS and, more recently, local government to set short term budgets and targets, means that it can be difficult to invest in longer term projects. This difficulty is further compounded by the way in which funding allocations and contracts are structured, as they are often based around levels of activity rather than outcomes that contribute to good health and wellbeing. However, it is widely recognised that the benefits of investing in prevention can be substantial, not only in terms of value for money, but also future demand[8]. The intention in the bill to create longer term agreements and contracts was welcomed for this reason.

Working at a place or neighbourhood level was acknowledged as being the most effective level to really make an impact on population health. However, this requires true delegation from local system level, enabling places to make the best decisions for their population's particular needs[9].

It was felt that the bill had missed an opportunity to effect radical change in how the NHS and local government tackled population health and wellbeing.

Key to supporting population health and wellbeing is the engagement of the voluntary, community and social enterprise (VCSE) sector, and recognition of their value by statutory services. The way that people choose to access services and receive information about health issues and available support, is very different to the traditional pathways set up within the NHS and local councils. For the health and care sector to effectively reach people, there needs to be a better understanding of how people engage with the information, and this is often through local community groups and activities[10].

"We can be a bit arrogant in thinking that we know best and that the old ways of accessing services such as primary care are important. But actually, they are not. What is important to people is their local religious group or where they shop, and the voluntary sector understand that."
Nicci Briggs, Leicester, Leicestershire and Rutland CCGs

"We set up a community investment fund where we looked to grow those areas within the voluntary sector that would allow us to take money out of social care. It helped us to understand what the issues were locally and also enabled us to take £20m out of social care to invest in reablement, while actually improving the services that were provided."
Paul McKevitt, Wigan CCG and Wigan Council

Covid-19 has demonstrated the strength of local communities in identifying and supporting the vulnerable people within them, and these are not always the people that statutory services have recognised as needing support. Engagement and partnership with local VCSE bodies produces a much stronger supportive community and will be essential in considering how to tackle the twin pressures of growing demand for care and decreasing financial resources. It is however vital that the NHS and local government recognise that the VCSE sector often needs support to fully develop their offer or to remain sustainable. While Covid-19 has demonstrated the sector's strength, it has also shown how reliant many small groups are on elderly volunteers and local fundraising.

[8] CIPFA, *Evaluating preventative investments in public health in England,* May 2020
[9] NHS and Local Government Association, *Thriving places: guidance on the development of place-based partnerships as part of statutory integrated care systems*, September 2021
[10] NHS, *Building strong integrated care systems everywhere*, September 2021

"There's a recognition that we have to work differently. We're going to have to partner very differently between the NHS, local government and the third sector in a way that we haven't done before if we are going to address socially determined disease. This feels like a unique moment to look at the proactive nature of care."

Lee Outhwaite, Chesterfield Royal Hospital NHS Foundation Trust

The mechanisms to deliver financial sustainability

While the benefits of ring-fenced funding were acknowledged as useful for some under invested areas such as mental health, those at the roundtable felt that more freedom was needed to use funding on local priorities, rather than being constrained by national targets. In the short term, addressing the backlog of care is essential and a significant investment is required to enable the sector to move on from the crisis. For the NHS this has been recognised in *Build back better: our plan for health and social care*. However, the overall recovery from the impact of the pandemic could take several more years with the long-term health and care impact of the disease as yet unknown. With some geographies more adversely affected than others, how funding is allocated across the country is an area of concern.

It was agreed that the way funding is allocated across the NHS is very complex and not widely understood, and often runs contradictory to the ambition of greater integration. The formula to allocate funding to primary care focuses on the age of the population that a practice supports, which exacerbates health inequalities through allocating more funding to older, more affluent areas. This has been recognised in Leicestershire with work being undertaken to redress the balance.

"How do we move funding to have the greatest impact? How do we have flexibility on our funding? What is the right level of prioritisation? How do we balance the recovery of waiting lists with future needs? There are some things that we have got to get to grips with so that finance is an enabler and not a blocker."

Alison Henly, Somerset CCG

The way that funding arrives also impacts the financial sustainability of local systems. Additional NHS funding is usually made available on top of baseline allocations, but this funding arrives piecemeal, at different times of the year, with varying criteria for its use, and often with a lack of clarity around whether or not the money is recurrent. This means that planning for long term sustainability of services is difficult. A similar level of uncertainty is present in the allocation of local government funding. While the short-term nature of this approach is in keeping with the current short spending review periods and government cycle, it makes good financial management impossible. This means that resources cannot be used as efficiently as the government, or those working in the services, might wish as investment in longer term plans to improve services cannot be routinely made. Many services are therefore knowingly operating inefficient delivery models but are unable to take any sustainable action to change them.

Funding allocations for health and social care need to be considered as a whole. As local systems work more closely together, a similar approach needs to be taken in government to ensure that funding allocations and requirements around them, work cohesively to deliver an integrated health and care system. At a national level, the interdependence of the health and care sectors, and the impact that each can have on the capacity of the other, must be recognised to support the local work being undertaken.

Workforce continues to be an issue for both the NHS and social care. A shortage of staff in many essential roles limits what can be achieved even if the system was financially sustainable. A joined-up workforce strategy that recognises the roles that cross both health and social care, the knowledge and skills that can be shared, and a career structure that pays a living wage for those working with the most vulnerable, would go a long way to supporting the overall sustainability of the health and

social care sector. However, current local authority funding levels do not allow NHS pay scales to be matched in social care, so any joint approach to workforce planning will need additional funding as part of wider reform.

Conclusion

The first readings of the *Health and Care Bill* suggest that it will not deliver the change that the government, nor local systems, were hoping for. There is a general view that there may be a missed opportunity to create more integrated working across health and social care. However, many see the bill as permission to carry on and to develop existing arrangements, without the constraints of some previous legislation which made collaboration difficult.

"We're all trying to do the same thing and we all don't have enough money. There's no point fighting about it."
Kathy Roe, Tameside and Glossop CCG and Tameside Council

The absence of a long term, sustainable settlement for social care continues to be a great concern and severely impacts what local systems can achieve, regardless of how well the sectors can work together. The NHS and local government have an interdependent relationship where actions in one part of the system can affect the demands placed elsewhere. Working together, building good relationships and trust is essential but it needs to be supported by certainty of sufficient funding, through mechanisms which support, rather than contradict, the ambitions for integration. Addressing social determinants of health and inequality has to be a joint effort but it can be thwarted by government policies which drive decisions to be made which do not support the holistic, population-focused and place-based approach.

The recently announced health and social care levy is intended to raise funding for all of health and care, yet the majority of the revenues are allocated to the NHS to aid recovery, invest in prevention and improve its financial sustainability. While this is welcome, social care receives only enough to cover the costs of a more generous system, with nothing to recognise the long-standing financial pressures in the sector. The next comprehensive spending review must better reflect the interdependency of health and care and recognise the challenges facing the social care sector if integration is to succeed.

"The only way forward is for us to work together, and I'm really impressed about how committed everybody here is, to the same agenda."
John Jackson, ADASS / LGA

There is much to be positive about and there is much to build on. As the NHS and social care establish a new way of working that better meets the needs of their populations, local relationships will be the powerful driver of change. National legislation and decision making can support this, or create barriers, but the local will and enthusiasm to do more for people is evident across the country. Despite the challenging financial environment that the public sector is currently facing, it is essential that the government use the forthcoming spending review to provide health and social care with the resources needed to enable good long-term financial management, effect change and achieve their stated ambitions for greater integration.

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CIPFA is the only professional accountancy body in the world exclusively dedicated to public finance.

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

As the world's only professional accountancy body to specialise in public services, CIPFA's portfolio of qualifications are the foundation for a career in public finance. They include the benchmark professional qualification for public sector accountants as well as a postgraduate diploma for people already working in leadership positions. They are taught by our in-house CIPFA Education and Training Centre as well as other places of learning around the world.

About the HFMA

The Healthcare Financial Management Association (HFMA) is the professional body for finance staff in healthcare. For 70 years, it has provided independent and objective advice to its members and the wider healthcare community. It is a charitable organisation that promotes best practice and innovation in financial management and governance across the UK health economy through its local and national networks.

The association also analyses and responds to national policy and aims to exert influence in shaping the wider healthcare agenda. It has particular interest in promoting the highest professional standards in financial management and governance and is keen to work with other organisations to promote approaches that really are 'fit for purpose' and effective.

The HFMA offers a range of qualifications in healthcare business and finance at undergraduate and postgraduate level and can provide a route to an MBA in healthcare finance. The qualifications are delivered through HFMA's Academy which was launched in 2017 and has already established strong learner and alumni networks.

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HFMA

1 Temple Way, Bristol BS2 0BU

T 0117 929 4789

E info@hfma.org.uk

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www.hfma.org.uk