CIPFA response: Fast Start for Better Health

January 2024

As the world's only accountancy and standard-setting body dedicated to public services and public financial management, CIPFA is in a unique position to support and empower health and local government partners towards closer integration, with an emphasis on prevention and the aims of improving population health and reducing health inequalities. CIPFA believes that achieving these aims is essential to the broader picture of ensuring our public services, and the public finances, are resilient and sustainable now and for future generations.

CIPFA welcomes the invitation to respond to *Fast Start for Better Health*, as many of the issues raised in this consultation, and in A Covenant for Health, chime closely to our areas of interest in integrating care and investment in prevention. This response draws on our recent and current areas of work to discuss some of the issues raised in the consultation document, including the role of the NHS and local leadership in partnership and prevention and the role of central government.

The sustainability of public services requires a change in mindset

The case for change is undeniable, as demonstrated in the CIPFA/Institute for Government Performance Tracker 2023, which found: "Public services that have for years been creaking are now crumbling. The public is experiencing first-hand the consequences of successive governments short-term policy making." The report also shows that such short-termism can clearly be seen in the imbalance of acute versus preventative action: "Since at least 2012, statutory funding for some public services has increasingly focused on acute services at the expense of preventative ones."

The potential consequences of continuing along this trajectory can be seen from the Health Foundation's Health in 2040, which predicts that the number of people projected to be living with major illness will increase by 37%, while the working age population (who generate the bulk of government revenues) will rise by only 4%. This means that the need for health care is predicted to rise by over nine times more than the revenues raised to pay for all services – clearly not a sustainable path.

Health in 2040 also found that much of the projected growth in illness relates to conditions that are predominantly managed in primary care and community-based services, highlighting the need for investment in place-based services focused on prevention. However, recent analysis of Funding for local public services by the Institute for Fiscal Studies found that, while most places[1] received combined funding across the NHS, public health, local government and police within 5% of estimated need, there was an imbalance when relative levels of deprivation were considered – with the most deprived fifth of areas receiving 3% less total funding than their share of estimated need. This difference between funding and need was greatest for local government, with only 26% of upper-tier local authorities receiving funding within 5% of estimated need. Clearly without adequate funding to address local need, places will struggle to address health inequalities and invest in the preventative approaches required to ensure services are sustainable.

As highlighted in CIPFA's work on Integrating Care: policy, principles and practices for places, continuing on this path will necessitate the need for short-term fixes in the future if we do not transform services and invest in our health as an asset and to relieve future pressures. A twin track approach is required to ensure that places are adequately funded to deal with the existing pressures they face, as well as making such

[1] This study used upper-tier local authority areas as marker for place.

investments to ensure public services are cost effective, achieving best value and are financially sustainable to meet future needs.

However, preventative action is often discussed in terms of long-term commitments and so can be difficult to incentivise in the face of immediate pressures. Thus it is often viewed as being an easy tap to turn off. In Evaluating preventative investments, CIPFA and Public Health England (PHE) called for a change in the mindset around prevention, to consider it as a true investment – yielding benefits across place and time for both our health as an asset, and the future sustainability of public services.

While it may take time to achieve the twin track approach and move towards sustainable funding for places, there are more short- and medium-term actions that can be taken to move us towards these goals.

The role of the NHS and local leadership in partnership and prevention

CIPFA's Integrating Care report highlighted that the renewed focus on integration presents a new opportunity for partners across the public sector to work differently. Taking a truly place-based and preventative approach focused on the social determinants of health and reducing inequalities could improve population health and ensure that vital public services remain sustainable for future generations.

These social determinants – the conditions in which we are born, grow, live and age – have a greater impact on our health than healthcare services. While the NHS increasingly recognises the importance of these social determinants, when it comes to influencing them its role is limited. It simply does not hold the required levers; instead, a wider 'whole system' approach is required.

Local government, at all levels, holds many of the levers that influence health and wellbeing. Councils have responsibilities, powers, and perhaps more importantly the experience that is key to improving population health. Upper-tier responsibilities such as social care and public health are clearly critical. However, functions where lower-tier councils play a role – such as housing, local environment, local economy, green spaces, leisure services and active travel – are all important influencers of health and wellbeing. To take a truly integrated approach to population health, systems need to understand and engage with the places and neighbourhoods they serve. In this regard, local government's knowledge, experience and democratic mandate is key to success.

Therefore, it is vital that both upper-tier and lower-tier councils are engaged in integrated care systems (ICSs) and active players at the level of place-based partnerships. These partnerships are well placed to understand the needs of the local population and so are able to form coalitions across a range of community providers to improve the quality, co-ordination and accessibility of health and care services. This local understanding means they are also well placed to focus on improving population health and wellbeing through the prevention of ill-health and health inequalities.

Across the finance profession in the NHS and local government, there is broad acceptance and understanding of the need for closer collaboration, and to consider how funding can best be used across places to shift resources upstream and enable an emphasis on the social determinants. There is already a lot of good work happening. However, the NHS and local government operate under vastly different funding and financial regimes, which do not support a whole system approach to improving population health and wellbeing with a focus on prevention. **Fostering a shared understanding between partners of the different systems, regimes and pressures in which they operate is a crucial first step.**

Despite the differences in the financial systems, **the delegation of functions and resource to place-based partnerships to enable resource to be allocated in line with local priorities is essential.** This enables funding flows to support local decision making and the delivery of shared outcomes, so increasing value for

the public pound in place. In Integrating Care, we propose a principles-based place-level framework to underpin such arrangements, which remains adaptable to suit local variation.

Integrating Care advocates for a focus on outcomes to aid in highlighting interdependencies between services and organisations, so helping to foster a shared vision and understanding in partnership working. One of the challenges involved here is the local government duty to provide a service, rather than an outcome, which can lead to services being transactional in nature. The Integrating Care report contains case studies of examples where an outcomes approach focused on population health and wellbeing has been taken, both at national and local levels.

Role of central government

Much of our recent work in this area has made recommendations as to how central government could enable the required shift towards the twin track approach, in terms of closer cross-government working, clarifying priorities, improving policy alignment and shifting both the mindset and the balance of funding.

Competing priorities and pressures

Both the NHS and local government are facing huge challenges – existing pressures, recovery from the pandemic and the cost of living crisis sit among wider policy reforms, political and economic pressures. Within this crowded health and care landscape, there are many national policies competing for attention and resources. As set out in Integrating Care, **central government departments should lead by example and demonstrate a collaborative approach to co-ordinating and clarifying policies across the health and care sector**. For example, there are clear parallels between health and care integration, prevention, addressing health inequalities and the levelling up agenda. The Department of Health and Social Care (DHSC) and the Department for Levelling Up, Housing and Communities (DLUHC) should work together to better link these mutually reinforcing policy areas to provide clarity on the common expectation of the outcomes of closing the gap on social inequalities. Even within DHSC itself, there could be greater clarity provided on the overall impact/expectations of currently fragmented policies around social care reforms, integration, prevention and health disparities.

While there are many long-term policy visions presented, these are seldom backed by certainty of funding over the same timescales. A recent roundtable hosted by CIPFA and NEP on Financial planning and partnership in ICSs highlighted that the lack of a clear view of the financial position across the medium term, and the climate of ever-tightening resources makes it almost impossible to consider local priorities and take the twin track approach referred to above to address longer term issues such as prevention and health inequalities, while also meeting national or 'political' targets upon which funding is often dependent. Achieving this aim in the long term will necessitate long-term commitment and certainty of funding. However, the roundtable discussion also suggested some potential improvements including:

- clarity and transparency on the NHS financial planning process
- a place-based view of finance with more joint planning space for partners
- long-term planning horizons
- consistent metrics to track improvements in population health
- simplification of reporting to enable tracking of outcomes back to resources.

Policy misalignments

While the Health and Care Act 2022 removes some of the barriers to closer collaboration within the NHS, as identified in our report on Integrating Care there remain areas of government policy that are misaligned with national policies on improving population health, reducing inequalities and prevention. As explored in some of the case studies in our report, developing complex workarounds for these misalignments drains resources and distracts from the intended outcomes. **The ideal solution would be to improve policy alignment**

across government departments. However, sharing experiences and improving understanding would be a welcome first step.

The capital challenge

Systems and NHS organisations should be incentivised to implement efficiency measures to be redirected to prevention programmes that reduce long-term revenue pressures. An obstacle in the NHS is the rationing of capital to fund transformation and productivity improvements, where local government capital spending is not capped if the return-on-investment tests of prudential affordability are met. While NHS foundation trusts already have limited capital freedoms, the capital DEL limit acts as a constraint on utilising them. Given the infrastructure challenges highlighted in Performance Tracker 2023, **possibilities for greater capital freedoms or collaborations with local government should be explored.**

Shifting the balance

As stated above, the CIPFA/Institute for Government Performance Tracker 2023 highlighted the need for a more balanced approach to resourcing between acute and preventative services. A helpful first step would be **improving evaluation of the impact of preventative investments**. In Evaluating preventative investments CIPFA and PHE proposed a framework by which this may be achieved, which could be applicable across all services on a cross-organisational, or whole system, basis.

Devolution of public service budgets to regional or local levels could also enable a greater focus on prevention and reducing inequalities, creating shared budgets between services for local areas. Such shared budgets could improve incentives to invest in preventative approaches by removing the issue of benefits falling on an organisation other than that which has made the investment. For example, the Better Care Fund (BCF) is an example of a policy that uses shared budgets, and an evaluation of the programme found that preventative activity is a popular use of BCF funding.

DHSC is currently considering the use of such shared, or pooled, budgets between partners in ICSs using section 75 arrangements. In our response to their consultation, CIPFA highlights that while such arrangements can be helpful in addressing such cross-cutting issues as prevention and addressing health inequalities, pooling under section 75 arrangements can also be extremely complex, which may act as a disincentive. Therefore, we suggest that **DHSC take a broader view of how best to mobilise resources across organisations**. Further information on alternative mechanisms set out in Integrating Care.

CIPFA has recently highlighted in Local Government Grants that rather than the current reliance on ring-fenced central government grants, **local authorities should have greater control over the funding they already receive**. Such grants entail bidding and competing with other areas to access funding, which is resource intensive and makes it more difficult for local areas to focus on long-term investments tailored to local need.

Many recent reports have made suggestions as to how the balance might be shifted to **encourage greater investment in prevention**, which may include changes to budgeting processes, spending and reporting frameworks, incentives and cross-organisational working. For example, the Hewitt Review called for a defined proportion of NHS budgets to be focused on prevention, and more recently Demos proposed changing the public spending framework to include a new category of spending, or departmental expenditure limit (DEL), for prevention.

While these calls to rebalance are welcome, in order to inform decisions on the appropriate balance of acute versus preventative spending, there is a **need to understand how much we currently invest in preventative action**. This is exactly what CIPFA, in partnership with the Health Foundation, is seeking to achieve in our work on exploring preventative investment in local government over the next two years. This

project will explore the extent to which local authorities' spending on preventative action can be quantified, with the aim of increasing the transparency on levels of preventative investment and add to the evidence base for decision-making on issues such as the balance of reactive versus preventative spend. On a wider scale, we hope that learning from this work will help to inform guidance and best practice for the wider public sector, to assist in conducting similar exercises and to contribute towards the ambition of building a complete picture of preventative investment across all levels of government.