

CIPFA Foreword

The health service reforms proposed under the present coalition government are far reaching and have been debated intensively by politicians, NHS professionals, patient groups, charities, local government and many more interested stakeholders.

The major changes including:

- the abolition of regionally based strategic health authorities (SHAs) and local primary care trusts (PCTs)
- the development of a new NHS Commissioning Board (NHS CB) and clinical commissioning groups (CCGs)
- public health responsibilities transferred back to local authorities

place significant financial risk into a system that is cash limited.

The spending review of 2010 outlined a settlement for health in England that has moved away from generous to 'flat level growth' over the spending review period. This means that the NHS has to achieve efficiencies of £20bn over the period to 2014/15 to cover the increasing costs of an ageing population, improving technology and drugs and the prevalence of long-term conditions.

To achieve this level of record efficiency gain at the same time as undertaking significant structural change and a requirement for new CCGs to manage an estimated 80% of NHS resources places or £80bn (albeit when they are ready and authorised to do so) can be argued to raise the level of financial risk as experience and expertise of managing significant budgets is developed.

The focus of this publication is therefore financial risk management and budget holding for new CCGs and is a response to these challenges.

Part of managing risk is to have a comprehensive understanding of the reform agenda. This publication therefore covers:

- the organisational changes proposed for the NHS and local authorities, the establishment of new structures to provide leadership for public health and changes to responsibilities proposed for the DH and Monitor
- the portfolio of services and responsibilities that CCGs and the NHS CB will manage
- understanding how resources have been allocated to NHS commissioners and the developing arrangements for allocations to new CCGs
- risk management, including:
 - managing CCGs via the establishment of organisational governance
 - development of the CCGs' vision, strategy, financial plan, information systems and senior management interaction

- exploring financial risk scenarios, the probability of risk occurring, risk registers, the development of actions to mitigate risk and manage contingency
- responsibilities in relocation to joint multi-agency planning.

A number of appendices on planning guidance, developing resource allocation proposals, current planning responsibilities and examples of good practice in developing integrated services are included.

At the time of writing (June 2011) a group of health experts – the ‘NHS Future Forum’ – have concluded an eight week pause and listening exercise to review concerns from professional groups and patients over the detail within the Health and Social Care Bill. The coalition government has accepted a majority of their recommendations that are incorporated into this work.

It is recognised that changes may still be made to a redrafted Health and Social Care Bill and some significant governance arrangements such as whether each CCG will have a board level appointment of a chief financial officer (that CIPFA recommends) are still under discussion.

It is important that the transfer of commissioning responsibility from primary care trusts to clinical commissioning groups is project managed under the direction of a transition board that has representation from the major stakeholders and identified leads for the significant programmes of work to be undertaken.

It is not the intention of this publication to prescribe the governance arrangement of new CCGs but to outline a best practice approach that can support development.

The provision of shared services is considered together with the benefits and limitations of certain models as the direction of cost effective shared provision and support services is recommended across a range of publicly provided services.

The publication should be read together with continuing changes outlined by the DH and the NHS CB.

We welcome comments on this publication, addressed to Stephen Strutt (stephen.strutt@cipfa.org.uk).



Stephen Strutt

Finance and Policy Manager
CIPFA

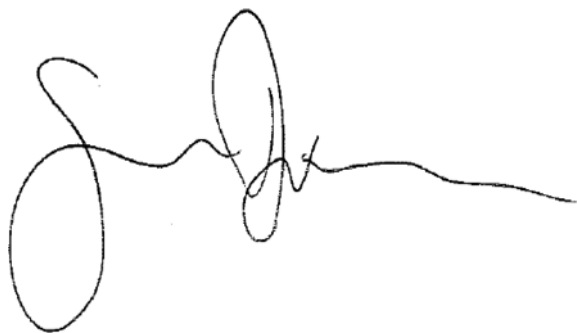
Zurich Foreword

When it comes to public services delivery, few issues are more emotive or high profile than health. It is a policy area that frequently attracts a great deal of controversy, not least in the months since the coalition government unveiled its wide-ranging reforms to the NHS in the climate of the largest spending squeeze in a generation. While spending on health has been, in theory at least, protected from the stark cuts that have hit the wider public purse, the wide-scale reform proposed by the government means that the NHS is nonetheless entering a period of unprecedented change.

It is clear that there is heightened expectation on financial decision-makers within the health service to balance clinical and professional focus on local service delivery. The challenge of an ageing population will only add to current fiscal pressures, restricting the potential to develop our health service. However, opportunities for improvement can also be created via technology, enhanced treatment options and public health initiatives.

The increased engagement with the local community, including offering patients a wider choice of healthcare under the Any Qualified Provider model, generates the need for strong corporate governance of a local web of service providers and suppliers. This can open up a range of challenges.

We at Zurich Municipal are reinforcing our support to the health sector through our advice in mitigating emerging risks, such as supply chain resilience, fraud, data security and business continuity management. This aligns closely to CIPFA's recommendations on managing financial risk within the context of the ongoing health reforms, highlighting the genuine importance of embedding risk management at the very heart of the strategic development of our National Health Service.

A handwritten signature in black ink, appearing to read 'Simon Dixon', with a long horizontal line extending to the right.

Simon Dixon
Head of Health
Zurich Municipal