

# BRIEFING NOTE

## The Department of Health and Social Care's White Paper, *Integration and innovation*

An evidence submission by the National Audit Office to the Health and Social Care Committee Inquiry – March 2021

### About the National Audit Office

1 The National Audit Office (NAO) helps Parliament hold government to account for the way it spends public money. It is independent of government and the civil service. The Comptroller and Auditor General (C&AG), Gareth Davies, is an Officer of the House of Commons and leads the NAO. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether government is delivering value for money on behalf of the public, concluding on whether resources have been used efficiently, effectively and with economy. The NAO regularly investigates health and care spending and outcomes, including the financial sustainability and organisation of the NHS, adult social care, the delivery of public health, and, most recently, the response to the COVID-19 pandemic.

### Introduction

2 The NAO has reported on several areas which are relevant to the Department of Health and Social Care's (the Department's) recent White Paper, *Integration and Innovation*. We provide the following submission as evidence to the Health and Social Care Committee's inquiry into the White Paper. The submission summarises key points from the NAO's reporting, drawing from our focused health, social care and local government audits and our broader cross-government reports.

3 We seek to highlight the main risks and opportunities in the White Paper as we see them, both in terms of effective implementation of the proposed reforms and in terms of making progress towards overarching policy aims. We have identified five areas where we believe the Department and NHS England and NHS Improvement must pay particular attention, namely:

- achieving integration at the local level;
- financial sustainability;
- wider system reform;
- securing change in adult social care; and
- national-level governance.

## A. Achieving integration at the local level

4 The White Paper aims to facilitate better joined up working at the local level, both within the NHS and between the NHS and other bodies. It would establish statutory integrated care systems (ICSs), made up of an ICS NHS Body and an ICS Health and Care Partnership. It envisages that the ICS Health and Care Partnership will develop plans for an area's health, public health and social care needs. Each ICS will have flexibility about how it delivers these needs in order to support appropriately joined-up local commissioning and, ultimately, more joined-up care. The White Paper acknowledges that this integration "adds complexity and will require thoughtful handling within systems with respect to governance and accountability".

5 Our reports have considered previous efforts to join up services locally over several years and we understand the premise of the White Paper that to date not enough progress has been made. The White Paper says that the measures it outlines "are designed to make it easier for NHS organisations and their partners to work together to tackle the issues that matter most to the people they serve". We have highlighted a number of barriers in the past. Of particular relevance are our previous comments on the constraints that the existing legislative framework has presented to local partnerships.

6 To achieve meaningful local integration across England, it is important that national bodies:

- are clear about the parameters within which new statutory ICS bodies will enjoy flexibility;
- are mindful of the barriers to joint working that have arisen in the past;
- are transparent about the costs and benefits of the reforms;
- establish early on mechanisms to understand, at the national level, how the policy is working; and
- set realistic expectations for new partnerships to enable them to work effectively together.

For as long as the NHS and social care continue to operate under different legislative frameworks, and thus different financial decision-making and accountability regimes, it will also be necessary to check carefully that specific integration policies work in both contexts.

7 These points are based on the following NAO reports:

- In 2013, the NAO reported in *Managing the transition to the reformed health system* that the Department could track the organisational costs of the 2012 reforms but that it had not put in place arrangements to track the achievement of the benefits the reforms were expected to deliver.
- In *Planning for the Better Care Fund* (2014) we stated that the Department was “still developing evidence on [the] cost-effectiveness of initiatives to promote integration”. As a result, there was a risk that central and local assumptions were “over-optimistic”.
- On setting a clear national direction for local areas, we concluded in *Health and social care integration* (2017) that local areas need “to have a clear definition of what they are working towards to achieve integrated health and care services”. We also found that to move rapidly towards greater integration it was “essential” that the Department maintained “accurate and up-to-date information on the progress being made”. Finally, we noted the importance of the Department and its national partners maintaining “measures that capture the progress of implementing more patient-centred integrated care”.
- The same report noted that expectations of the rate of progress towards integration may be over-optimistic given the time taken to develop effective partnerships: “local areas that have achieved more coordinated care for patients from closer working between social care and NHS organisations have been doing so for up to 20 years”.
- On the importance of establishing baselines and monitoring against them, our report *NHS financial management and sustainability* (2020) stated that it was “difficult to assess progress of the [local] partnerships across England because no national assessment [had] been carried out since July 2017”.
- On issues with the existing legislative framework for partnerships, *NHS financial management and sustainability* (2020) found that partnerships sometimes remained “coalitions of the willing” because they were constrained by existing legislation. They could form joint decision-making committees but these relied primarily on “the goodwill of participating organisations”. A similar point was made in *NHS financial sustainability* (2019): “partnership working is vulnerable, given that partnerships are not statutory bodies and face significant challenges.”
- *The Health and social care interface* (2018) identified 16 challenges to improved joint working, covering financial, cultural, structural, and strategic issues. These included, for example, the requirement that individual organisations balance their books, differences in eligibility requirements for health and social care, and misaligned geographical boundaries.

## B. Financial sustainability

8 The White Paper says that “at the heart of our legislative proposals is the goal of joined up care for everyone in England. Instead of working independently, every part of the NHS, public health and social care system should continue to seek out ways to connect, communicate and collaborate so that the health and care needs of people are met”. It proposes a **“triple aim’ for NHS organisations to support better health and wellbeing for everyone, better quality of health services for all, and sustainable use of NHS resources”**.

9 Pre-existing risks to financial sustainability in local authorities and the NHS, which the NAO has identified in both sectors but most acutely in local authorities, make for inherent tension between the overall goal and these three aims. **In practice, a fourth aim is also likely to be unavoidable: continuing to cope with expanding demand for health and social care. The financial sustainability of the NHS and local authorities could well be a check on the system’s ability to deliver other aims. In a context of expanding demand, there is a particular risk of some services deteriorating rather than improving.** Understanding these interdependencies and being realistic about their implications for what the system can achieve will be important.

10 In previous work, we have drawn attention to the ongoing impact of financial uncertainty on new and existing organisations’ planning and budgeting, as well as the ability of partnerships to work together to integrate and transform services:

- In *Managing the transition to the reformed health system* (2013) we stated that “many clinical commissioning groups began operations in an atmosphere of financial uncertainty, which [...] hampered their ability to plan and budget”.
- Our recent *Local government finance in the pandemic* (2021) report stated that “the financial position of local government remains a cause for concern” with many authorities “relying on reserves to balance their 2020-21 year-end budgets”. Despite continuing support into 2021-22, the outlook for next year was uncertain. Many authorities were setting budgets for 2021-22 in which they had “limited confidence” and which were balanced “through cuts to service budgets and the use of reserves”. In correspondence with the Communities and Local Government Committee (2018), we set out (non-NAO) estimates of the adult social care funding gap, noting that two comprehensive estimates suggested a gap of around £2.5 billion by 2019-20.
- Prior to the COVID-19 pandemic, the report on *NHS financial management and sustainability* (2020) noted that, in 2018-19, 64% (see **Figure 1**) of Sustainability and Transformation Partnerships and ICSs had deficits when all their constituent trusts’ and CCGs’ finances were added together. It also found that trusts were “becoming increasingly dependent on short-term measures to meet financial targets” and that financially distressed trusts were “increasingly relying on short-term loans from the Department with little or no prospect of paying them back”.

## Figure 1

Most partnerships continue to face significant challenges in managing demand within their budget; NHS financial management and sustainability (2020)

### The surplus/deficit of sustainability and transformation partnerships (STPs) and integrated care systems (ICSs) in England, 2018-19

Out of the 42 partnerships, 27 had a deficit in 2018-19, when all their constituent NHS trusts' and NHS foundation trusts' (trusts') and clinical commissioning groups' (CCGs)' finances were added together.

#### Surplus/deficit of sustainability and transformation partnership (STPs) and integrated care systems (ICSs) (trusts and CCGs)

- Deficit greater than £150 million
- Deficit of £101 million to £150 million
- Deficit of £51 million to £100 million
- Deficit up to £50 million
- No surplus or deficit
- Surplus of up to £50 million
- Surplus greater than £50 million

#### Areas working towards developing an ICS

##### Wave 3

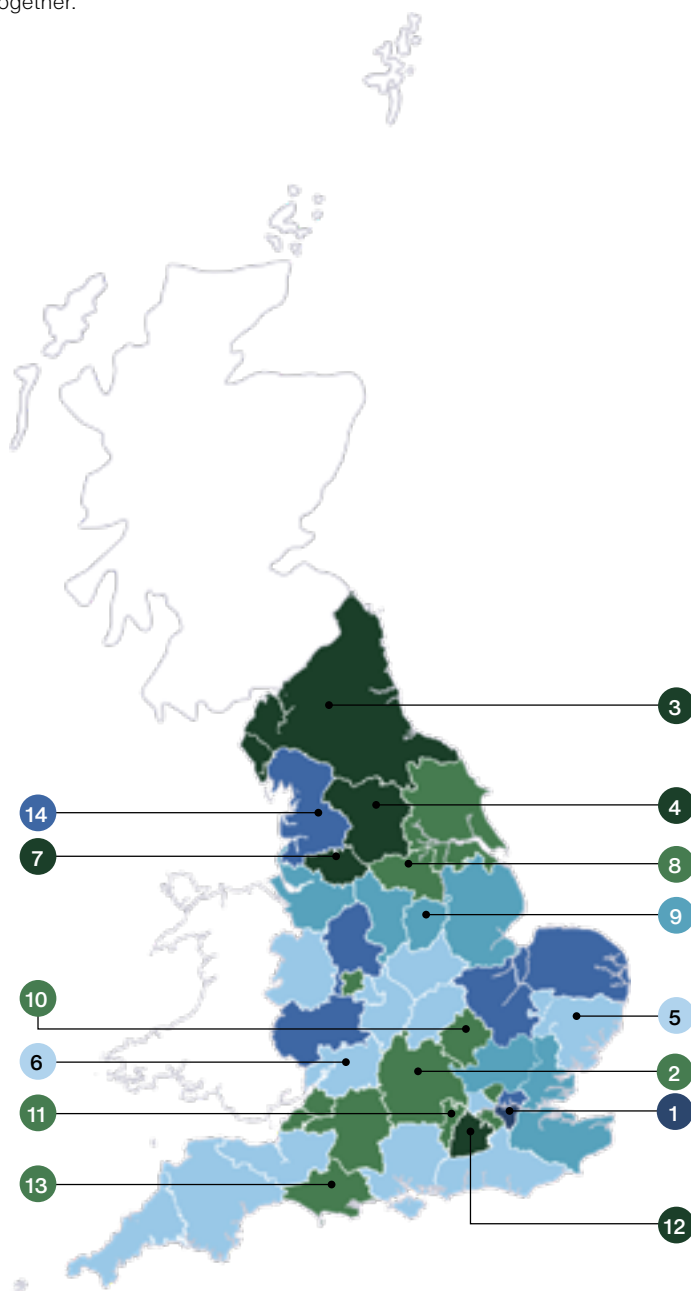
- 1 South East London
- 2 Buckinghamshire, Oxfordshire and Berkshire West
- 3 North East and North Cumbria

##### Wave 2

- 4 West Yorkshire
- 5 Suffolk and North East Essex
- 6 Gloucestershire

##### Wave 1

- 7 Greater Manchester
- 8 South Yorkshire and Bassetlaw
- 9 Nottinghamshire
- 10 Milton Keynes, Bedfordshire and Luton
- 11 Frimley Health and Care
- 12 Surrey Heartlands
- 13 Dorset
- 14 Lancashire and South Cumbria



#### Note

- 1 There were no sustainability and transformation partnerships in the category 'no surplus or deficit', which we have defined as having a surplus or deficit less than £1,000.

Source: National Audit Office analysis of NHS England and NHS Improvement data



- In the C&AG's report on the Department's *Annual Report and Accounts 2019-20*, he noted that the accounts should have recognised an impairment of £2.2 billion in relation to loans from the Department to NHS providers which had more liabilities than assets. This means that the value of these loans in the accounts should have been reduced to reflect the reduced ability of these providers to repay their debt to the Department.
- On transformation, *Health and social care integration* (2017) found that NHS England had been “diverting resources away from long-term transformation to plug short-term financial gaps”. NHS England had set up the Sustainability and Transformation Fund to pay for transformation, including work to integrate local care services. However, at the point of our audit most funding had been used to address deficits in NHS trusts. NHS England had used £1.8 billion (86%) of the £2.1 billion available in the Sustainability and Transformation Fund for 2016-17 to meet provider deficits.
- *The Health and social care interface* (2018) stated that “short-term funding arrangements and uncertainty about future funding make it more difficult for health and social care organisations to plan effectively together”; and that “additional funding for health and social care [had] at times been used to address the immediate need to reduce service and financial pressures in the acute sector”.
- In our report *Developing new care models through NHS vanguards* (2018), we highlighted that local providers had identified that pressures on funding and poorly aligned financial incentives across different stakeholders were significant risks to successful local integration.
- In *Financial sustainability of local authorities* (2018) we stated that as funding continued to tighten for local authorities and pressure from social care grew, there were risks to statutory services. We noted that “in certain areas where data are limited, it may not be possible to ascertain whether service levels are being maintained. In other services where there are concerns about performance, departments need to coordinate actions to influence local authorities' prioritisation rather than simply place competing demands on authorities' diminishing resources”.
- In *Local government finance in the pandemic* (2021) we recommended that: in time to be of use to authorities for the 2022-23 budget-setting processes, central government “should produce a long-term financial plan for the sector that:
  - sets out when the various paused elements of the local government finance reform programme will be restarted; and
  - considers any further steps that will be needed to support the sector to recover from the financial scarring from the pandemic”.

11 In his report on the 2019-20 accounts of the Department, the C&AG highlighted financial reporting and governance issues that had arisen at University of Leicester Hospitals NHS Trust (UHL). The situation at UHL emphasises the ongoing importance for national bodies of considering what incentives are created by the system of financial performance they have put in place (e.g. incentives for one-off accounting treatments and judgements to meet published control totals), and the mechanisms that exist to identify and monitor risks arising from these.

## C. Wider system reform

12 The Department is clear that the White Paper is “by no means the full extent of this government’s ambition for the nation’s health”. It recognises the “significant pressures faced by the social care sector” and undertakes to bring forward proposals on social care in 2021 and “in due course” an update on proposals for the future design of the public health system. The White Paper also proposes to set out, once every five years, the roles and responsibilities for workforce planning and supply in England.

13 **Significant issues in one part of the health and care system very often create related issues in other areas.** For example, NHS England qualified the ambitions it set out in the Long Term Plan (2019) with reference to the NHS’s funding settlement and the performance of adult social care: “both the wellbeing of older people and the pressures on the NHS are also linked to how well social care is functioning. When agreeing the NHS’s funding settlement the government therefore committed to ensure that adult social care funding is such that it does not impose any additional pressure on the NHS over the coming five years”.

14 The long-term success and sustainability of the White Paper reforms will depend in part on the extent to which national decision-makers can address the other issues facing the health and care system. In particular, **national bodies have significant control over the shape, size and skill mix of the health workforce and, to a lesser extent, the social care workforce. National bodies also determine the size and allocation of long-term capital investment.**

15 A number of NAO reports on past attempts at integration (see below and Section B) have highlighted **examples of the interdependency of the NHS and different parts of the health and care system** and where central support, planning and funding could have been better:

- *NHS financial management and sustainability* (2020) reported on challenges identified by Sustainability and Transformation Partnerships, including workforce shortages, lack of capital investment, significantly challenged organisations, local authority funding, and lack of control over specialised commissioning (Figure 2). On capital, the report noted that “the 2019 Spending Review initially planned to set capital budgets for four years” but “only provided budgets for one year”. On local authority funding, we found that local NHS bodies were concerned that “without a long-term funding settlement for adult social care, it [would] be very difficult to make the NHS sustainable. Some cited this as the biggest problem facing the NHS, ahead of workforce shortages.”
- *The Health and social care integration* (2017) report recommended that the Department and other national bodies “bring greater structure and discipline to their coordination of work on the three main barriers to integration – misaligned financial incentives, workforce challenges and reticence over information-sharing”. We noted that local areas were sometimes finding these barriers difficult or impossible to overcome at local level. The report also found that, while NHS England acknowledged the link, it had not always “assessed how pressures on adult social care may impact on the NHS”.
- *The adult social care workforce in England* (2018) report recommended that the Department “understand and plan long-term for the effect on the workforce that integration of health and care, and other potential changes to how care is delivered, will bring”.
- *The NHS nursing workforce* (2020) report noted that “the service commitments in the NHS Long Term Plan did not include detailed plans of the workforce capacity required in all areas where there were additional commitments”. It found that, while NHS England’s budget had been agreed up until 2024, this was not the case for Health Education England’s budget, which covers workforce education and training. It also noted that “the full People Plan was delayed” and was not expected to publish until spring 2020, at least 12 months into the five-year funding settlement. At the time of this submission, a detailed People Plan setting out workforce needs and supply plans (primarily for the health rather than social care sector) has still not published.



## Figure 2 Challenges faced by partnerships; NHS financial management and sustainability (2020)

### Summary of the main challenges raised by sustainability and transformation partnerships and integrated care systems in England

The main challenges include resources, system incentives and regulatory processes.



Source: National Audit Office interviews

## D. Securing changes in adult social care

16 Ahead of more wide-ranging reform proposals for the social care sector planned in 2021 (“to enable an affordable, high quality and sustainable adult social care sector”) the White Paper proposes to introduce some specific changes to adult social care. These include proposals for the Care Quality Commission (CQC) to assess local authorities’ delivery of their adult social care duties, and improvements in the quality and availability of data collected from adult social care providers.

17 The White Paper proposals, if implemented properly, represent **some initial steps towards improving the Department’s oversight of local authority commissioning and care**. In our work, we have drawn attention to some of the shortcomings in the Department’s performance in this area, as well as the **relative lack of robust social care data, and how this impacts on the Department’s fulfilment of its accountability role**.

18 In addition to these points, our previous work also highlights **the importance of data to underpin integrated care**, as well as making specific recommendations about how national bodies can improve the quality of data they receive:

- *The adult social care market in England (2021)* report found that the Department could not “evaluate spending [or] assess return on investment or the extent of additional funding need” in adult social care. On local authorities’ duty to shape the adult social care market the report noted that local authorities understood “their duties to shape the market but [said] they [lacked] the levers to do this effectively”. Our conclusion was that “in a vast and diverse social care market the current accountability and oversight arrangements do not work.”
- *The adult social care workforce in England (2018)* report noted that the Department was “not doing enough to support the development of a sustainable care workforce”. It recommended a number of actions, including that the Department “should produce a robust national workforce strategy to address the major challenges currently facing the care workforce” and “establish how much funding the sector will need over the long term and make the consequences of any funding gap clear”.
- In case study visits for *Health and social care integration (2017)* we found that “local bodies we spoke to were still unsure of the legal requirements for data-sharing and felt this was still acting as a barrier”. The bodies struggled “to track patients through different care settings, compare costs and establish whether integration was saving money”. Similarly, *The health and social care interface (2018)* stated that “problems with sharing data across health and social care can prevent an individual’s care from being coordinated smoothly”.

- In *Care Quality Commission: regulating health and social care* (2017) we noted that “for NHS hospitals, there [was] a wide range of information relating to the quality of services. In contrast, information about primary medical services, and particularly adult social care, [was] much more limited”.
- *Challenges in using data across government* (2019) stated that it could be “difficult to make the case for funding stand-alone data projects, for example to build a departmental data model, define data standards, or improve the quality of data as it comes into a department”. These types of data ‘plumbing’ projects were likely to require longer-term planning, and the benefits might only be seen in future activities. The report also stated that “a lack of understanding of the current costs involved in cleaning, combining and improving data exacerbates the challenge. People do not monitor the time or costs involved in sorting poor-quality, disorganised data. Some departments suggested they spent between 60% and 80% percent of their time cleansing data”.

## E. National-level governance

19 The White Paper proposes to formalise some national organisational changes and clarify responsibilities for organisational changes that have already been made or are in progress. For example, it will clarify the role that NHS England has as a single organisation. It will also create a power for the Secretary of State to transfer functions to and from specified Arm’s Length Bodies.

20 There has been an increasing divergence between the legal establishment of important national health bodies and their actual strategic and operational roles. It is important that the Department uses this re-alignment as a basis for clearer, simpler and more effective governance and accountability, and improved management of performance and strategic risks.

21 Our previous work highlights the importance of being clear about **accountabilities for public services and making active use of accountability relationships to drive improvement.**

- In our report *Accountability to Parliament for taxpayers’ money* (2016), we set out the four essentials for departments to consider in improving their delivery systems (including their relationships with arm’s-length bodies and other delivery partners). These essentials are: a) a clear expression of spending commitments and objectives; b) a mechanism or forum to hold to account; c) clear roles and someone to hold to account; and, d) robust performance and cost data.
- The Department is accountable for the adult social care system as a whole, However, in *The adult social care market in England* (2021) we concluded that the current accountability and oversight arrangements were ineffective for overseeing that market. In particular, the Department lacks certain key legal powers under the Care Act 2014 and has limited oversight of performance. The White Paper recognises the need for an enhanced assurance framework that would allow for greater oversight of local authority care delivery.

- Our report *Departments' oversight of arms-length bodies* (2016) was a comparative study of ALBs across four departments, not including the Department of Health and Social Care. It noted that “accountabilities, roles and responsibilities for ALBs are not always clear, risking confusion and tensions”. It said that “given the varying degrees of independence that different ALBs have, it is essential that both departments and ALBs are clear about who is responsible for what. Framework documents between departments and ALBs should clearly set out the terms of the relationship and be updated regularly”. The report also found that when “oversight is focused on financial and administrative issues rather than the quality of services delivered” this risked “missing opportunities to deliver greater value. While an increased focus on financial oversight is understandable when budgets are pressured, this may mean oversight is not focused on the areas of greatest strategic risk to the ALB”.

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