



London Transformation Funding Investment Framework

Contents

1. Context and key principles 2

2. Delivery support and assurance 2

3. Investment criteria 5

4. Oversight and reporting 6

5. Dispute resolution and risk mitigation 6

Annex A: Legal framework for decision-making 7

Annex B: Decision matrix 8

Annex C: Decision-making criteria 9

Annex D: Principles for Business Cases and Investment Agreements 12

1. Context and key principles

As part of the 2015 Spending Review settlement NHS England created a “Sustainability and Transformation Fund”, to support the delivery of the NHS Five Year Forward View (‘the 5YFV’) including the development of new models of care along with the investment identified to begin implementation of policy commitments in areas such as 7-day services, GP access, cancer, mental health and prevention.

Transformation funding decisions are currently taken by NHS England nationally, and final approvals are given by the NHS England Investment Committee or Board. The London Health and Care Devolution Memorandum of Understanding (MoU) includes a commitment from NHS England to delegate London’s fair share of transformation funding to London from April 2018. This aims to enable allocation decisions to be tailored to the needs of London’s health and care system, responding to London’s specific demographic, health and organisational challenges, while also meeting national priorities described within the 5YFV. The designated NHS England Officer will exercise the allocation recommendations of the London Health and Care Strategic Partnership Board (SPB) (see Annex A for more detail). This aims to enable a more collaborative and holistic approach to health and care investment allocations, with due consideration of demand management and longer-term transformation objectives.

This document aims to describe the proposed operating model for administering delegated transformation funding in London. This document should be read alongside the London Health and Care Strategic Partnership Board Operating Framework.¹

This Investment Framework is grounded in the following objectives:

- The framework will provide NHS England with sufficient assurance that decisions can be taken within London. This will include adoption of NHS recognised national best practice (e.g. Best Possible Value), commitment to deliver the key priorities set out in the 5YFV as part of the overall transformation effort, and phasing of decision-making.
- The framework will describe an approach to investment which supports the vision, objectives and principles of the London Health and Care Devolution MoU. This includes the promotion of subsidiarity, with decisions taken or influenced locally wherever possible and only taken at SPB when needed. This framework aims to provide more autonomy to local areas, whilst ensuring a workable model which enables adequate oversight.
- The framework will describe an approach which takes into account allocated funds and honours commitments which have already been made, whilst supporting the principle of devolution so far as possible and ensuring London is engaged in transformation funding decisions which impact London².
- The framework will enable collaborative decisions, which take into account views of all stakeholders whilst respecting the statutory rights and accountabilities of individual organisations under the legal framework.
- The framework will demonstrate good governance.
- The framework will ensure a consistent and transparent approach to decision-making.

2. Delivery support and assurance

The SPB will meet once every two months from November 2017. The SPB will be supported by a partnership delivery function, overseen by a transformation funding oversight group (TFOG).

¹ <https://www.healthylondon.org/resource/london-health-care-strategic-partnership-board-operating-framework/>

² London’s ‘fair share’ allocation will be modelled by the NHS England strategic finance team, in discussion with NHS England London Region. This framework acknowledges that some of these funds for FY18/19 will have been pre-committed where existing long-term funding agreements are in place. Subsequently, it is anticipated that London will have more flexibility over the use of funds as the proportion of pre-committed money decreases. The details of this framework will apply from 2018/19.

CCGs, boroughs and providers retain their abilities to make decisions as per the current legal framework. This framework document is primarily concerned with national decision-making, but also offers local areas the opportunity to collectively influence national funding decisions. It is recognised that partnerships are developing across London at different spatial levels. London partners will initially aim to enable more decision-making within STP fora by giving STPs with robust governance the opportunity to make recommendations to the TFOG. Otherwise, the TFOG will work with the STP leads to ensure that views from within the STP are incorporated into the process so far as possible. This enables local areas to recommend that funding is directed to agreed local and sub-regional needs and priorities. Going forward, it is anticipated that decision-making will move more locally (e.g. as Integrated Care Systems develop).

There are pan-London sub-groups who are convened to deal with specific funding streams or priorities. For example, the Clinical Cabinet will make recommendations on the appropriate use of primary care transformation funds which are allocated to London to deliver the Primary Care 5YFV and deliver primary care at scale. These recommendations will be made through the TFOG. London partners recognise that it may be necessary and appropriate to do some things once for London and therefore funding could be awarded accordingly.

The TFOG will be a partnership group which reports directly to the SPB and brings together the following:

- NHS England London: Regional Director, Director of Finance, Chief Operating Officer, Directors of Transformation, clinical representative
- NHS Improvement: One representative [Executive Regional Managing Director or Regional Director of Finance]
- GLA: One representative
- London CCGs: One representative
- STPs: One Senior Responsible Officer from each STP
- London Boroughs: Two representatives
- PHE: Regional Director
- HLP: One representative

The TFOG will either:

- Build on the existing structure of the NHS England London region STE. Going forward, the STE meetings could be split into two parts and membership will be refreshed accordingly. One part of the meeting will continue to focus on the business of the NHS England London region, and the existing membership will remain; or
- Comprise of a separate partnership group.

The TFOG will be chaired by the Regional Finance Director for NHS England.

In addition to the above membership, the TFOG group may invite additional individuals or organisations to attend meetings on an ad hoc basis, where their expertise is required to inform business.

The TFOG will take responsibility and provide oversight of the following functions:

- Inviting and co-ordinating bids in line with agreed funding streams³;
- Working with relevant sub-groups and incorporating their requirements, funding and advice into the process⁴;
- Assurance of bids;
- Preparing investment agreements (to be signed off at SPB);

³ Funding streams to be agreed through SPB.

⁴ There will be further sub-groups who are convened to deal with specific funding streams or priorities. For example, the primary care delivery oversight group is currently looking to establish how transformation funding can best be utilised across London to meet the aims of the GP Five Year Forward View.

- Preparing recommendation reports for the SPB. Initially all decisions will be made through the SPB. This will be reviewed after six months of operation to ensure the approach remains appropriate and workable for all thresholds of approvals;
- Identifying potential synergies between funding requests and programmes to ensure best value;
- Monitoring financial and non-financial outcomes, as agreed in investment agreements;
- Keeping arrangements for delegated funding under review, capturing lessons learned and recommending changes to process where necessary.

Healthy London Partnership is the secretariat for the SPB and, as such, will support the SPB by co-ordinating papers, recording recommendations and decisions.

The collaborative delivery function (including the NHS England London Region Directors of Transformation) will support the STPs with their prioritisation and bid preparation.

NHS England (London region) finance team will formally assure bids, investment agreements and the overall transformation funding allocation process.

Support ('strategic delivery') and assurance functions will work in partnership, but maintain distinct roles. These functions will come together through the TFOG.

Figure 1: Governance and delivery organogram

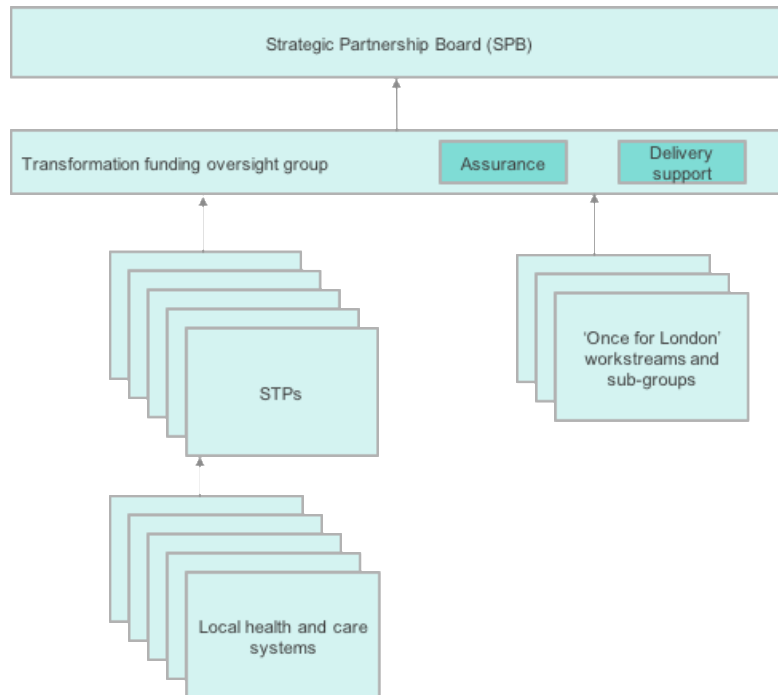
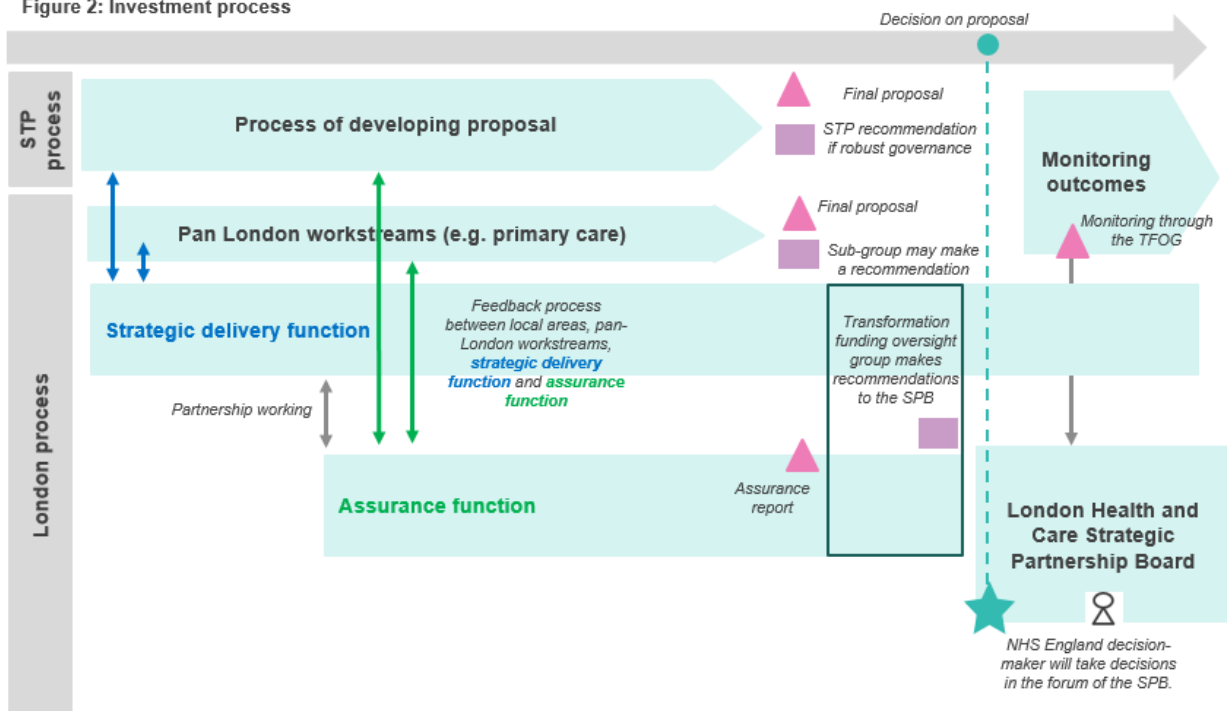


Figure 2: Investment process



3. Investment criteria

Key areas of focus for investment will be:

- **Strategic criteria (organisational):** The Transformation Fund is delegated to London on the condition that it must be applied to deliver the key priorities in the 5YFV. Currently the funding is allocated through specific workstreams, targeted to these priorities. After 2018/19 (as funds have already been committed to specific programmes) London will have more flexibility regarding allocations, but will still commit to delivering the 5YFV priorities as part of the overall transformation effort, and will ensure that robust processes are in place to ensure these priorities are monitored and achieved.
- **Strategic Priorities (London):** The extent to which the activity aligns with the agreed London-level priorities, building from Better Health for London aspirations, mayoral strategy, sub-regional health and care partnership plans.
- **Partnership considerations:** Including wider health and care partner involvement, clinical leadership and public engagement. London boroughs, CCGs and providers have worked closely together over the past year to develop STPs and should continue to build on this.
- **Deliverability and viability criteria:** Including availability of resources, leveraging resources, skills and expertise from wider sources and long-term financial sustainability.
- **Outcomes:** Including health and care need and ability to improve; safety and quality of care and long term financial sustainability. All proposals will need to include credible monitoring and evaluation plans.

Please see Annex B for an outline matrix, which provides more detail.

Wherever possible, priority will be given to support joint funded health and care schemes that meet the above criteria.

London partners aim to ensure that all local areas achieve clinical and financial stability, and to reduce health inequalities across the city. As schemes are approved the TFOG will be responsible for monitoring

how allocations are spread across the city. The allocation process will be reviewed as STPs and local health and care systems develop robust governance processes.

4. Oversight and reporting

Progress against key metrics (financial and non-financial) contained within Investment Agreements will be reported to the SPB by the TFOG in the form of quarterly finance reports. See Annex C for principles for business cases and investment frameworks.

Quarterly reports will be made available to the NHS England CFO and national team. The CFO and Investment Committee will expect assurance that the decisions are being taken within the relevant frameworks, and criteria set out in this framework.

The London Health Board (LHB) will provide political oversight and assess the extent to which the SPB is meeting its stated objectives. The SPB will provide assurance to the LHB that the key objectives are being met through an annual report.

5. Dispute resolution and risk mitigation

Members unable to take a collective view/agree: The SPB aims to act by consensus. All members recognise that, through their role on the SPB, they are committing to the principles of collaboration, partnership working and relationship building. It is therefore expected that any disputes arising would be managed in accordance with these underlying principles. Members will make every effort to come to an agreed conclusion, while respecting their own statutory responsibilities. However, it is recognised that there may be circumstances under which consensus cannot be reached. In this event, dispute resolution arrangements are contained within the SPB Operating Framework. Where it is not possible for the NHS England representative to take a decision that aligns with the collective recommendation, the officer would need to take the decision without securing alignment.

STPs unable to form collective governance: The phased process enables decisions to be taken whilst STPs put governance arrangements in place, involving local areas so far as possible.

Change of membership of the SPB: Members would collectively consider whether the new member should be included in the decision-making process and to what extent (e.g. a proposal will be made as to whether the new member will have a vote). This change will need to be signed off by NHS England.

Cessation of the SPB: The statutory accountability would remain with the NHS England employee.

Annex A: Legal framework for decision-making

Transformation fund allocation decisions will be made via the SPB, with the exception of estates-related capital investments which will be allocated via the London Estates Board. For decisions which span estates-related and wider transformation objectives, the London Estates Board and SPB will both consider the relevant business cases. The relevant funds will remain with NHS England London region until decisions are taken on where the monies are to be allocated to.

Under the model of internal delegation, any issues requiring a decision by the SPB must be formally taken by the member organisation with the relevant legal power/function. NHS England is the legal decision-maker for transformation funding decisions and decisions will be made in accordance with NHS England SFIs. However, according to the principles of the MoU, it is intended that these decisions be informed through cross-partner collaboration. According to the legal framework, the SPB members can collectively make non-binding recommendations to the NHS England decision-maker who can, in turn, take into account the views of others in their decision-making process⁵. The SPB includes representatives from across London's health and care system, enabling decisions to be taken which recognise different needs and priorities across the city. The SPB members have different expertise and focus, but are all aligned in their goal to improve the health and care of Londoners. The SPB aims to act by consensus so far as possible but dispute resolution arrangements in the SPB Operating Framework provide for an occasion when consensus is not possible. Decisions will be subject to NHS England's Standing Orders and Standing Financial Instructions ("SFIs").

From Q1 of FY18/19 decisions will be taken within the forum of the SPB by an NHS England officer. NHS England will delegate the ability to take decisions on transformation funding (within London's delegation) to this/these individual(s) on the basis that delegations are made under the NHS England SFIs. It is anticipated that the NHS England officer will be the Regional Director or Regional Finance Director for NHS England London Region⁶.

Three groups of investment decisions will need to be made at the SPB:

- 1) Decisions on investment criteria
- 2) Decisions on funding streams
- 3) Decisions to approve business cases and agree investment agreements

⁵ The SPB will respect that the NHS England officer cannot fetter their own discretion, and is required to make decisions based on objective relevant criteria and in line with the terms of their delegated authority. The NHS England officer must legally retain the ability to disagree, or revoke decisions, so far as would be possible within the current framework.

⁶ The NHS England Regional Director for London is the Accountable Officer for funding.

Annex B: Decision matrix

Phase of SPB	Funding type	Decisions	Decision-maker/governance	Decision/investment criteria	Delivery /Assurance requirements	Requirements to enter phase
Phase 3 Q4 17/18		London will be engaged in conversations with national programme leads as FY18/19 allocations are determined, enabling the SPB to have sight of the decisions being made. NHS England officers will lead on these conversations, involving wider partners as necessary.				<ul style="list-style-type: none"> Agreement from relevant national partners that the Board takes a greater role in the decisions in question. The mechanism of input may differ, dependent on the decision in question. There must be clarity on the scope of decisions (e.g. only decisions impacting London/relating to a particular share of transformation funding); An outline prioritisation approach to guide shadow decision-making; and Agreement between Board members and with national partners as to the mechanisms by which the Board will collectively input on the decisions in question.
Phase 4 Q1 18/19 onward	Pre-allocated/ earmarked funds	<ul style="list-style-type: none"> Decisions on allocation of funding within earmarked scope; to include approving business cases and agreeing investment agreements. Decision on timing of funding flows may come to the SPB (unless already agreed). 	<ul style="list-style-type: none"> Recommendation at SPB, formal decision by the NHSE Officer in line with Section 2 of this agreement. Recommendation/ advice to come up through the TFOG. Where STP governance is sufficiently robust, STP will make recommendation. 	London investment criteria (as set out in Annex B) will be used so far as possible, recognising the complexities of pre-earmarked funding.	<ul style="list-style-type: none"> Assurance for business cases and STP governance. Delivery support for SPB, TFOG, business case development and formulation of investment agreements. 	<ul style="list-style-type: none"> Confirmation from national partners as to scope of delegations and associated details. For funding decisions, this will be confirmation of funding allocations, including details of any associated conditions and earmarking. Finalised and agreed Investment Framework Delegation and/or devolution arrangements in place to allow for formal movement of functions. Representatives with delegated decision-making abilities are members of the SPB and Operating Framework updated. Membership more broadly reviewed, with the anticipation that membership will be streamlined so far as possible in phase 4 to enable for effective operation. SPB decision-making processes agreed including dispute resolution procedures. This must include agreement as to how each STP will input into decisions. Agreement as to arrangements for delivery support (to enable the SPB to make decisions) and assurance (where necessary).
	Uncommitted funds	<ul style="list-style-type: none"> Decisions on allocation of funding (including funding flows, decisions to approve business cases and investment agreements) 	<ul style="list-style-type: none"> Dependant on earmarking, process will involve national programme leads etc as necessary. 			

Annex C: Decision-making criteria

- Following receipt of bids, these would be assured against a criteria matrix. The criteria on the left will also guide wider decisions. For example, if London has an opportunity to re-prioritise certain elements of a FYFV priority area or apply money different within an earmarked scope, partners would consider, for example, how this approach is coherent with London and sub-regional priorities and whether it has wider partner and clinical support.
- A certain minimum standard will be required for bids to be accepted and then bids will be prioritised dependent on their total score.
- Eligibility of organisations to receive transformation funding will need to take into account any rules in the 2018/19 Business Planning Rules.

Criteria	<i>Bid cannot be accepted</i>		<i>Bid can be accepted</i>	
	Not met (0)	Partially met (1)	Met (2)	Fully met (3)
<p>Strategic Priorities (organisational)</p> <p><u>FYFV priorities (as per Next Steps in the 5YFV and Annual Planning Guidance)</u></p> <p>In FY18/19 funds will be earmarked to meet specific priorities (e.g. primary care). Going forward, London will have more flexibility to allocate funding outside an individual priority area.</p> <p><i>Where possible, priorities may be weighted dependant on:</i></p> <ul style="list-style-type: none"> • <i>Extent to which priority has been met;</i> • <i>Risk that priority will not be met/continue to be met;</i> • <i>Funding already committed to priority.</i> 	Bid does not reference any of the priorities.	Bid reflects spirit of priority/ies but not sufficient detail in the plan for achieving deliverables.	Good case made for how the investment will meet/continue to meet deliverables.	Good case made for how the investment will meet most highly weighted deliverables.
<p>Strategic Priorities (London)</p> <p><i>Coherence with London-level priorities</i></p> <p><i>Priorities which all partners have agreed to; e.g.</i></p> <ul style="list-style-type: none"> • <i>Health and care devolution priorities (agreed in the MoU); and</i> • <i>Better Health for London ambitions</i> <p>These priorities will need to be ratified through the SPB.</p>	Bid does not reference any London and sub-regional priorities.	Bid reflects spirit of London and/or sub-regional priorities but not sufficient detail in the plan for achieving specific aims.	Good case made for how the investment will either support London level priorities <u>or</u> sub-regional plans/priorities.	Good case made for how the investment will support London level priorities <u>and</u> sub-regional plans/priorities.

<p>Coherence with sub-regional health and care partnership plans</p> <p><i>It is recognised that sub-regional partnerships have progressed since the STP plans were published. Coherence will not be judged by reference only to the STP plans but by current evidence (e.g. a recommendation from a partnership sub-regional board). Local prioritisation should be underpinned by a robust BPV analysis.</i></p> <p><i>Bids must be transformational (i.e. not business as usual)</i></p>				
<p>Partnership considerations</p> <ul style="list-style-type: none"> • <i>Wider health and care partner involvement (this could be on a spectrum ranging from: involvement of partners to jointly funded schemes).</i> • <i>Clear clinical leadership.</i> • <i>Clear public engagement.</i> 	No evidence of partnership considerations met.	Evidence of some partnership considerations met.	Evidence of all partnership considerations met. Some wider health and care partner involvement.	Evidence of all partnership considerations met. Jointly funded health and care scheme.
<p>Deliverability and viability criteria</p> <ul style="list-style-type: none"> • <i>Clear financial case.</i> • <i>Availability of necessary resources.</i> • <i>Risk within acceptable thresholds.</i> • <i>Evidence of ability and intention to leverage resources, skills and expertise from wider sources.</i> • <i>Consideration of regulatory/legal considerations.</i> 	No evidence of deliverability criteria met.	Evidence of some deliverability criteria met.	Evidence of all deliverability criteria met.	Evidence of all deliverability criteria met and strong evidence of leveraging all available local resources.
<p>Outcomes</p> <ul style="list-style-type: none"> • <i>Monitoring and evaluation plans including health and care need and ability to improve; safety and quality of care and long term financial sustainability⁷;</i> • <i>Plans to spread and share learning</i> 	No evidence of outcomes criteria met	Outline plans	Robust plans	Investment likely to support wider delivery (e.g. due to strong case for rolling out/testing concepts/sharing learning).

⁷ Return on Investment (RoI) will be considered over three periods: (1) Short-term (within financial year), (2) Medium-term (within CSR period) and (3) Long term (e.g. 10 year). It is not expected that every bid will have a stated RoI for all three periods. However, where the financial case is lower within the financial year it will be expected that the case will demonstrate a long term RoI.

Best Possible Value (BPV)

The BPV framework is used by NHS England to assess most applications for transformation investments that are available for the NHS. STPs have been asked to adopt value-based decision-making processes based on the BPV framework, embedded from April 2017. The London approach will therefore align with the processes adopted locally by the STPs, and the investment matrix takes account of local prioritisation and a robust local BPV analysis.

Where a number of bids have scored within category 3 on the matrix, the TFOG/SPB can carry out a BPV analysis to provide a transparent explanation of which bid(s) offer best value to Londoners.

$$\text{VALUE} = \frac{\text{OUTCOMES}}{\text{RESOURCES}}$$

Principles guiding BPV evaluation:

Outcomes

5YFV priorities: Weighted priorities will score most highly.

London and sub-regional priorities: Bids which are most closely aligned to London and sub-regional priorities will score most highly. This is on the basis that these priorities are in place because they have been judged (locally or across London) to be key to meet needs (and provide best outcomes for) the population. It is expected that STPs will have used the BPV process and therefore judged prioritised schemes as being best value for their populations – the SPB will expect to see evidence of a robust BPV process but will not look to re-analyse local conclusions.

Resources

Transformation funding: Amount of funding requested.

Local/London resources required (inc. revenue and capital): The score will be moderated to take into account the extent that the scheme uses joint funding and leverages wider partnership resources. This means that a scheme which uses x resources will be valued more highly if resources come from wider sources, than if the same scheme uses resources from a single organisation. This approach aims to incentivise partnership working and ensure funding is applied to agreed local priorities.

Annex D: Principles for Business Cases and Investment Agreements

Partners agree principles and criteria for business cases and investment agreements, but are flexible on form. During the first financial year, it will be recognised that there are additional complexities around earmarking and pre-committed funding which require a more flexible approach.

Business cases

Business cases will need to comprehensively address the decision-making criteria and, in most cases, outline the strategic, economic, commercial, financial and management case for change. Proportionality must permeate business case assessment process and be reflected in the detail and volume of documentary evidence required. In many cases this will be driven by the financial value and subject to dialogue prior to any formal assessment. It is anticipated that business cases will contain the following:

1. **Strategic Case:** is the project **applicable** to strategic priorities?

Including:

- Case for change and strategic drivers (national and local)
- Details of local prioritisation
- Details of partnership approach (including joint funding) and stakeholder engagement including examples of how feedback has been captured and incorporated into business case
- Clear statement of anticipated outcomes
- Relevant research / understanding of best practice and learning from existing work e.g. pilots

2. **Economic Case:** is the project **appropriate**?

Including:

- Options appraisal including alternative approaches to achieving objectives
- Economic benefits including financial (cash-releasing or non-cash-releasing) or non-financial (quantifiable and non-quantifiable)
- Value for money case

3. **Financial Case:** is the project **affordable**?

Including:

- Investment costs and apportionment
- Recurrent and non-recurrent revenue requirements, their source and any conditions placed upon that revenue
- Recurrent and non-recurrent costs and how these will be met
- Affordability – I&E analysis and savings forecasts

4. **Commercial Case:** is the project **attractive**?

Including:

- Commercial arrangements including any procurement and contracting arrangements
- Approval process including any legal requirements

5. **Management Case:** is the project **achievable**?

Including:

- Management and implementation arrangements (including monitoring and evaluation approach)
- Key risks to delivery and measures to mitigate
- Timeline with key milestones for delivery

Investment Agreements

Information in business cases will be used to develop investment agreements, which will:

- Define the respective roles and responsibilities of both parties.
- Define the purpose of the funds and the payment profiling arrangements (e.g. apportioned evenly, front-loaded etc).
- Contain outcomes, milestones and metrics.
- Define and document the processes through which the TFOG will confirm that funding has been spent in line with agreed plans. This will include the reporting format and frequency through which recipients should report to the TFOG on the use of funds.
- Contain a right for the TFOG, including through appointment of third party representatives, to perform audits or conduct audits at the localities' premises (including frequency of possible audits / inspections and notice period required and the retention period for books and records relating to the agreement for audit purposes).
- Outline any funding contingencies on phased deliverables (i.e. where funding has not been spent in accordance with terms of agreement and any sanctions).