

23 November 2018

**Publications Gateway reference: 08648**

*Sent to CCG Accountable Officers and Chief Financial Officers*

**Administration Resources**

Dear Colleague,

As we approach the publication of the long term plan for the NHS, it is important that we continue to maximise the amount of funding available for direct patient care, which means challenging ourselves to ensure that management and administration functions are delivered in as efficient a way as possible.

NHS England and NHS Improvement, as part of the joint working initiative, have committed to a further targeted reduction of our administration costs limit of 20% by 2020/21.

We are now asking CCGs to deliver the same level of reduction - 20% - by 2020/21. Combined with national level action, this will free up a total of more than £320 million a year compared to 2017/18, to be reinvested in improving patient care and supporting transformation of services as part of the long term plan.

Details of expected running cost reductions at individual CCG level, in the form of resource allocation changes, will be contained within the annual planning guidance, which will be issued in December.

**Local actions to deliver running cost savings**

CCGs will have the flexibility to determine locally how these efficiencies can be delivered. However, we would suggest that efficiency opportunities exist in the following areas:

- By working more closely with other organisations, as systems across local health economies, to improve efficiency, reduce duplication and remove some bureaucratic and expensive contracting processes. We will support this nationally through our review of payment systems and streamlining of other business processes. In addition, we will support rapid dissemination of the benefits delivered in leading Integrated Care Systems (ICS) and other health systems.
- Working with Commissioning Support Units (CSUs) and other support organisations to ensure efficiency and effectiveness in shared activity is maximised. CSUs, along with all other commissioning organisations, are expected to deliver a 20% reduction in administration costs. CSUs' achievement of this will be dependent on CCGs reducing the Payment by Results tariff burden carried by CSUs through simplified arrangements, including moving to more standardised approaches in what CSUs provide to each CCG.
- Reviewing discretionary expenditure, including continuing the significant reductions in spend on external consultancy support achieved last year.
- Exploring mergers and/or joint working arrangements within local health economies. NHS England will adopt a more flexible approach to those CCGs who wish to apply for a formal merger, by considering applications during the year, instead of on an annual basis. We will particularly support approaches which align a single CCG area with a single ICS.

- Our new regional operating model will support the development of ICS/STPs and ensure support resources are focussed on those areas that need it the most. We will also look to align commissioning resources to local systems wherever possible, for example in primary care.

### **Timeline**

To ensure that full, recurrent savings can be made from the beginning of 2020/21, all CCGs must ensure they are planning for and taking actions to achieve these reductions during 2019/20. Where CCGs believe that they may require help to deliver these reductions, they should discuss any requirements with NHS England.

NHS England will support CCGs who want to work collaboratively with their local system or with each other to make fast progress on improving our collective efficiency and effectiveness. We would like to hear from CCGs who want to pilot new approaches or have already achieved efficiencies that they think could be adopted more broadly across England.

2019/20 administration limits will be issued as part of CCG allocations in December.

Yours sincerely,

Matthew Swindells  
Deputy Chief Executive  
NHS England

**INSERT REGIONAL DIRECTOR INFO**