

- To: • ICB chief executives
- cc. • Regional:
- directors
  - directors of finance
  - directors of system transformation

NHS England  
Wellington House  
133-155 Waterloo Road  
London  
SE1 8UG

**2 March 2023**

Dear colleagues

## **ICB running cost allowances: efficiency requirements**

Thank you for the extraordinary effort that you, your teams and your partner organisations in systems are making to keep services operating safely and effectively over the winter period.

Our [letter of 24 January](#) confirmed arrangements for delegation of commissioning responsibilities for pharmaceutical, general ophthalmic and dental (POD) services, including the impact of those transfers on ICB Running Cost Allowance (RCA) in 2023/24. We are now able to confirm the longer-term expectations on RCA.

The financial context for the NHS means that we need to review overall spending on management costs. In NHS England this has involved implementation of changes to significantly reduce the size of regional teams and national programmes, and to transfer staff and functions from regional teams to ICBs. We also need to ensure that ICBs are operating at their optimal size to deliver their strategic functions and to prioritise resources for front line care.

We know that many ICBs are already planning changes to their structures to reflect new statutory responsibilities following establishment in July 2022. We are therefore confirming changes to the RCA for the next three years to give maximum certainty.

In determining these changes we have listened to the views of ICB leaders and have set these in the context of the future funding settlement for the NHS. We believe that the level of reduction required is significant but deliverable. Setting the central requirement in terms of the overall RCA (which is based on population) for each ICB gives maximum flexibility to determine locally how to configure teams, what functions to outsource, and where to work across multiple geographies. There is no intention to drive changes to ICS footprints through this work but rather to ensure that collaboration is strengthened to enable efficiency requirements to be delivered.

## Changes to RCA

Baseline Running Cost Allowances for ICBs have already been held flat in cash terms in 2023/24. This has been published through the annual operational [planning guidance](#) and the supporting [publication of allocations](#) for 2023/24 to 2024/25.

RCA will then be subject to a 30% real terms reduction per ICB by 2025/26, with at least 20% to be delivered in 2024/25. This provides time for ICBs to reorganise and gives some flexibility on funding change, with scope for ICBs to go further and faster where possible, enabling resources to be recycled into front line care. No increases to the RCA to allow for inflation in this period are anticipated. We are now updating the published [future year RCA](#) with three-year allocations for each ICB that reflect this 30% reduction. Adjustments for delegated POD functions will then be made separately.

At our regular joint meeting on 28 February we committed to setting up a session for ICB Chief Executives to work through the requirements and the resources available to support. We will aim to get this in the diary with you in the week commencing 6 March 2023. In addition, regional teams will work with ICBs to support implementation of these changes and will be able to provide access to benchmarking information and examples of good practice in organising or sharing functions as the work progresses. The development of provider collaboratives presents an important opportunity to streamline roles and action across systems and we expect that system partners will agree what resource should sit with provider collaboratives to support service transformation.

Thank you again for your all your ongoing efforts to deliver against the continuing operational challenges and for all the work with your partners on improving population health outcomes for people in England.

Yours faithfully



**Mark Cubbon**  
Chief Delivery Officer  
NHS England



**Sir David Sloman**  
Chief Operating Officer  
NHS England



**Julian Kelly**  
Chief Financial Officer  
NHS England