Report to:	**EXECUTIVE CABINET**
Date:	29 August 2018
Executive Member/ Reporting Officer	Cllr Fairfoull – Executive Member (Performance and Finance) Kathy Roe – Director of Finance Tom Wilkinson – Assistant Director of Finance
Subject:	**STRATEGIC COMMISSION AND NHS TAMESIDE AND GLOSSOP INTEGRATED CARE FOUNDATION TRUST – CONSOLIDATED 2018/19 REVENUE MONITORING STATEMENT AT 30 JUNE 2018 AND FORECAST TO 31 MARCH 2019**
Report Summary:	This report has been prepared jointly by officers of Tameside Council, NHS Tameside and Glossop Clinical Commissioning Group and NHS Tameside and Glossop Integrated Care Foundation Trust (ICFT). The report provides a consolidated forecast for the Strategic Commission and ICFT for the current financial year. Supporting details for the whole economy are provided in **Appendix 1.** Detailed analysis for service areas is provided in **Appendix 2.** The Strategic Commission is currently forecasting that expenditure for the Integrated Commissioning Fund will exceed budget by £5,848k by the end of 2018/19 due to a combination of non-delivery savings and cost pressures in some areas.
Recommendations:	Executive Cabinet is recommended to: 1. Acknowledge the significant level of savings required during 2018/19 to deliver a balanced recurrent economy budget together with the related risks which are contributing to the overall adverse forecast. 2. Acknowledge the significant cost pressures facing the Strategic Commission, particularly in respect of Continuing Healthcare, Children's Social Care and Growth. 3. Agree that officers work to identify and action offsetting savings and efficiencies to bring the budget back into balance. 4. Lobby local MP's to raise the issue in Parliament of the extortionate and opaque liquidation charges that PWC are charging the local taxpayer following the collapse of Carillion.
Links to Community Strategy:	Budget is allocated in accordance with the Community Strategy.
Policy Implications:	Budget is allocated in accordance with Council Policy.
Financial Implications: **(Authorised by the statutory Section 151 Officer & Chief**	This report provides the 2018/19 consolidated financial position statement at 30 June 2018 for the Strategic Commission and ICFT partner organisations. For the year to 31 March 2019 the report forecasts that service expenditure will exceed the

Finance Officer)

approved budget in a number of areas, due to a combination of cost pressures and non-delivery of savings. These pressures are being partially offset by additional income in corporate and contingency which may not be available in future years.

The report emphasises that there is a clear urgency to implement associated strategies to ensure the projected funding gap in the current financial year is addressed and closed on a recurrent basis across the whole economy. The Medium Term Financial Plan for the period 2019/20 to 2023/24 identifies significant savings requirements for future years. If budget pressures in service areas in 2018/19 are sustained, this will inevitably lead to an increase in the level of savings required in future years to balance the budget.

It should be noted that the Integrated Commissioning Fund (ICF) for the Strategic Commission is bound by the terms within the Section 75 and associated Financial Framework agreements.

Legal Implications:

(Authorised by the Borough Solicitor)

The Council and CCG want to work together in a collective and integrated way to maximise vfm and create the most efficient and effective service delivery and best outcomes for residents. This is important to avoid a saving achieved by one organisation becoming a cost for the other. However, it is constrained by the separate legal and financial frameworks in which it works. Whilst this should not be a reason or justification for not delivering or working jointly in order to ensure it meets its legal and regulatory compliance requirements and avoid expensive legal /reputational challenge/risk we must be very clear on what basis we are spending any budget and on whose authority and there must be clear governance to demonstrate this. Accordingly, we need to ensure we have aligned and agreed accountancy rules and principles and we clearly show where the accountability and governance for such spend. This is particularly important given the joint/shared Chief Executives/accountable officer role and the finance/s151 officer to ensure any conflicts are addressed transparently. I would strongly recommend that in light of the conflicts of two of the statutory officers that any payments to the ICFT are approved by the external auditors and there is a clear record and we are able to demonstrate vfm.

Risk Management:

Associated details are specified within the presentation.

Failure to properly manage and monitor the Strategic Commission's budgets will lead to service failure and a loss of public confidence. Expenditure in excess of budgeted resources is likely to result in a call on Council reserves, which will reduce the resources available for future investment. The use and reliance on one off measures to balance the budget is not sustainable and makes it more difficult in future years to recover the budget position.

Access to Information :

Background papers relating to this report can be inspected by contacting :

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1. INTRODUCTION

1.1 This report aims to provide an overview on the financial position of the Tameside and Glossop economy in 2018/19 at the 30 June 2018 with a forecast projection to 31 March 2019. Supporting details for the whole economy are provided in **Appendix 1.** Detailed analysis for service areas is provided in **Appendix 2.**

1.2 The report includes the details of the Integrated Commissioning Fund (ICF) for all Council services and the Clinical Commissioning Group. The total net revenue budget value of the ICF for 2018/19 is currently £581.963 million.

1.3 It should be noted that the report also includes details of the financial position of the Tameside and Glossop Integrated Care NHS Foundation Trust. This is to ensure members have an awareness of the overall Tameside and Glossop economy position. Reference to Glossop solely relates to health service expenditure as Council services for Glossop are the responsibility of Derbyshire County Council.

1.4 Please note that any reference throughout this report to the Tameside and Glossop economy refers to the three partner organisations namely:

- Tameside and Glossop Integrated Care NHS Foundation Trust (ICFT)
- NHS Tameside and Glossop CCG (CCG)
- Tameside Metropolitan Borough Council (TMBC)

2. FINANCIAL SUMMARY

2.1 Table 1 provides details of the summary 2018/19 budgets and net expenditure for the ICF and Tameside and Glossop Integrated Care NHS Foundation Trust (ICFT) projected to 31 March 2019. The Strategic Commission is currently forecasting that expenditure for the Integrated Commissioning Fund will exceed budget by £5,848k by the end of 2018/19 due to a combination of non-delivery savings and cost pressures in some areas. Supporting details of the projected variances are explained in **Appendix 1**. Further detailed analysis for service areas is provided in **Appendix 2**.

Table 1: Summary of the ICF and ICFT – 2018/19

Organisation	Net Budget £000s	Forecast £000s	Variance £000s
Strategic Commission (ICF)	581,963	587,811	(5,848)
ICFT	(19,149)	(19,149)	0
Total	**562,814**	**568,662**	**(5,848)**

2.2 The Strategic Commission risk share arrangements remain in place for 2018/19. Under this arrangement the Council has agreed to increase its contribution to the ICF by up to £5.0m in 2018/19 in support of the CCG's QIPP savings target. There is a reciprocal arrangement where the CCG will increase its contribution to the ICF in 2020/21.

2.3 Any variation beyond is shared in the ratio 68 : 32 for CCG : Council. A cap is placed on the shared financial exposure for each organisation (after the use of £5.0m) in 2018/19 which is a maximum £0.5m contribution from the CCG towards the Council year end position and a maximum of £2.0m contribution from the Council towards the CCG year end position. The CCG year end position is adjusted prior to this contribution for costs relating to the residents of Glossop (13% of the total CCG variance) as the Council has no legal powers to contribute to such expenditure.

2.4 A summary of the financial position of the ICF analysed by service is provided in Table 2. The projected variances arise due to both savings that are projected not to be realised and emerging cost pressures in 2018/19. Further narrative on key variances is summarised in sections 3 and 4 below with further detail in **Appendix 1** and **Appendix 2**.

Table 2: 2018/19 ICF Financial Position

Service	Net Budget £000s	Forecast £000s	Variance £000s
Acute	205,388	205,436	(48)
Mental Health	32,827	32,827	(1)
Primary Care	84,534	84,361	173
Continuing Care	14,569	17,552	(2,982)
Community	30,040	30,041	(0)
Other	22,915	20,057	2,859
CCG TEP Shortfall (QIPP)	0	2,537	(2,537)
CCG Running Costs	5,175	5,175	0
Adults	40,492	40,548	(56)
Children's Services	47,013	50,255	(3,242)
Population Health	16,232	16,197	35
Operations and Neighbourhoods	50,379	50,861	(482)
Growth	7,858	9,961	(2,103)
Governance	9,164	9,164	0
Finance & IT	4,488	4,589	(101)
Quality and Safeguarding	67	73	(6)
Capital and Financing	9,638	9,225	413
Contingency	(2,660)	(3,388)	728
Corporate Costs	3,841	2,339	1,502
Integrated Commissioning Fund	**581,963**	**587,811**	**(5,848)**
CCG Expenditure	395,449	397,986	(2,537)
TMBC Expenditure	186,514	189,825	(3,311)
Integrated Commissioning Fund	**581,963**	**587,811**	**(5,848)**
A: Section 75 Services	266,722	270,075	(3,354)
B: Aligned Services	241,547	243,255	(1,708)
C: In Collaboration Services	73,694	74,480	(786)
Integrated Commissioning Fund	**581,963**	**587,811**	**(5,848)**

3. BUDGET VARIATIONS

3.1 The forecast variances set out in Table 2 includes a number of variances driven by cost pressures arising in the year and risks or non-delivery of savings. The key variances by service area are summarised below.

Continuing Care (£2,982k)

3.2 Growth in the cost and volume of individualised packages of care is amongst the biggest financial risks facing the Strategic Commission. Expenditure growth in this area was 14% in 2017/18, with similar double digit growth rates seen over the previous two years. When benchmarked against other CCGs in GM on a per capita basis spend in Tameside &

Glossop spends significantly more than average in this area. A continuation of historic growth rates is not financially sustainable and should not be inevitable that the CCG is an outlier against our peers across GM in the cost of individualised commissioning. Therefore budgets which are reflective of this and assume efficiency savings have been set for 2018/19.

3.3 A financial recovery plan is now in place and progress against this is reported to the Finance and QIPP Assurance Group on a regular basis. Significant work is underway to look at potential savings and schemes which are being actively pursued include:

- Moving away from spot purchasing to block contracts for individualised commissioning packages across both the CCG and Council
- Management of fast track (end of life patients expected to live less than 90 days) placements
- Efficiencies through use of 'Broadcare' – a new IT system to manage CHC patients
- Changes to the governance of MDT meetings
- Dowry Income
- Renegotiation of contract rates

3.4 Further work is required to develop and realise the savings associated with these schemes. However there is clear evidence that progress is being made on fast track placements where marked reductions in both the number of active packages and the duration of each package can be seen

CCG Other £2,859k

3.5 Services within this directorate such as BCF, estates, safeguarding and patient transport are spending broadly in line with budget and do not present a risk to the CCG position. We have received £1.6m of the approved £6.3m transformation funding so far this year. Allocations for the remainder will be transacted later in the year and we have plans in place to spend.

3.6 The significant favourable variance has been calculated in order to balance the CCG position and can only be delivered if the CCG is able to fully achieve the £19.8m TEP target. As reported in Appendix 1, there is a £2.5m risk attached to fully closing the QIPP gap.

CCG TEP Shortfall (£2,537k)

3.7 The CCG has a Targeted Efficiency Plan (TEP), also known as the QIPP, of £19,800k for 2018/19. Against this target, £7,599k (38%) of the required savings have been achieved in the first three months of the year. A further £5,595k is rated green and will be realised in future months. After the application of optimism bias, we anticipate further savings of £4,069k from schemes currently rated as amber or red, reducing the net gap to £2,537k. Further detail is provided in **Appendix 2.**

Children's Services (£3,242k)

3.8 The Council continues to experience extraordinary increases in demand for Children's Social Care Services, placing significant pressures on staff and resources. The number of Looked after Children has gradually increased from 612 at 31 March 2018 to 640 at 30 June 2018.

3.9 Despite the additional financial investment in the service in 2017/18 and 2018/19, the service is projecting to exceed the approved budget by £2.990m; mainly due to additional placement costs £3.012m and other minor variations across the service.

3.10 It should be noted that the 2018/19 placements budget was based on the level of Looked After Children at December 2017 (585); the current level at 30 June 2018 is 640; a resulting increase of 55 (9.4%). This should also be considered alongside the current average weekly cost of placements in the independent sector with residential at £3,628 and foster care £765.

3.11 There are also pressures arising from increased demand for Special Education Needs Transport (£0.3m) and an increase in statutory work regarding Education Healthcare Plans (EHCP) Assessments (£0.3m), which is being partially offset by some savings in other areas.

Operations and Neighbourhoods (£482k)

3.12 The new Car parking provision around the hospital on Darnton Road was expected to generate additional income of £500k per annum. A delay in the construction of the spaces means that the forecast for additional income has been reduced to £225k. Construction costs have been greater than originally anticipated and there have also been additional pressures in respect of the waste disposal levy, which is increasing the overall budget pressures in this area.

Growth (£2,103k)

3.13 Following the liquidation of Carillion the appointed liquidator PwC has been managing the contracts to enable the smooth transfer to other providers. The costs of this service were not budgeted for, and will continue to be incurred until everything is finalised. PwC are charging a weekly management fee which has increased significantly since period 2, and this is reflected in the deterioration of the forecast to a cost pressure of £0.9m. The Council is currently disputing this increase.

3.14 Significant pressures are also being experienced in relation to loss of income resulting in a forecast overspend of £0.7m. Budgeted rental income is not being recovered due to the sale of assets and utilisation of assets for Council purposes, income from advertising is currently forecast to be less than budget, and income from Building Control and Development Control is currently forecast to be less than budget due to a reduction in numbers of applications.

3.15 Non delivery of savings is also creating further pressures of £0.5m. The additional Services contract with the Local Education Partnership (LEP) was due to end at the end of October 2018, it was anticipated that savings as a result of a new provision would be achievable. As a result of the collapse of Carillion the existing contract with the LEP has been extended until July 2019 to enable a full review of the Service. Savings anticipated will therefore not materialise in 2018/19. In addition, the purchase of the Plantation Industrial Estate is no longer proceeding and the anticipated additional income will not be realised.

Capital Financing £413k, Contingency £728k and Corporate Costs £1,502k

3.16 Capital Financing additional investment income (£413k) - The 2018/19 budget did not include any budget for additional investment income relating to the Manchester Airport Investment approved by Executive Cabinet in February 2017 due to uncertainty around the timing of the investment. The forecast reflects the estimated additional interest now expected as a result of investment drawdowns in July and December 2018.

3.17 Contingency (£728k) Additional Adult Social Care grant income notified after the 2018/19 budget was set. The grant has been allocated to contingency pending decisions regarding utilisation.

3.18 Corporate Cost savings and additional income (£1,502k). Savings are anticipated on Pension Increase Act contributions (£0.3m) and the contribution to the Association of Greater Manchester Authorities (£0.4m). The projected level of income regarding the Manchester Airport dividend has been calculated in line with the dividend payments received during 2017/18, increasing forecast income by £0.8m. The dividend is not guaranteed and the forecast will be reviewed on receipt of the 18/19 interim dividend, due in December 2018.

4. TARGETED EFFICIENT PLAN (TEP)

4.1 The economy wide savings target for 2018/19 is £35,721k. This consists of:

- CCG £19,801k
- TMBC £3,119k
- ICFT £12,801k

Table 3: 2018/19 Targeted Efficiency Plan (TEP)

SAVINGS	Opening Target	RED	AMBER	GREEN	Savings Posted	Forecast	Variance
CCG	19,801	2,330	7,672	5,595	7,599	17,263	(2,538)
TMBC	3,119	1,071	602	790	656	1,854	(1,265)
Strategic Commission	**22,920**	**3,401**	**8,274**	**6,385**	**8,255**	**19,117**	**(3,803)**
ICFT	12,801	2,111	1,903	6,622	2,650	11,174	(1,627)
Total	**35,721**	**5,512**	**10,176**	**13,007**	**10,906**	**30,292**	**(5,429)**

4.2 Against this target, £10,906k of savings have been realised in the first quarter, 30% of the required savings. Expected savings by the end of the year are £30,292k, a shortfall of £5,429k against target. Slides 8 and 9 of **Appendix 1** provide a summary of the associated risks relating to the delivery of these savings for the Strategic Commission. It is worth noting that there is a risk of under achievement of this efficiency sum across the economy at this reporting period.

4.3 More work is required to identify new schemes and turn red and amber schemes green. As things stand we would need to fully deliver all of the amber rated schemes and half of the red rated schemes to fully close the gap. It is therefore essential that additional proposals are considered and implemented urgently to address this gap on a recurrent basis thereafter.

4.4 There are estimated savings proposals of £ 5.512 million which are currently at risk of non-delivery in 2018/19. Appendix 2 provides further detail on progress against savings in each organisation and slide 8 in Appendix 1 summarises risks by service area, which for the Strategic Commission includes:

- £2,150k CCG Emerging Pipeline Schemes have not yet been sufficiently developed. More work is required to develop these schemes and assess viability.
- Growth Savings of £533k will not be delivered in 2018/19. These included forecast savings from the re-provision of the Additional Services contract with the Local Education Partnership (LEP) which has been extended as a result of the collapse of Carillion, and additional income from the purchase of the Plantation Industrial Estate which is no longer proceeding.
- Operations and Neighbourhoods £275k - Most of this savings target relates to the new Car parking provision at Darnton Road which was expected to generate additional income of £0.500m per annum. A delay in the construction of the spaces has resulted in the forecast additional income for this financial year being reduced to £225k.

5 RECOMMENDATIONS

5.1 As stated on the report cover.