Report to:	**STRATEGIC COMMISSIONING BOARD**
Date:	24 October 2018
Officer of Strategic Commissioning Board:	Kathy Roe – Director of Finance – Tameside & Glossop CCG and Tameside MBC
Subject:	**STRATEGIC COMMISSION AND NHS TAMESIDE AND GLOSSOP INTEGRATED CARE FOUNDATION TRUST – CONSOLIDATED 2018/19 REVENUE MONITORING STATEMENT AT 31 AUGUST 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.** The Strategic Commission is currently forecasting that expenditure for the Integrated Commissioning Fund will exceed budget by £3.916 million by the end of 2018/19 due to a combination of non-delivery savings and cost pressures in some areas.
Recommendations:	Strategic Commissioning Board Members are 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.
Financial Implications: (Authorised by the statutory Section 151 Officer & Chief Finance Officer)	This report provides the 2018/19 consolidated financial position statement at 31 August 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 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)	Given the implications for each of the constituent organisations this report will be required to be presented to the decision making body of each one to ensure good governance.
How do proposals align with Health & Wellbeing Strategy?	The Integrated Commissioning Fund supports the delivery of the Tameside and Glossop Health and Wellbeing Strategy
How do proposals align with Locality Plan?	The Integrated Commissioning Fund supports the delivery of the Tameside and Glossop Locality Plan
How do proposals align with the Commissioning Strategy?	The Integrated Commissioning Fund supports the delivery of the Tameside and Glossop Strategic Commissioning Strategy
Recommendations / views of the Health and Care Advisory Group:	A summary of this report is presented to the Health and Care Advisory Group for reference.
Public and Patient Implications:	Service reconfiguration and transformation has the patient at the forefront of any service re-design. The overarching objective of Care Together is to improve outcomes for all of our citizens whilst creating a high quality, clinically safe and financially sustainable health and social care system. The comments and views of our public and patients are incorporated into all services provided.
Quality Implications:	As above.
How do the proposals help to reduce health inequalities?	The reconfiguration and reform of services within Health and Social Care of the Tameside and Glossop economy will be delivered within the available resource allocations. Improved outcomes for the public and patients should reduce health inequalities across the economy.
What are the Equality and Diversity implications?	Equality and Diversity considerations are included in the re-design and transformation of all services
What are the safeguarding implications?	Safeguarding considerations are included in the re-design and transformation of all services
What are the Information Governance implications? Has a privacy impact assessment been conducted?	There are no information governance implications within this report and therefore a privacy impact assessment has not been carried out.
Risk Management:	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 31 August 2018 with a forecast projection to 31 March 2019. Supporting details for the whole economy are provided in **Appendix 1.**

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 £582.2 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)

1.5 This period there continues to be a focus on delivery of current Targeted Efficiency Programme (TEP) programmes as well as the challenge of delivering future TEP plans enabling the economy to close the financial gap. These challenges were presented to the Board to Board to Board meeting on 11 September 2018 comprised of the Integrated Care Foundation Trust (ICFT) and the Strategic Commission members.

1.6 Across the economy there is a "Do Nothing" financial gap of £124 million by 2022/23. Plans are in place which will deliver expected savings of £57 million, but even in this 'do something' scenario there is still a financial gap of £67 million to close.

1.7 To start to address this gap the Strategic Commission has generated 114 savings proposals. Of these ideas 56 have a value totalling £8.42 million that are expected to go towards closing the gap.

1.8 The remainder of the schemes need to be developed further including some larger schemes focusing on End of Life / Palliative Care and Frailty to understand the potential savings behind these. The economy has access to 20 days consultancy from NHS England's Quality, Innovation, Productivity and Prevention (QIPP) programme and it is important we direct this resource optimally.

1.9 All the savings ideas will be presented at the Star Chambers taking place in October 2018 where the detail of the schemes will be reviewed and viable schemes will be taken forward to help deliver the savings required.

1.10 In addition to the future saving plans, there continues to be challenges in the economy that require attention to achieve the financial position in 2018/19. On-going work is taking place to address these areas as part of the in-year TEP efforts.

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 £3.916 million by the end of 2018/19 due to a combination of non-delivery savings and cost pressures in some areas.

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

Organisation	Net Budget £'000	Forecast £'000	Variance £'000	Previous Month Variance £'000	Movement in Month £'000
Strategic Commission (ICF)	582,220	586,136	(3,916)	(4,061)	145
ICFT	(19,149)	(19,149)	0	0	0
Total	**563,071**	**566,987**	**(3,916)**	**(4,061)**	**145**

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 £5.0 million in 2018/19 in support of the CCG's Quality, Innovation, Productivity and Prevention (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 £5.0 million) in 2018/19, which is a maximum £0.5 million contribution from the CCG towards the Council year end position and a maximum of £2.0 million 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 **Appendix 1**. 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.

3. STRATEGIC COMMISSIONER FINANCIAL POSITION

Acute Services

3.1 The overall forecast position for acute services is £0.6 million. This is an increase of £0.4 million from last month. The key driver in contract performance remains with Manchester FT (MFT). The forecast for MFT is now £1.4 million over plan and is a continuation in demand within the urgent care pathway and the increasing risk associated with Referral to Treatment (RTT) trajectories.

3.2 Underspends continue at Stockport Foundation Trust (FT), which is largely due to maternity and the number of strokes. The other area is within planned care for cardiology, which is due to the decommissioning of this service in April 2018 which transferred to Wythenshawe hospital and is referenced within the MFT deep dive. The number of births in the first 4 months of 2018/19 is lower when compared against last year.

3.3 Pennine Acute and Salford FT contract performance continues to come down and in particular Pain Management at Salford as patients are put on either a 16 or 30 consecutive session programme. Salford FT have confirmed that there is unlikely to be any further Tameside and Glossop patients on the programme until the end of the financial year, which has reduced our forecast.

3.4 Independent sector forecast has increased by £0.1 million this month as we start to see an increase in nerve conduction studies, MRI scans and termination of pregnancy. Other changes include the shift in activity away from SpaMedica and into GM Primary Eye Care, and the decrease in activity at Care UK / InHealth for Dexa scans, which is transferred to NHS providers as part of the CCG's commissioning intention.

Mental Health

3.5 An additional £2.5 million of recurrent investment was agreed in 2018/19 in order to meet requirements of the Five Year Forward View. While this recurrent commitment remains in place, there is likely to be some non-recurrent slippage against this, which can count towards TEP this year.

3.6 Budgets included an expectation that 5 specialist mental health placements would be required. There have been 2 new admissions this month which, based on average lengths of stay, has created a £0.1 million pressure.

3.7 The position this month also includes £0.2 million for Mental Health beds at Pennine Care. This creates additional capacity and has been agreed across all Pennine commissioners. Both the specialist placements and MH beds are contained within the additional £2.5 million investment and do not impact upon expected slippage forecast within TEP.

Primary Care

3.8 Category M Drugs (Cat M) price increases of £15 million per month have been agreed at a national level from August. Prices expected to change again from October, but unclear what the impact of this will be. Estimated price increase will cost the CCG around £0.1 million per month for as long as the prices remain at new rates. Current position assumes pressure will persist until March.

3.9 Significant progress against the Targeted Efficiency Plan, particularly for repeat ordering protocols means the Cat M pressure has been contained and we have actually increased expected achievement at Month 5.

Continuing Care

3.10 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.

3.11 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.

3.12 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

3.13 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 £1.6 million of the approved £6.3 million 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. 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 £19.8 million Targeted Efficiency Plan (TEP) target.

CCG Targeted Efficiency Plan Shortfall

3.14 The CCG has a TEP target (also known as the QIPP), of £19.8 million for 2018/19. Against this target, £9.626 million (49%) of the required savings have been achieved in the first four months of the year. A further £6.592 million is rated green and will be realised in future months. After the application of optimism bias, anticipated further savings of £2.014 million from schemes currently rated as amber or red, reducing the net gap to £1.568 million.

Children's Services

3.15 As reported in previous months, Children's Social Care continues to face significant financial pressure due to unprecedented levels of service demand. Despite significant financial investment, the forecast outturn remains at almost £3.1 million in excess of the approved budget. A detailed review is to take place in month 6.

Growth Directorate

3.16 The service continues to face pressures due to non-delivery of savings and additional cost pressures.

3.17 Following the liquidation of Carillion the appointed liquidator PwC has been managing the contracts to enable the smooth transfer to other providers. This transfer took place on 31 July 2017 but significant costs were incurred up to this date, which were not included in the budget.

3.18 Significant pressures are also being experienced in relation to loss of income due to the sale of assets and utilisation of assets for Council purposes, income from advertising and income from Building Control and Development Control is currently forecast to be less than budget.

3.19 Non delivery of savings is also creating further pressures. 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.

Operations and Neighbourhoods

3.20 The forecast outturn position has improved slightly due to staffing posts remaining vacant, however the service continues to forecast an overspend of £0.4 million due to non-delivery of savings (relating to additional car parking income) and cost pressures.

Capital Financing, Contingency and Corporate Costs

3.21 The 2018/19 budget assumed some of the prior year capital expenditure would be financed from borrowing and that additional borrowing would be required. Continued use of reserves and capital receipts to finance capital expenditure has meant that this borrowing is not yet required and interest charges in 2018/19 will be lower that budget.

3.22 Interest earned to date on cash investments is higher than budget due to an increase in the average rate of interest being achieved. This is due to a combination of increase rates overall and a more proactive investment strategy, together with the new investment in Manchester Airport.

4. INTEGRATED CARE FOUNDATION TRUST FINANCIAL POSITION

Control Total

4.1 The Trust now has an agreed control for 2018/19 of £19.149 million, this assumes the Trust will be in receipt of the full Provider Sustainability Fund (PSF) and deliver the performance and financial requirements set by NHS Improvement (NHSI). Please refer to **Appendix 3.**

Provider Sustainability Fund

4.2 The Trust must achieve its financial plan at the end of each quarter to achieve 70% of the PSF, the remainder is predicated on achievement of the A&E target for each quarter based on the improvement trajectories stated by NHS Improvement.

Targeted Efficiency Plan (TEP)

4.3 The Trust is currently forecasting an underachievement against its in year TEP delivery of c£1.5 million and recurrently of c£1.8 million. Failure to achieve TEP will result in the Trust not achieving its plan. Work is on-going with Theme groups to develop high risk schemes and generate hopper ideas to improve this forecast position.

Loan Liability

4.4 The Trust had a loan of £75.4 million at the end of 2017/18. The Trust may be required to repay part of this liability in 2018. To do this the Trust would require a new loan, now the Trust has agreed a control total this now would be at the standard borrowing rate of 1.5%.

5. RECOMMENDATIONS

5.1 As stated on the report cover.

APPENDIX 1

Strategic Commission	YTD Position	Forecast Position	Variance
Forecast Position £000's			
Acu			

APPENDIX 2

Strategic Commission Forecast Position £000's	Forecast Position					Net Variance	
	Expenditure Budget	Income Budget	Net Budget	Net Forecast	Net Variance	Previous Month	Movement in Month
Acute	204,827	0	204,827	205,441	-613	-238	-376
Mental Health	32,371	0	32,371	32,477	-107	-103	-3
Primary Care	84,604	0	84,604	84,575	29	75	-46
Continuing Care	14,474	0	14,474	17,390	-2,915	-2,937	22
Community	29,977	0	29,977	30,282	-305	-4	-301
Other CCG	24,243	0	24,243	20,332	3,911	3,207	704
CCG TEP Shortfall (QIPP)	0	0	0	1,546	-1,546	-1,546	0
CCG Running Costs	5,209	0	5,209	5,209	0	0	0
Adults	82,590	-42,098	40,492	40,514	-22	-15	-7
Children's Services	78,334	-29,005	49,330	52,403	-3,074	-3,074	0
Individual Schools Budgets	127,944	-127,944	0	0	0	0	0
Population Health	16,353	-121	16,232	16,192	41	35	5
Operations and Neighbourhoods	76,400	-26,021	50,379	50,792	-413	-545	132
Growth	42,669	-34,810	7,858	10,091	-2,233	-2,247	14
Governance	88,701	-79,882	8,819	8,819	0	0	0
Finance & IT	5,898	-1,410	4,488	4,602	-113	-113	0
Quality and Safeguarding	355	-288	67	73	-6	-6	0
Capital and Financing	10,998	-1,360	9,638	8,236	1,402	1,402	0
Contingency	4,163	-6,823	-2,660	-3,388	728	728	0
Corporate Costs	8,726	-6,857	1,870	550	1,320	1,320	0
Integrated Commissioning Fund	**938,838**	**-356,618**	**582,220**	**586,136**	**-3,916**	**-4,061**	**145**
CCG Expenditure	395,706	0	395,706	397,252	-1,546	-1,546	0
TMBC Expenditure	543,132	-356,618	186,514	188,884	-2,370	-2,515	145
Integrated Commissioning Fund	**938,838**	**-356,618**	**582,220**	**586,136**	**-3,916**	**-4,061**	**145**
A: Section 75 Services	306,932	-40,844	266,089	269,185	-3,097	-2,522	-575
B: Aligned Services	336,984	-96,115	240,869	242,708	-1,839	-981	-858
C: In Collaboration Services	294,923	-219,662	75,262	74,242	1,020	-558	1,578
Integrated Commissioning Fund	**938,839**	**-356,619**	**582,220**	**586,136**	**-3,916**	**-4,061**	**145**

APPENDIX 3

Integrated Care Foundation Trust Financial performance metric	Plan M5 (£000)	Actual M5 (£000)	Variance M5 (£000)	YTD Plan (£000)	YTD Actual (£000)	YTD Variance (£000)	Annual Plan (£000)
Normalised Surplus/(Deficit) before PSF	-1,817	-1,656	161	-11,809	-11,615	195	-23,370
PSF	281	281	0	1,195	1,195	0	4,221
Surplus/(Deficit) post PSF	-1,536	1,375	161	-10,614	-10,420	195	-19,149
Capital Expenditure	447	238	-209	1,518	697	-821	4,600
Cash and Equivalents	1,220	1,701	481				
Trust Efficiency Savings	890	926	37	3,632	4,513	881	13,000
Use of Resources Metric	3	3		3	3		3