Report to:	**EXECUTIVE CABINET**
Date:	23 January 2019
Executive Member/Officer of Strategic Commissioning Board	Councillor Bill Fairfoull – Deputy Executive Leader 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 30 NOVEMBER 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 £1 million by the end of 2018/19 due to a combination of non-delivery savings and cost pressures in some areas.
Recommendations:	Members are recommended : 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.
Links to Community Strategy	The Integrated Commissioning Fund supports the delivery of the Tameside and Glossop Health and Wellbeing Strategy
Policy 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.
Legal Implications: **(Authorised by the Borough Solicitor)**	There is a statutory duty to ensure the Council sets a balanced budget and that it is monitored to ensure statutory commitments are met. There are a number of areas that require a clear strategy to ensure in the face of demand they achieve this. 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. It is necessary that any cost sharing arrangements and implications of the same are agreed in advance with external

auditors.

Risk Management: Associated details are specified within the presentation

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 November 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 £580.816 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 £1m 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**.

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

Organisation	Net Budget £000s	Forecast £000s	Variance £000s
Strategic Commission (ICF)	580,816	581,853	(1,037)
ICFT	(19,139)	(19,139)	0
Total	**561,677**	**562,714**	**-1,037**

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**.

Table 2: 2018/19 ICF Financial Position

Service	Net Budget £000s	Forecast £000s	Variance £000s
Acute	203,804	204,615	(811)
Mental Health	32,726	33,415	(689)
Primary Care	83,664	83,237	427
Continuing Care	14,279	16,937	(2,658)
Community	29,913	30,119	(206)
Other CCG	24,707	20,770	3,936
CCG TEP Shortfall (QIPP)	0	411	(411)
CCG Running Costs	5,209	5,209	0
Adults	40,480	40,276	204
Children's Services	49,330	56,630	(7,300)
Population Health	16,232	16,160	72
Operations and Neighbourhoods	50,333	51,198	(865)
Growth	7,846	10,293	(2,447)
Governance	8,813	7,711	1,102
Finance & IT	4,553	4,286	267
Quality and Safeguarding	79	94	(15)
Capital and Financing	9,638	8,058	1,580
Contingency	(2,660)	(7,365)	4,705
Corporate Costs	1,870	(201)	2,071
Integrated Commissioning Fund	**580,816**	**581,853**	**(1,037)**
CCG Expenditure	394,302	394,713	(411)
TMBC Expenditure	186,514	187,140	(626)
Integrated Commissioning Fund	**580,816**	**581,853**	**(1,037)**
A: Section 75 Services	266,571	268,693	(2,122)
B: Aligned Services	240,841	247,310	(6,469)
C: In Collaboration Services	73,404	65,850	7,554
Integrated Commissioning Fund	**580,816**	**581,853**	**(1,037)**

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 (£2.658m)

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 was put in place and progress against this is reported to the Finance and QIPP Assurance Group on a regular basis. Since the recovery plan was put in place we have seen a reduction in forecast of circa £0.3m.

CCG Other £3.936m

3.4 Services within this directorate such as Better Care Fund, 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 £3.2m 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.

3.5 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 Targeted Efficiency Plan (TEP) target. As reported in **Appendix 1**, there is a £0.4m risk attached to fully closing this gap.

CCG TEP Shortfall (£0.400m)

3.6 The CCG has a TEP target (also known as the QIPP), of £19.8m for 2018/19. Against this target, £13.803m (70%) of the required savings have been achieved in the first eight months of the year. A further £5.023m is rated green and will be realised in future months. After the application of optimism bias, anticipated further savings of £1.126m from schemes currently rated as amber, as the CCG no longer has any schemes as red (high risk), reducing the net gap to £0.4m.

Children's Services (£7.300m)

3.7 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 654 at 30th November 2018. Despite the additional financial investment in the service in 2017/18 and 2018/19, the service is projecting to exceed the approved budget for Third Party Payments by £6.475m; due to the additional placement costs. 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 30th November is 654; a resulting increase of 69 (11.8%). This should also be considered alongside the current average weekly cost of placements in the independent sector with residential at £4,009 and foster care £786.

Growth (£2.447m)

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

3.9 Following the liquidation of Carillion the appointed liquidator PwC managed the contracts to effect a 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.

3.10 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.

3.11 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 although there was no robust review of these proposals. 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 proposed 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.

4. TARGETED EFFICIENT PLAN (TEP)

4.1 The economy wide savings target for 2018/19 is £35.920m. This consists of:

- CCG £19.800m
- TMBC £3.119m
- ICFT £13.001m

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

Organisation	High risk	Medium risk	Low risk	Savings posted	total	target	Post bias expected savings	Post bias variance
CCG	0	1,126	5,023	13,803	19,952	19,800	19,389	(411)
TMBC	547	280	543	941	2,311	3,119	1,679	(1,440)
Strategic commissioner	**547**	**1,406**	**5,566**	**14,744**	**22,263**	**22,919**	**21,068**	(1,851)
ICFT	726	180	4,056	8,233	13,195	13,001	12,469	(533)
Economy total	**1273**	**1,586**	**9,622**	**22,977**	**35,458**	**35,920**	**33,536**	(2,384)

4.2 Against this target, £22.977m of savings have been realised in the first eight months, 64% of the required savings. Expected savings by the end of the year are £33.536m, a shortfall of £2.384m against target. Slides 10 and 11 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 against this efficiency target 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 high risk savings proposals of £1.273m which are currently at risk of non-delivery in 2018/19. **Appendix 1** summarises risks by service area, which for the Strategic Commission includes:

- For Adults the remaining £0.318m of the savings is due to delays in the delivery which has had an impact on the achievement. Other savings are being identified across the service which it is expected will compensate for non-delivery of the planned savings.
- Governance - £0.129m savings target red rated relates to summons fee increases not being achievable as a result of a reduction in the number of summons being issued due to changes in approach to recovery processes under revised government guidance. The non-delivery of this saving is being offset by other cost savings elsewhere in the service.
- Operations and Neighbourhoods - Most of this savings target relates to the new Car parking provision at Darnton Road which was expected to generate additional income per annum. A delay in the construction of the spaces has resulted in the forecast additional income for this financial year being reduced.

5 CCG SURPLUS

5.1 In 2018/19 the CCG is now planning to deliver a surplus of £12.347m, a £3m increase from the original £9.347m as set out by national guidance. This overall surplus is broken down into three parts:

- **£3.668m** Mandated 1% surplus;
- **£5.679m** Cumulative surplus brought forward from previous years;
- **£3.000m** Agreed increase in Surplus to support national financial risks.

5.2 The 1% in year surplus is a requirement of the business rules. It is calculated on the basis of 1% of opening allocations, excluding the allocation for delegated co-commissioned primary care.

5.3 The cumulative surplus brought forward was built up in 2016/17 and 2017/18, when CCGs had to contribute into a national risk reserve offsetting overspend in the provider sector. While the cumulative surplus brought forward remains on the CCG balance sheet, there is currently no mechanism through which Tameside and Glossop are able to drawdown or use any of this resource.

5.4 There is no national risk reserve in 2018/19. However there is still a significant financial gap nationally, which needs to be addressed. Greater Manchester Health and Social Care Partnership have been in discussions with national bodies to address this gap and has confirmed and agreed that any CCG who could increase their surplus for 2018/19 would be able to drawdown some of their cumulative surplus in 2019/20. Using the flexibility of the ICF we have increased our surplus by £3m, which will allow for a potential of up to £6m drawdown in 2019/20, under the 2 for 1 offer by NHS England.

5.5 Under the terms of the GM proposal, increasing the 18/19 surplus by £3m would enable drawdown of £6m in 2019/20, reducing the cumulative surplus to £6.3m. The money drawn down would be paid back into the ICF through increased CCG contributions to the pool.

5.6 An additional benefit from this proposal would be an improvement in the aggregate GM financial position in 2018/19. Any underspend against the GM system control total would attract 48p of additional Provider Sustainability Funding for every £1 of underspend.

5.7 5 year financial plans have been built on the assumption that there will be no mechanism to access the CCGs cumulative surplus. If we are able to drawdown some of our surplus in 2019/20 through the GM proposal, the financial position of the integrated commissioner will improve on a recurrent basis and the reported gap will reduce.

6 RECOMMENDATIONS

6.1 As stated on the report cover.