

<b>Report to:</b>	<b>EXECUTIVE CABINET</b>
<b>Date:</b>	13 February 2019
<b>Executive Member/Officer of Strategic Commissioning Board</b>	Councillor Bill Fairfoull – Deputy Executive Leader Kathy Roe – Director of Finance – Tameside & Glossop CCG and Tameside MBC
<b>Subject:</b>	<b>STRATEGIC COMMISSION AND NHS TAMESIDE AND GLOSSOP INTEGRATED CARE FOUNDATION TRUST – CONSOLIDATED 2018/19 REVENUE MONITORING STATEMENT AT 31 DECEMBER 2018 AND FORECAST TO 31 MARCH 2019</b>
<b>Report Summary:</b>	<p>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).</p> <p>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 <b>Appendix 1</b>.</p> <p>The Strategic Commission is currently forecasting that expenditure for the Integrated Commissioning Fund will exceed budget by £0.4 million by the end of 2018/19 due to a combination of non-delivery savings and cost pressures in some areas. This forecast represents a further improvement on the position reported in prior periods but masks a number of significant cost pressures including a forecast overspend in excess of £7m in Children’s Services.</p>
<b>Recommendations:</b>	<p>Members are recommended to:</p> <ol style="list-style-type: none"> <li>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.</li> <li>2. Acknowledge the significant cost pressures facing the Strategic Commission, particularly in respect of Continuing Healthcare, Children’s Social Care and Growth.</li> </ol>
<b>Financial Implications:</b> <b>(Authorised by the statutory Section 151 Officer &amp; Chief Finance Officer)</b>	<p>This report provides the 2018/19 consolidated financial position statement at 31 December 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.</p> <p>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</p>

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)**

**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. It is not possible in Local Authority budgets to be overspent in law.

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.

It should be noted that brackets around numbers and being 'in red' ink means overspend in this report in addition to minus signs.

**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.

**Risk Management:**

Associated details are specified within the presentation

**Access to Information :**

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

Tom Wilkinson, Assistant Director of Finance, Tameside Metropolitan Borough Council

 Telephone:0161 342 5609

 e-mail: [tom.wilkinson@tameside.gov.uk](mailto:tom.wilkinson@tameside.gov.uk)

Tracey Simpson, Deputy Chief Finance Officer, Tameside and Glossop Clinical Commissioning Group

 Telephone:0161 342 5626

 e-mail: [tracey.simpson@nhs.net](mailto:tracey.simpson@nhs.net)

David Warhurst, Associate Director Of Finance, Tameside and Glossop Integrated Care NHS Foundation Trust

 Telephone:0161 922 4624

 e-mail: [David.Warhurst@tgh.nhs.uk](mailto:David.Warhurst@tgh.nhs.uk)

## 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 31 December 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 £582.883 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 £0.4m 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)	582,883	583,332	(449)
ICFT	(19,148)	(19,148)	0
<b>Total</b>	<b>563,735</b>	<b>564,184</b>	<b>(449)</b>

- 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 significant 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 Forecast Financial Position**

Forecast Position £000's	Forecast Position			Net Variance	
	Net Budget	Net Forecast	Net Variance	Previous Month	Movement in Month
Acute	202,819	203,685	(867)	(811)	(56)
Mental Health	32,601	33,258	(657)	(689)	32
Primary Care	83,003	82,500	504	427	76
Continuing Care	14,104	16,523	(2,419)	(2,658)	239
Community	30,006	30,191	(185)	(206)	21
Other CCG	28,628	25,003	3,624	3,936	(312)
CCG TEP Shortfall (QIPP)	0	0	0	(411)	411
CCG Running Costs	5,209	5,209	0	0	0
Adults	40,480	40,276	204	204	0
Children's Services	49,330	56,792	(7,462)	(7,300)	(162)
Individual Schools Budgets	0	0	0	0	0
Population Health	16,232	16,160	72	72	0
Operations and Neighbourhoods	50,333	51,265	(932)	(865)	(67)
Growth	7,846	10,256	(2,410)	(2,447)	37
Governance	8,812	7,711	1,101	1,102	(1)
Finance & IT	4,553	4,263	290	267	23
Quality and Safeguarding	79	94	(15)	(15)	(0)
Capital and Financing	9,638	8,058	1,580	1,580	0
Contingency	(2,660)	(7,712)	5,052	4,705	347
Corporate Costs	1,870	(201)	2,071	2,071	(0)
<b>Integrated Commissioning Fund</b>	<b>582,883</b>	<b>583,332</b>	<b>(449)</b>	<b>(1,037)</b>	<b>588</b>
CCG Expenditure	396,370	396,370	0	(411)	411
TMBC Expenditure	186,513	186,962	(449)	(626)	177
<b>Integrated Commissioning Fund</b>	<b>582,883</b>	<b>583,332</b>	<b>(449)</b>	<b>(1,037)</b>	<b>588</b>

### 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.
- 3.2 The CCG has a TEP target (also known as the QIPP), of £19.8m for 2018/19. In Month 9 the CCG's QIPP target has been fully identified. In month there have been continued savings in prescribing, and additional savings have been identified on associate demand management schemes. Due to the success of the QIPP schemes the CCG is able to reduce the amount required from the risk share arrangement (section 2 above) in 18/19.

### **Continuing Care (£2.419m)**

- 3.3 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.
- 3.4 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. The forecast has improved in month as the expected activity due to winter pressures has not yet materialised. There is still an expectation that there will be an increase in activity in the remainder of the year and this is still included in the forecast, however there is potential for there to be additional savings if this activity does not increase.

### **Children's Services (£7.462m)**

- 3.5 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 650 at 11 January 2019. 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 £6.485m 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 January 2019 is 650; a resulting increase of 65 (11.1%). This should also be considered alongside the current average weekly cost of placements in the independent sector with residential at £4,004 and foster care £783.

### **Growth (£2.410m)**

- 3.6 The service continues to face pressures due to non-delivery of savings and additional cost pressures. 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.
- 3.7 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.
- 3.8 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 Saving	Post Bias Variance
CCG	0	0	1,043	18,757	19,800	19,800	19,800	0
TMBC	652	0	774	1,072	2,116	3,119	1,911	(1,208)
Strategic Commissioner	<b>652</b>	<b>0</b>	<b>1,817</b>	<b>19,829</b>	<b>21,916</b>	<b>22,919</b>	<b>21,711</b>	<b>(1,208)</b>
ICFT	552	88	2,970	9,309	12,920	13,001	12,367	(634)
<b>Economy Total</b>	<b>1,204</b>	<b>88</b>	<b>4,788</b>	<b>29,137</b>	<b>34,836</b>	<b>35,920</b>	<b>34,079</b>	<b>(1,842)</b>

- 4.2 Against this target, £29,137k of savings have been realised in the nine months, £6,446k above plan. Expected savings by the end of the year are £34,079k, a shortfall of £1,842k against target. This is an improvement of £458k on the position reported last month.
- 4.3 The CCG have identified all of their QIPP savings at month 9 and have posted £4,953k of savings this month. Schemes at TMBC have been offset by underspends in other areas.
- 4.4 There is still £634k to be identified at the ICFT, and Theme Leads are working on schemes to close this gap.

#### 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 T&G 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. GMHSCP 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.