

**Manchester Health and Wellbeing Board
Report for Information**

Report to: Manchester Health and Wellbeing Board – 13 January 2016

Subject: Pooled Budget 2016/17

Report of: Deputy City Treasurer (Manchester City Council) and Chief Financial Officer (North, South and Central Clinical Commissioning Groups)

Summary

In line with the draft locality plan, the report outlines proposals to expand the pooled fund on a phased basis, with the first phase commencing 2016/17, covering the service budgets in scope for commissioning 'One Team'. The requirement to strengthen governance arrangements and update the Partnership Agreement for 1st April is also detailed. Key financial settlement announcements have been made in December and they support the requirement to move at pace implementing the strategy and proposals set out in the draft locality plan.

Recommendations

HWB are recommended to

- (i) Endorse proposals for the first phase of the programme to expand the pooled fund, with budgets for services in-scope with 'One Team' as set out in section 4.5.
- (ii) Recommend to the City Council Executive the decision to pool the Council budgets detailed at section 4.5, including the removal of Public Health Grant funding (£1.771m) which is aligned to residential and nursing services that are currently planned to be pooled in a subsequent phase.
- (iii) Note work underway to construct business cases to pool service budgets for residential social care, homecare, continuing health care and placements where children and young people with disabilities have education, health and social care needs, for consideration in 2016/17.
- (iv) Endorse proposals to pool funding arising from successful bids against the GM transformation fund.
- (v) Endorse the intent to begin financial reporting in 'shadow form' on the whole resource quantum in view for pooling over the medium term.
- (vi) Note work underway to update the Partnership Agreement for implementation 1st April 2016.

Board Priority(s) Addressed:

Health and Wellbeing Strategy priority	Summary of contribution to the strategy
Getting the youngest people in our communities off to the best start	

Educating, informing and involving the community in improving their own health and wellbeing	
Moving more health provision into the community	The proposals will enable the system to understand how resources will move from acute provision to support the delivery of place based care in community settings
Providing the best treatment we can to people in the right place at the right time	The 'One Team' specification is a key element of the draft Locality Plan which aims to support the delivery of the Health and Wellbeing Strategy.
Turning round the lives of troubled families	
Improving people's mental health and wellbeing	
Bringing people into employment and leading productive lives	
Enabling older people to keep well and live independently in their community	

Lead board members: Hazel Summers, Strategic Director Adult Services, Manchester City Council, Lead CCGs – Edward Dyson (Chief Operating Officer – Central Manchester CCG) Martin Whiting (Clinical Accountable Officer - North Manchester CCG), Caroline Kurzeja (Chief Operating Officer South Manchester CCG)

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

Health and Wellbeing Board 25th March 2015 – Section 75 Pooled Budget Agreement for the Better Care Fund
Health and Wellbeing Board 16th September 2015 – Integrated Community Health and Care Services Pooling Budgets
Health and Wellbeing Board 11th November 2015 – Health and Social Care Locality Plan

1.0. Purpose of Report

- 1.1. To update the Health and Wellbeing Board (HWB) on the headlines from the recent financial settlement announcements.
- 1.2. To agree proposals to formally expand the pooled fund in 2016/17 with the first phase of service budgets in-scope, as detailed in the draft locality plan, and to implement a 'shadow reporting' arrangement for the service budgets aligned to the later phases, in-line with partners aspirations for pooling in the medium term.
- 1.3. To outline key governance requirements which are to be progressed at pace over the first quarter of 2016 in order that an updated Partnership Agreement (Section 75 Agreement) can be operational for the new financial year.

2.0. Introduction and Background

- 2.1. The HWB received a report on pooling budgets at their meeting on 16th September 2015 which outlined:
 - details of the current pooled fund, which is restricted to the mandatory inclusion of the Better Care Fund (£42.090m) together with a additional voluntary element from Manchester City Council (MCC) from the Public Health Grant (£1.771m);
 - the rationale for pooling and the overarching principle that is should be seen as an enabler to support transformational change, through joint prioritisation of resources in a single integrated commissioning environment taking a whole economy perspective;
 - that in principle, the Clinical Commissioning Groups (CCGs) and MCC have agreed an aspiration to pool budgets totalling indicative sums of £378m (based on 2015/16) including £168m from MCC and £210m from the CCGs; and
 - for 2016/17, the expansion of the pooled fund should commence aligned to the 'One Team' specification with the first phase covering single point of access, neighbourhood teams and integrated intermediate care and reablement.
- 2.2. The fundamental ambition behind pooling of resources is to support transformational change. Financial arrangements will support integration and be very different from previous experience, in particular:-
 - access to the GM transformation fund, together with pooled resources, will enable investment in the initial phase of implementing new care models for the future. The extent of investment will be proportionate to the risk involved. The stronger the evidence attached to the new care models, the higher the level of investment will be;

- investment into the new care models will be tracked in terms of impact on activity levels in the acute sector and in residential care in particular. That evidence will in turn be used to justify reduced spending on those services. The reduced spending will be captured and transferred to replace the temporary investment monies and to support the scaling up of the new care models, i.e. funding will flow around the system; and
 - A transition will happen over a four year period so that existing business as usual models of care are gradually replaced with the new integrated models of care.
- 2.3. The HWB also received an update on the draft locality plan at its meeting on 11th November 2015. The draft locality plan identifies that Manchester currently spends £1.1bn on health and social care services, excluding specialist health services.
- 2.4. The report also indicated that over the five year period to 2020/21 there is a projected financial gap of £284m based on Manchester's initial assumptions for cost pressures and funding reductions over the period. The financial challenge is made up of £123m commissioner gap, which largely relates to the Council, and £161m relating to the health provider sector.
- 2.5. The locality plan identifies the need for £60m net / £90m gross commissioner savings and £150m provider savings from a c20% shift in acute and emergency activity, efficiencies and reform over the five year period to 2020/21. The commissioner savings of £60m reflect a 50% reprovision cost of £30m through a recycling of savings to fund radical transformation of models of care which will strengthen the integrated community infrastructure for out of hospital support (12 neighbourhood teams). This would enable more proactive care intervention and coordination for those with greatest support requirements, enabling their needs to be met earlier, within their local community and home, and ideally before escalating to requiring specialist in hospital services.
- 2.6. Recent information from the key health and care funding announcements needs to be taken account of in developing an updated Manchester five year financial plan, the first phase of formal expansion of the pooled fund in 2016/17 and in prioritising the investment in 'One Team', the integration of front-line community services at neighbourhood level, through a single contract with a single contract holder. Whilst local authorities have their detailed financial settlement figures, further detail on the CCG allocations is expected in early January. The financial model underpinning the locality plan will be subsequently refreshed and reported to the HWB in March.
- 2.7. The CCG Boards agreed their indicative budgets for inclusion in the expanded pooled fund for 2016/17 in December, subject to sign off of a business case for expanded scope services and they are detailed at 4.5 below.
- 2.8. This report also includes the proposed MCC indicative budgets for 2016/17. These figures will go to the Council Executive in February.

3. Financial Settlement Announcements

3.1. The Spending Review 2015 and associated local government, health and devolution announcements to date include the following key points:

- the Better Care Fund remains a key government tool in supporting integration of health and social care across the county. £1.5bn of additional funding for an improved Better Care Fund will be allocated to local authorities, whilst the existing Better Care Fund will continue to be directed at localities via CCGs. The provisional allocations for the improved Better Care Fund for Manchester are £3.3m for 2017/18, £14.8m for 2018/19 and £24.4m for 2019/20;
- the freedom for local authorities to implement a Council Tax precept for social care which gives those local authorities with responsibility for social care the ability to raise additional income to spend exclusively on adult social care. The provisional estimate for Manchester of additional income is £2.3m and this will be a key decision in the recommendations to the MCC Budget Council meeting in February;
- within the allocation of resources to NHS England, there is a direct allocation of £450m revenue to GM, representing its 'fair share' of available transformation budgets over a five year period. The GM Strategic Partnership Board will oversee the deployment of funding to deliver the major change programme set out in the GM Strategic Plan;
- a change to the methodology deployed to allocate funding reductions required for the Department for Communities and Local Government on to local authorities towards equalisation, i.e. taking account of the ability of local authorities to raise council tax revenue, which reduces the funding reductions on the City Council; and
- a five year NHSE settlement (3 years of allocations followed by two years indicative allocations), with additional funding front loaded (£2.1bn nationally) to allow focus in 2016/17 on the stabilisation of the commissioner and provider sectors (£1.8bn) in order to create a sustainable footing for transformation and the balance (£0.3bn) to support the development of new models of care. Individual CCG allocations are due to be published in early January.

3.2. The Spending Review, Financial Settlement and other recent announcements have provided a financial platform that enables the GM devolution work to progress to the next stage. The final financial package and associated outcomes will be agreed in January. A detailed financial plan for GM underpinned by robust locality plans will all need to be in place for the next financial year.

3.3. There are a number of significant matters still to be confirmed in relation to the funding announcements including:

- the detail of the health settlement;
 - finalisation of the £450m transformation funding. Note, the GM Strategic Partnership Board will oversee the deployment of this funding to deliver the major change programme set out in the GM Strategic Plan. The process for how this will be accessed by localities to deliver their transformation and savings along with an independent quality assurance process is being developed;
 - agreement on local priorities for business case submissions to access transformation funding for the initial phase on One Team, i.e. neighbourhood teams, integrated intermediate care reablement and single point of access;
 - the detailed requirements on the improved Better Care Fund. Guidance is expected to be released in January with a first draft plan due 8th February; and
 - GM considerations which include the potential to smooth any shortfalls in social care funding in the first two years, prior to receipt of the additional Better Care Fund and the potential for AGMA Council leaders to adopt a common strategy for the council tax revenue for social care underpinned by a GM commissioning platform. These are designed to add value to the local authority mainstream social care budget provision but will need to be taken into account in the development of the next iteration of the locality plan.
- 3.4. The information detailed in the announcements necessitates a requirement to move at pace implementing the strategy and proposals set out in the draft locality plan. The expansion of the pooled fund is an important enabler and the balance of this report details the specific proposals and work programmes to be in place for the 2016/17 financial year.

4.0. 2016/17 Pooled Budget

- 4.1. The delivery of the Manchester locality plan is underpinned by:
- implementation of an integrated commissioning function;
 - delivery of a single hospital service; and
 - delivery of integrated health and social care services via the One Team approach.
- 4.2. Commissioning partners have plans in place to implement the proposals for the scope of 'One Contract' implementation from 1 April 2016 to underpin the delivery of the One Team approach. A key enabler for the city's commissioners is the proposed expansion of the existing pooled budget in Manchester, beyond the initially mandated sums relating to the Better Care Fund.

- 4.3. The 2015/16 pooled fund includes the Better Care Fund (£42.090m comprising £37.638m revenue and £4.452m capital) together with the additional voluntary element from MCC from the Public Health budget (£1.771m). The 'in principle' agreement is to pool commissioner budgets totalling £378m (based on 2015/16 values) including £168m from MCC and £210m from the CCGs, over the next two to three years on a phased basis.
- 4.4. This paper describes the first phase of that scaling up based on the outcome of the CCGs' 'One Contract' budget scoping work, aligned to the three areas agreed for integration from 1 April 2016, namely:
- Adult community health and social care (through 'Neighbourhood Teams').
 - Urgent Care First Response / Single Point of Access.
 - Community assessment and support service (integrated intermediate care and reablement).
- 4.5. The community revenue budgets for the services aligned with 'One Team' are set out in Table 1 below. This is based on 2015/16 budgets, and expands the CCGs' budget from the £37.638m existing and mandatory Better Care Fund revenue (of which £12.219m is transferred to MCC to protect adult social care, plus an indicative sum of £1.451m for Care Act implementation in 2015/16) to £84.858m, including a non-recurrent reserve of at least £3.5m. For MCC this includes additional cash limit budget of £11.128m. Note the existing capital funding within the Better Care Fund rolls forward within the Pooled Fund to 2016/17 unchanged.
- 4.6. The 2015/16 budget values will be updated to a 2016/17 base to reflect budget setting decisions made by respective partners in the early new-year. They will be subject to due diligence by both partners to ensure the adequacy and robustness of opening budgets and transparency about related risks. They will be in line with values included within the business case for services included within scope

Table 1 – Indicative One Team Community Revenue Budgets

Service Description	CCGs BCF £'m	CCGs Additional £'m	CCGs Total £'m	MCC £'m	Total £'m
Adult NHS Community Health and Adult Social Care	15.809	37.528	53.337	5.758	59.095
Single point of access				0.088	0.088
Community assessment and support (intermediate care and reablement)	5.000	6.192	11.192	3.083	14.275
Care Act duties	1.451		1.451	2.199	3.650
Maintaining care eligibility criteria and protection of social care	12.219		12.219	0	12.219

Non-elective risk reserve	3.159		3.159	0	3.159
Total	37.638	43.720	81.358	11.128	92.486
Non-recurrent reserve		3.500	3.500	0	3.500
Total	37.638	47.220	84.858	11.128	95.986

- 4.7. The balance of budgets (£282m) within the agreed overall resource quantum of £378m, as set down in the draft locality plan, is envisaged for inclusion in the pooled fund over the subsequent two years 2017-19, with the exact phasing developed in 2016. It is proposed that financial reporting on these budgets, which is aligned to the formal pooled fund, also commences in 'shadow form' in 2016/17 to the Joint Finance Committee, as agreed on revised governance arrangements.
- 4.8. As residential and nursing social care is not in scope for phase 1, it is proposed to remove the Council's voluntary public health grant funding within the pooled fund (£1.771m) which is currently used as a risk reserve to mitigate pressures within these services. There is also a need to undertake a fundamental review of the deployment of the grant in the context of the further 4 year programme of grant reductions (2.2% - 2.6% p.a.) announced recently.
- 4.9. As it is expected that bids for transformation funding will prioritise 'One Team', Urgent Care First Response (UCFR) and Prevention in 2016/17, it is proposed to pool any funding received to ensure joint decision making on resource deployment and transparency on funding decisions. It should be noted that the Table in 4.6 does not include any budgets relating to UCFR at this stage, pending further work and agreement on scope.
- 4.10. The CCG Boards have already agreed to include the additional service budgets detailed in the table for 2016/17, subject to approval of a full business case and HWB are recommended to endorse the proposed pooled fund including the additional service budgets from MCC with the latter for onward decision at the City Council Executive.
- 4.11. Further work is still being undertaken to develop business cases to consider pooling other service budgets from 2016/17, and will be reported in due course, including:
- residential social care and homecare;
 - continuing health care; and
 - placements where children and young people with disabilities have education, health and social care needs.

5.0. Governance Requirements

- 5.1. The introduction of new contractual approaches in Manchester to progress the City's 'One Team' integrated community care aspirations will generate a number of risks and opportunities for health and care partners across the system.

- 5.2. Expansion of the pooled budget as detailed at section 4 is a key enabler. There is however a limited amount of time to develop the required Partnership Agreement (Section 75) and strengthened governance arrangements, including risk sharing.
- 5.3. A refreshed Section 75 Agreement is being prepared to govern the use of partners' funding, including provision for adequate risk sharing arrangements.
- 5.4. A high level risk assessment for the expanded pooled fund including proposed mitigations has been prepared by officers and will be presented to the Joint Finance Committee once established in due course. Some of the key risk areas included cover:
- the short timescale for and complexity of updating governance arrangements;
 - updating the Section 75 agreement including the development of agreed definitions of permitted expenditure and the risk share arrangements for managing under and over spends;
 - management of the known budget pressures short term and availability of transitional funding;
 - due diligence on budgets to be pooled; and
 - revising contracting arrangements.
- 5.5. The critical areas of work to be progressed for 1st April are:
- the creation of a Manchester Joint Commissioning Board. The CCGs and MCC remain responsible and fully accountable for their statutory responsibilities but can formally delegate to a Joint Board. This will require changes to the CCGs' constitutions to reflect powers delegated to the new Board
 - financial governance arrangements, including the creation of a Joint Finance Committee, specifying authorising officers to act on behalf of the CCG Boards and the Executive with the appropriate financial scheme of delegation and an update on definitions of permitted expenditure;
 - preparation of a joint financial plan for the totality of health and care resources including the pooled fund;
 - a joint approach to prioritisation and development of business cases to access transformation funding. The proposed Finance Committee will be key to overseeing this work and additional consultancy capacity may be required to meet the deadline of the end of January;
 - scope to develop an appropriate and more progressive attitude towards risk share arrangements, which make joint prioritisation of resources and spending decisions a necessity, develops commissioner skills in readiness for the magnitude of the pool fund envisaged, sets tolerances to take account of demand variations and agrees appropriate risk reserves; and

- agreement on principles covering how the financial savings impact of investment schemes will be tracked across partners and the whole resource quantum using cost benefit analysis (CBA) methodology and benefits sharing arrangements.

A report elsewhere on the agenda details the proposed Board arrangements proposed by the Joint Director, Health and Social Care Integration. The Finance work stream for the Manchester locality plan will oversee the detailed update to the Section 75 Agreement, covering the matters above and this will be presented to a future meeting of HWB. It should be noted that there is a significant amount of work which will be required to progress this and access to legal advice and support from external audit teams will be required to meet the timescale set.

5.6. Over the course of 2016/17 the finance priorities are:

- to support the development of business cases for services to be included in the expanded pool budget scope from the 1st April. The aim is that these are completed by the 31st January;
- to support the contracting of the 'One Team' specification;
- to support the financial modelling of approved funded investment priorities and track their impact on outcomes and budgets;
- to review the payment basis of CCG contracts which are currently on a fixed or 'block' payment basis to consider the business case for and benefits from alternative approaches, e.g. commissioning for outcomes, whilst protecting existing arrangements for twelve months. This provides surety on funding for Providers for 2016/17 whilst the Practitioner Design Team (PDT) is tasked with developing plans for new ways of integrated working;
- to review how the options for new forms of contracting could help to enable the switch from acute to community services;
- to develop the next phase for expanding the pooled fund and to review the financial stability of these budgets, including conducting relevant due diligence processes, following decisions made by Partners in setting the budget for 2016/17; and
- to deliver requirements set by the GM Strategic Partnership Board in relation to devolution opportunities and flexibilities.

5.7. The City Council currently hosts the Pooled Fund for the Better Care Fund. The key responsibilities include:

- providing the aggregate financial and performance monitoring reports;
- maintaining an overview of all joint financial issues affecting the partners in relation to the services and the pooled fund;

- ensuring that all expenditure from the pooled fund is in accordance with the provisions of the agreement and the relevant scheme specification; and
- arranging for the audit of the accounts of the pooled fund arrangements.

As the pooled fund is expanded there may be enhanced roles and responsibilities, particularly around contracting, procurement, financial planning, monitoring and cash management. At this stage partners are not recommending a deviation from the Council remaining as host partner.

6.0. Conclusions

- 6.1. With the release of the financial settlement information, integration plans reach a pivotal point of moving into implementation. The report outlines the proposed expansion of the pooled fund in 2016/17 for services aligned to 'One Team' and references key work to be undertaken on governance requirements. The latter will continue to strengthen and formalise the joint working and financial planning arrangements between MCC and the CCGs that will form the basic platform for integration.
- 6.2. The Government has responded to some of the key asks in the GM Spending Review submission and the improved Better Care Fund, social care precept and Transformation Fund in particular provide key funding mechanisms to protect adult social care within the wider local government reduced resource context and to provide the critical investment for new delivery models which are at the core of transformation and achieving medium term financial sustainability.
- 6.3. The detailed arrangements for accessing the Transformation Fund are expected to be confirmed in mid-January and confirmation of priorities and preparation of business cases will be critical work late January.
- 6.4. The Finance work stream is tasked with delivering a very challenging programme of changes to the financial arrangements of MCC and the CCGs and this will necessitate a period of sustained joint working, prioritisation of financial capacity and access to specialist consultancy skills where appropriate.

7.0. Recommendations

The HWB is recommended to:

- 7.1. Endorse proposals for the first phase of the programme to expand the pooled fund, with indicative budgets for services in-scope with 'One Team' as set out in section 4.5 (noting the due diligence processes to be followed).
- 7.2. Recommend to the City Council Executive the decision to pool the Council budgets detailed at section 4.5, including the removal of Public Health Grant funding (£1.771m) which is aligned to residential and nursing services that are currently planned to be pooled in a subsequent phase.

- 7.3. Note work underway to construct business cases to pool service budgets for residential social care, homecare, continuing health care and placements where children and young people with disabilities have education, health and social care needs, for consideration in 2016/17.
- 7.4. Endorse proposals to pool funding arising from successful bids against the GM transformation fund.
- 7.5. Endorse the intent to begin financial reporting in 'shadow form' on the whole resource quantum in view for pooling over the medium term.
- 7.6. Note work underway to update the Partnership Agreement for implementation 1st April 2016.