

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

Report to: Manchester Health and Wellbeing Board – 31 August 2016

Subject: Joint Financial Planning 2017/18

Report of: Carol Culley, City Treasurer, Manchester City Council
Joanne Newton, Director of Finance, Manchester Clinical
Commissioning Groups

Summary

The Health and Wellbeing Board has received previous reports which describe the strategic financial plan, which supports the Manchester locality plan; this report has been prepared to provide further detail on the CCG'S financial plans and to propose a planning timetable which is aligned to that of Manchester City Council.

The plans will build upon work which has been in development for a while with respect to the Single Hospital Service (SHS) and the Local Care Organisation (LCO) and the investment proposition to be submitted to the Greater Manchester Transformation Fund.

Recommendation

The Board is asked to note the report.

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	Effective joint financial planning by the City Council and Clinical Commissioning Group will benefit the whole Health & Social Care economy and all of the priorities in the Health & Wellbeing Strategy
Improving people's mental health and wellbeing	
Bringing people into employment and ensuring good work for all	
Enabling people to keep well and live independently as they grow older	
Turning round the lives of troubled families as part of the Confident and Achieving Manchester programme	
One health and care system – right care, right place, right time	
Self-care	

Lead board member: Philip Burns, Clinical Chair South Manchester CCG, Mike Eeckelaers, Chair Central Manchester CCG, Mike Greenwood, Chair North Manchester CCG, Hazel Summers, Strategic Director Adult Social Care, MCC

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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.

1. Introduction

- 1.1 The Health and Wellbeing Board has received previous reports which describe the strategic financial plan, which supports the Manchester locality plan; this report has been prepared to provide further detail on the CCG'S Financial plans and to propose a planning timetable which is aligned to that of Manchester City Council.
- 1.2 Recent guidance jointly issued by NHSE and NHSI "strengthening financial performance and accountability in 2016/17" launched a two year NHS planning and contracting round for 2017/18 to 2018/19 to be completed by December 2016, linked to STPS. It is likely that GM will require plans in advance of this to enable the STP to be refreshed. MCC is required to have a published efficiency plan to be available to DCLG by 14th October 2016. It is therefore proposed that the CCG aligns its planning process to meet this date.

2. North South and Central Manchester CCGS

- 2.1 Recent guidance jointly issued by NHSE and NHSI "strengthening financial performance and accountability in 2016/17" launched a two year planning and contracting round for 2017/18 to 2018/19 to be completed by December 2016, linked to STPS. Revised planning guidance to support this process is expected in September and it is anticipated that a new tariff will be in place for 2017/18. Until tariff information and planning guidance becomes available, there remains a level of uncertainty, but as the financial challenge for future years is significant, it is proposed that the CCG planning timetable is aligned with that of Manchester City Council.
- 2.2 The CCGS have developed initial plans based upon the following assumptions;
- Allocations are in line with those published in December 2015
 - Budgets have been calculated by taking 2016/17 forecast outturn levels and uplifting for non-demographic, demographic and inflation assumptions included in the locality plan.
 - The requirement to hold a 0.5% contingency and 1% uncommitted reserve in line with 16/17 planning guidance
 - The requirement to deliver 1% surplus
 - That system resilience funding will be at the same level as in 2016/17
 - That BCF contributions will be at the same level as 2016/17.
 - The CCG will be required to continue to fund the national CHC risk pool
 - That additional investment in CAMHS and eating disorders will continue in 2017/18
 - Expenditure on primary care will be in line with allocations received
 - Any additional investment to support new models of care will be funded from the transformational fund. With the exception of primary care, in South and Central Manchester CCGS there will be no further investment
 - Costs associated with the mental health transaction will be managed within funding agreed in 2016/17.

- 2.3 Based upon these assumptions the following savings will be required to deliver financial duties in 2017/18.

	North Manchester 2017-18 £000's	Central Manchester 2017-18 £000's	South Manchester 2017-18 £000's	Total 2017-18 £000's
Savings required	0	-8,232	-6,857	-15,090

For North Manchester CCG, there is no requirement for QIPP to deliver a balanced budget, but to provide assurance of value for money a QIPP target of £4m is suggested.

3. Manchester City Council budget process

- 3.1 A report on the Council's budget process 2017/18 to 2019/20 has been published. This report sets out the current financial resourcing assumptions for the City Council covering the four year period 2016/17 to 2019/20. This is in line with the government's multi-year financial settlement proposals which require a published efficiency plan to be available to DCLG by 14th October 2016.
- 3.2 As a result of the financial modelling undertaken, the Council is likely to be facing a budget gap of between £45m and £75m by 2019/20 (based on the current local government finance regime). MCC are currently reviewing their assumptions in line with their latest intelligence on resources and pressures for the next three years but the scale of the savings required is unlikely to change significantly.
- 3.3 This budget gap relates to the totality of the Council budget of which approximately 60% is in scope of the locality plan. Whilst the process agreed by the City Council has not yet allocated savings targets to services, the planning figure included in the Locality plan of is considered to be a reasonable estimate of the level of savings that will be required in 2017/18.

4. Locality plan

- 4.1 The MCC and CCGs budgets included in the Locality Plan total £1.1bn and the service budgets have been allocated across the 3 pillars identified in the Locality Plan which are:
- One Team / Local Care Organisation (LCO)
 - A single commissioning function
 - A single Manchester hospital service

For MCC there remain a significant amount of services which are outside of the scope of the locality plan.

A budget map has been produced to show which services have been allocated to which pillar and can be found in appendix A. Note this allocation of services/budgets has not yet been signed off by respective Boards and is only indicative at this moment in time.

- 4.2 The table included at appendix B is taken from the locality plan. “Do nothing gap” figures will be updated as more detailed financial plans are developed, but provide a reasonable indication of the values required. The benefits figures should not be read to mean that detailed plans exist to support efficiency plans in this areas but that the values should be considered to be the minimum savings expected from these services. As previously reported the values identified in 2017/18 do not close the financial gap for either MCC or the CCGS and further plans will be required as summarised below;

	MCC £000's	CCG £000's	Total £000's
No nothing gap	21,305	15090	36395
Total benefits	9,761	5280	15,041
Additional savings required	11544	9810	21354

Firm plans have not yet been developed that provide confidence that efficiencies will be realised in 2017/18 and to meet the overall timescale of having formally plans agreed by October, these will need to be developed by mid-September.

Based upon this budget map, the table below summarises the process for developing efficiency plans with further detail included in the narrative below.

Pillar	Single hospital service	LCO	Single commissioning system	Single commissioning system	Out of scope
Process	Transformational bid process	Transformational bid process	Business cases via JCE	BAU QIPP	MCC Process

4.3 Single hospital service

- 4.3.1 The Manchester proposal is in relation to one of the ‘three pillars’ for transforming the health and social care across the Manchester locality. The aim of the proposal is to merge together the three acute hospitals present within central Manchester.
- 4.3.2 The outcome will be a single faced approach, which will focus on providing the best care to an individual, through best practice and significant changes in the provision of hospital services.
- 4.3.3 In June 2016, an initial investment proposition of £10.47m to support the commencement of the implementation of the Single Hospital Service Review and immediate requirements for 2016/17 was made to GM.

- 4.3.4 As a result of the independent evaluation of the bid, Manchester has been awarded £1.7m to fund the dedicated support required to get Manchester to a position of a full business case by September 2016.
- 4.3.5 Part of this investment will be used to further identify the benefits of the SHS review in the context of the wider benefits expected of the Plan and the new integrated models of care that run across both pillars (LCO and SHS).
- 4.3.6 In September 2016, an investment proposition will be submitted to support the fuller implementation plan which will build upon the further work achieved through tranche 1 investment monies and the combined benefits to be delivered between the acute sector (Single Hospital Service) and the primary care led integrated community sector (LCO).
- 4.3.7 Commissioners, reporting through the Joint Commissioning Executive, will work collaboratively with the three trusts and others to ensure the fastest and most effective implementation of the Single Hospital Service whilst ensuring commissioning responsibilities are undertaken properly and in the best interests of the population.
- 4.3.8 The collaborative working will also ensure that the initial benefits identified in Sir Jonathan Michael's report (totalling c. £29m) and benefits identified from further work are supported by robust implementation plan.
- 4.3.9 It has been agreed that a further bid will be made to the transformational fund in September 2016.

4.4 One Team / Local Care Organisation (LCO)

- 4.4.1 PwC has been commissioned to support the Manchester Provider Board in the development of the LCO. PwC are currently funded to provide support until the end of August. There are two main components to their programme of work: LCO architecture and care model design.
- 4.4.2 The workshops have commenced for the care model design. The expectation is that the output of these workshops will inform:
- The care models which are to be included within the scope of the LCO;
 - The phasing of when the individual care models are to be implemented; and
 - The investment requirements and efficiency savings to close the financial gap as part of the CBA,
- 4.4.3 To enable CBA work to be completed it is essential that agreement is reached on the scope and phasing of the LCO. The current working assumption is that DGH is defined as planned and emergency medical specialist activity and the costs included accordingly.

4.4.4 Those care models identified to be in scope for the LCO will form the investment ask. Those work programmes which don't feature within the care models, will not be included in the CBA modelling and therefore the bid to the transformation fund in September 2016.

4.4.5 The CBA for the LCO is expected to commence from the 15th August 2016 and take approximately 3 weeks to complete. This does not currently fit in with the Council timetable of having worked up savings proposals by the 9th August 2016 which can be seen in the timelines below:

High Level Tasks for Investment Proposal	Week Commencing											
	25/07/2016	01/08/2016	08/08/2016	15/08/2016	22/08/2016	29/08/2016	05/09/2016	12/09/2016	19/09/2016	26/09/2016	03/10/2016	10/10/2016
Care models workshops												
CBA development							★					
Draft Investment Proposal to MPB/ICE												
Final amendments to Proposal												
Final Investment Proposal signed off												
High Level Tasks for MCC Budget Process	Week Commencing											
	25/07/2016	01/08/2016	08/08/2016	15/08/2016	22/08/2016	29/08/2016	05/09/2016	12/09/2016	19/09/2016	26/09/2016	03/10/2016	10/10/2016
Report to Executive outlining budget approach												
Work up of 'Big Ticket' Savings Proposals				★								
SMT Away Day												
Development Directorate Reports / Business cases												
Progress report to EMG												
Directorate reports/business cases finalised												
Publication of Efficiency Plan												

★ Dates at which worked up savings are identified

4.5 A Single Commissioning Function (SCF)

4.5.1 As part of the single commissioning system the three Manchester CCGs and MCC have established a Joint Commissioning Executive (JCE) to create single leadership arrangements for commissioning of health and care. The Joint Commissioning Executive is meeting weekly to manage the business required to implement the Locality Plan.

4.5.2 The services which are deemed to be part of the SCF and not part of the care models work, will need to develop efficiency plans to bridge the financial gap.

4.5.3 Craig Harris and Hazel Summers are the lead directors for the majority of these services and it is proposed that they are asked to develop business cases to support efficiency plans in these areas in line with other areas of work by the middle of September. A plan to support the development of these cases is requested as a matter of urgency.

4.5.4 The expectation is that BAU CCG QIPP plans will still be developed and implemented to ensure that right care savings are delivered where not covered elsewhere within this programme.

4.6 Out of scope services

4.6.1 These relate to children's MCC services and a lead to develop proposals has already been identified in the MCC report budget report.

4.7 Finance Programme

- 4.7.1 Based on work in train/ papers already presented, the finance team are working to assign potential benefits to programme areas. These benefits do not close the financial gap and, in particular in 2017/18 a gap of £18.5m remains (appendix D).
- 4.7.2 As a result, work is being undertaken to identify the financial gap by pillar using the services allocated in budget map.
- 4.7.3 This work will be used to identify savings targets. The three Manchester CCGs and City Council have already started developing joint financial working arrangements; learning from and building upon experiences from the last two years, specifically the Better Care Fund and more recently, in producing the Locality Plan.
- 4.7.4 As the pace of change moves ever faster in Manchester, as does the need to develop joint plans. The aim is to develop a single integrated financial cycle by completing the following steps:
- **Step 1 – Shared Understanding** - Trust and mutual understanding of financial issues will only be possible if the organisations move towards sharing information transparently (including risks, funding, commitments and potential future savings plans).
 - **Step 2 – Due Diligence** - proposal that partners agree to carry out due diligence procedures and risk assessments on respective 2016/17 financial plans, since these form the platform of the entire Locality Plan and it is critical that risks are understood and owned across the system.
 - **Step 3 – Integrated Financial Cycle** - Strong foundations resulting from the due diligence processes above will form the basis of future strategic and operational financial plans.

5. Summary and Next Steps

- 5.1 This report details the work required to deliver financial plans for 2017/18 and future years for MCC and the three Manchester CCGs. Based upon initial modelling work, the likely savings requirements are approximately £45M for MCC and £15m for CCGs in 2017/18.
- 5.2 The level of financial efficiencies required within the Manchester health and social care economy are significant and will inevitably lead to tensions between different stakeholders. It is therefore essential that partners work closely together and continue to gain a better understanding of each other's cultures and processes.
- 5.3 A joint communication plan will need to be developed to support this work.
- 5.4 Whilst timescales are challenging, plans will build upon work which has been in development for a while with respect to the single hospital service and the LCO and the transformational bid being prepared for September.

Pillar	Single hospital service	LCO	Single commissioning system	Single commissioning system	Out of scope
Process	Transformational bid process	Transformational bid process	Business cases via JCE	BAU QIPP	MCC Process

5.5 Key milestones

- TF submission agreed by HWBB - 19/09/16
- Draft CCG savings plans to Boards - 28th September to 12th October
- Council plans to Scrutiny Committees 10th - 16th October
- Draft Council plans to Executive - 19th October

5.5.1 Due to the importance of this work, it is suggested that it becomes a standing item on the Joint Commissioning Executive agenda during this period, with update reports also being presented at the HWBB Exec.

In addition, both the Council and the CCGS will need to ensure that updates and briefings are provided internally as required.

6. Recommendation

The Health and Well Being Board is asked to note the content of the report.

Appendix A

£907.2m Adults Health and Care		Local Care Organisation		Single Commissioning Function		Out of Scope																																																																																																																	
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* Acute Hospital Care & Ambulance excludes specialist activity and is the Manchester share only

Appendix B

- CCG 16/17 Opening Surplus and Provider 16/17 Opening Deficit is included in the 17/18 position.
- Savings from the LAC investment strategy will be offset by additional investment required in Children's Services.
- Savings from primary care will be offset by additional investment required in Primary care services.

<u>MANCHESTER SYSTEM</u>	FY17/18	FY18/19	FY19/20	FY20/21	FY17/18 - 20/21
	£000s	£000s	£000s	£000s	£000s
<u>Do Nothing Gap</u>					
CCG's	15,090	11,136	13,451	-3,733	35,944
MCC	21,305	9,759	5,973	8,143	45,180
Provider's	11,613	14,134	16,634	11,912	54,293
Total Gap	48,008	35,029	36,058	16,322	135,417
<u>Estimated Benefits</u>					
Acute Provider 2% Efficiency Target	10,724	10,724	10,724	10,724	42,894
LA Provider 2% Efficiency target	5,694	5,886	6,000	6,153	23,733
Prescribing	2,500	2,500	2,500	2,500	10,000
Total 'Business as Usual' Benefits	18,918	19,110	19,223	19,377	76,627
Learning Disabilities	1,850	1,850	1,850	1,850	7,400
Mental Health Improvement			8,111	1,219	9,330
Extra Care Housing	1,500	1,500			3,000
One Team Phase 1 - Neighbourhood Hubs	1,742	1,742	2,323		5,807
One Team Phase 1 - Reablement	717	717	1,434		2,867
One Team Phase 1 - Intermediate Care	563	563	1,125		2,250
Cancer Improvement Programme	475	475	475	475	1,900
Single Hospital Service	1,421	1,421	1,421	1,421	5,684
Total 'Transformational' Benefits	8,267	10,601	19,072	7,298	45,238
Grand Total Benefits	27,185	29,711	38,295	26,675	121,866
Total Additional Savings Required	20,823	5,318	-2,237	-10,353	13,551