

Report to Cabinet

Update on the Oldham Healthcare Economy

Portfolio Holder:

Cllr Abdul Jabbar MBE, Deputy Leader and Cabinet Member for
Finance and Corporate Services

Cllr Zahid Chauhan, Cabinet Member for Health and Social Care

Officer Contact: Anne Ryans – Director of Finance

Report Author: Anne Ryans – Director of Finance

Ext. 770 4902

16 December 2019

Reason for Decision

To present a proposal to increase the Council's proposed contribution to the pooled budget managed via a Section 75 Funding Agreement which operates between Oldham Council and Oldham Clinical Commissioning Group (CCG). In addition to transferring budgets for existing services into the pooled arrangement, it is proposed to increase the Council's contribution by £5.9m in 2019/20. This would support the financial resilience plan of the CCG whilst it is undergoing transformation to achieve future efficiencies and in turn support the wider Oldham healthcare economy over the next four financial years. It is anticipated that the investment would be reversed and that the Council would then pay a reduced contribution into the pool between 2021/22 and 2023/24.

Executive Summary

The report outlines the issues around the potential allocation of £5.9m of Oldham Council reserves to support the financial recovery plan of Oldham CCG in 2019/20 and support the wider Oldham healthcare economy benefiting all our residents.

As the 2019/20 Section 75 Pooled Funding Agreement between the Council and the CCG is currently being reviewed, a revision to the phasing of previously anticipated contributions can be agreed. It is proposed that the use of reserves of £5.9m will increase the Council's contribution to the pooled budget for the financial year 2019/20 with reduced contributions from 2021/22 to 2023/24. This will allow the Council to put investment into the CCG so that the CCG can initiate work that could otherwise be delayed at this stage of the integration process. This would support the delivery of longer-term savings and efficiencies across the CCG, the Council and the wider Oldham healthcare economy.

The CCG will subsequently contribute an additional £5.9m to the pool over the period 2021/22 to 2023/24, thereby enabling the Council to reverse the investments made and replenish reserves.

Recommendation

That Members approve the use of £5.9m of Council reserves to provide additional investment supporting transformation to Oldham CCG in 2019/20.

Update on the Oldham Health Economy

1 Background

- 1.1 Members will be aware that like the Council, Oldham CCG as a key public sector partner is facing a significant financial challenge. The CCG's initial budget gap for 2019/20 was £34.7m and the CCG has proposed that one element of its strategy to address its budget position and also enhance joint working, is to seek investment from Oldham Council to deliver better integration including processes for Adult Social Care.
- 1.2 The CCG and Council have been working closely together for a number of years, including addressing pressures in Adult Social Care and health services. As part of this integrated working, Oldham CCG has provided additional non-repayable support to the Council in previous financial years. In part, the funding was used to provide much needed support for Adult Social Care services at a time of significant financial challenge providing better health and social care support for the residents of Oldham.
- 1.3 The 2019/20 Section 75 Pooled Funding Agreement between the Council and the CCG is currently being reviewed to allow an increase to both the Council and CCG contributions to facilitate greater integration including Adult Social Care, Children's Social Care and Public Health. The purpose of this report is to propose a potential additional £5.9m increase to the Council's contribution to the pooled budget to support quicker integration, particularly in relation to Adult Social Care. This would then allow the CCG to initiate a range of activities to enable it to take forward the integrated working agenda and hence provide the dual benefits of improving its financial position as well as providing service development and improvement across the wider Oldham healthcare economy including those services provided for vulnerable adults. This in turn will enable the Council to use its own children's and adults social care and Public Health resources more economically, efficiently and effectively. This will support the Council's medium to long-term financial resilience, through the delivery of budget reductions.

2 Current Position

Requirement for Investment

- 2.1 The 2019/20 budget of the CCG has been based on addressing an initial budget gap of £34.7m. It is evident that this is a challenge and the plan to address this gap has incorporated a range of measures including the delivery of savings proposals and, after discussion with the Greater Manchester Health and Social Care Partnership (GMHSCP), deferring the repayment of financial support that it had previously provided.
- 2.2 As the financial year has progressed, the CCG has proposed the Council invests in transformation linked into the integration plans, particularly for Adult Social Care to help close its budget gap. The financial arrangements for a CCG differ from those of the Council. A CCG must balance its financial position in year. A Council has, for example, the flexibility to use reserves accumulated in previous financial years to support the budget process and deliver transformation of services such as Adult Social Care. Despite best efforts to improve the financial position, the CCG is proposing a higher Council investment in the pooled budget for 2019/20 which will enable it to balance its budget in year but more importantly to enable it to move forward programmes of work that aim to deliver longer-term savings and efficiencies across the wider Oldham healthcare economy including Adult Social Care services provided by the Council, as well as services it provides.

- 2.3 Given the joint working arrangements between the Council and the CCG, opportunities have been explored whereby the Council could provide some financial investment to support the CCG and at the same time take forward the integration agenda and enable the benefits of the programme of joint working to be advanced. Support in the form of an additional investment of £5.9m has been proposed for 2019/20. This sum would be added to the pooled budget.
- 2.4 It has always been the intention of both the Council and the CCG to increase the pooled budget governed by the Section 75 Agreement between both parties. The Section 75 Agreement for 2019/20 is currently being reviewed and thus provides an opportunity to approve an additional Council contribution. Attached at Appendix 1 is a schedule which shows the proposed Council contribution for 2019/20 of £152.119m including the additional resources of £5.9m; a significant increase of £88.336m compared to the £63.783m that was originally included in the 2018/19 agreement.
- 2.5 The adjustment to the Section 75 Agreement will allow the Council to invest in the pooled budget and enable the overall increase in spending on initiatives with the aim of generating longer term savings and efficiencies. This will incentivise both partners to accelerate programmes of work linked to the delivery of savings. The principle of a Local Authority supporting the wider health economy by providing upfront investment to a CCG has been adopted by other Councils and has been audited as part of those Council's respective final accounts processes without challenge. It is essential when using this approach for the benefits to the Council Taxpayers of Oldham to be demonstrated.

Benefit to the Oldham Council Taxpayer

- 2.6 The Council's corporate plans look to support a healthier population through an equitable and joined up approach to strategic development requiring robust and strong leadership. Investment in the health economy will contribute to enabling Oldham Council to work towards delivering on its 'Creating a Better Place' strategy. The Council is facing a changing and challenging future and has a duty to consider the needs of its population and needs to use its resources and influence to create better outcomes and opportunities for people of all ages. At the core is the essential element of enabling people to access health services which can support less reliance on publicly funded services, including those provided by the Council.
- 2.7 As explained above, the extra resources would allow the CCG to initiate a range of activities to enable it to take forward the integrated working agenda and hence provide the dual benefits of improving its financial position as well as providing service development and improvement across the wider Oldham healthcare economy. This in turn will enable the Council to use its own children's and adults social care and Public Health resources more economically, efficiently and effectively. This extra investment by the Council will be reversed over a three-year period, commencing in 2021/22, via the Council making reduced contributions to the joint pooled budget. As the investment benefits are realised the CCG can make a corresponding and compensating increase. The anticipated profile of additional investment to the pooled budget is demonstrated in the table below:

S.75 Contributions	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Oldham CCG Increase	0	0	1,000	1,000	3,900
Oldham Council Increase/(decrease)	5,900	0	(1,000)	(1,000)	(3,900)

- 2.8 From 2021/22, the Council will be able to reduce its investment to mirror the planned increase by the CCG which will support the replenishing of Council reserves. Both the Council and the CCG would anticipate that by 2021/22 the benefits of the initial increased investment will be evidenced.

-
- 2.9 The planned expansion of the Section 75 Pooled Budget for 2019/20 by both the Council and the CCG will include the merging of Community Health Services which are currently commissioned by Oldham CCG together with services relating to the provision of adult social care which are currently commissioned by the Council. The use of additional Council resources will enable all partners to initiate work in this area that could not otherwise be started at this stage of the integration process. Resources can be combined into a single budget thereby allowing the transformation of the offer and the development of pathways that go beyond the traditional boundaries and allow the offer to Oldham residents to be wider and more comprehensive than the current specifications allow, examples include;
- Building on the cluster working particularly in relation to Care at Home, optimising the deployment of resources, working only with quality assured providers, delivering a high-quality provision for all clients with social care and health requirements throughout the Borough
 - Shaping the external provider market to make it more sustainable, equitable and transparent for the citizens of the Borough
 - An increasingly holistic view of Continuing Healthcare, with a clearly defined and centrally controlled approach to Section 117 service users
- 2.10 Equally there will be a benefit of being able to have a more informed conversation between Oldham Cares "Health" and "Care" commissioners about the speed of integration, the approach to joint service redesign backed up by having resources available to pump prime transformational activities.
- 2.11 As noted in section 2.4 of the report the OMBC contribution to the pool is planned to increase by £88.336m, a significant proportion of which is the addition of budgets in relation to Children's Social Care (£37.623m), Public Health (£14.952m) and Housing Related Commissioning (£2.394m) all of which combined with the additional investment will enable the joining up of conversations about children and young people's health and well-being, social and housing needs as well as educational needs. This will assist in taking forward the Special Educational Needs and Disability (SEND) agenda using a single approach as well as supporting the identified need for improvement in the health offer to those in the community under 18 years of age. Plans are in place, but this step will speed up the work that is underway and increase the depth of our ambition.

Use of Council Reserves

- 2.12 When the Council's accounts for 2018/19 were closed, resources of £5.9m were allocated to a reserve to support efficiencies and developments within health. This reserve remains and could therefore be drawn down to support the increased £5.9m of expenditure, thereby not affecting the Council's in year financial position from a revenue perspective. It is then intended that the reduced contributions to the Section 75 agreement made by the Council; commencing in 2021/22 will be utilised to replenish reserves.
- 2.13 It is important to note that the Oldham Health Economy reserve of £5.9m is included in the Council's Reserves Policy which was presented to the Audit Committee at its meeting on 25 June 2019. This reserve was specifically highlighted when the Audit Committee, as agreed at the Council meeting of 27 February 2019, scrutinised the Council's earmarked reserves included in the Reserves Policy.

Issues for Consideration

2.14 In considering the proposal it is important to also have regard to the following:

a) The Impact on the Council's Financial Resilience

- i) The impact will be reflected through a medium-term reduction in earmarked reserves which will initially be shown in the Council's accounts at the 2019/20 year end. The proposed use of reserves for 'invest to save' purposes together with all the other approved and proposed uses (including £8.818m which has been used to balance the 2019/20 budget) will potentially have a short term impact on the financial resilience of the Council, particularly if there is no opportunity for the Council to replenish its reserves from other sources at the year end. It would also be highlighted in financial resilience ratings in national data sets. As the contributions to the pool are reversed this will be reflected in improved reserve balances and an improved financial resilience position.

b) The Impact on the Joint Working Agenda

- i) Were the CCG to fail to achieve financial balance it would result in significantly closer scrutiny from GMHSCP and NHS England, which in turn could lead to intervention and the introduction of Special Measures. This would be likely to have a serious and detrimental impact on the integration process and the work that has taken place to date.
- ii) The sharing of the solution to a joint financial challenge would demonstrate the increasingly joined-up approach to the financial management of key aspects of public service spend in the borough.

3 Options/Alternatives

3.1 Option 1 – Do nothing. This would impede the speed and scale of integration and potentially delay the delivery of financial efficiencies to both partners as a result.

3.2 Option 2 – Increase the Council contribution to the pooled fund in 2019/20 by £5.9m to support the CCG, recognising in doing so that the Council must be satisfied that there are clear and demonstrable benefits to the Council Taxpayers of Oldham.

4 Preferred Option

4.1 Option 2 is the preferred option on the balance of risk to the Council compared to the benefits that are anticipated over time.

5 Consultation

5.1 There has been consultation between officers and Members of the Council together with members of the Governing Body of the CCG.

6 Financial Implications

6.1 As advised above, the use of £5.9m of the Council's 2019/20 reserves will have a short-term impact on the financial resilience of the Council (albeit manageable) but not impact on the overall financial position in the year in which the contribution is made. There will however be a loss of investment income whilst the funds are out of the Council's direct control.

6.2 There would also be an impact on the financial resilience of the Council if there is no opportunity to begin to either replenish the reserves from other sources or in the prescribed manner from the CCG. It would also be highlighted in financial resilience ratings in national data sets. However, as the contributions to the pool are reversed the financial resilience position will improve.

6.3 It is anticipated that the benefits of the investment will be demonstrated from 2021/22 and this will then have an influence on future years financial planning arrangements.

7 Legal Services Comments

7.1 The Council has entered into an agreement under section 75 National Health Services Act 2006 to evidence the pooled funding arrangements which are in place between the Council and the Oldham Clinical Commissioning Group in relation to the provision of services to maximise resources. This agreement has been reviewed from year to year and is currently in the process of further review.

7.2 The provisions in section 75 of the National Health Services Act 2006 prescribe the conditions under which these arrangements can be made. These are as follows:

Section 75 Arrangements between NHS bodies and local authorities

(1) The Secretary of State may by regulations make provision for or in connection with enabling prescribed NHS bodies (on the one hand) and prescribed local authorities (on the other) to enter into prescribed arrangements in relation to the exercise of:

- (a) prescribed functions of the NHS bodies, and
- (b) prescribed health-related functions of the local authorities, if the arrangements are likely to lead to an improvement in the way in which those functions are exercised.

(2) The arrangements which may be prescribed include arrangements:

- (a) for or in connection with the establishment and maintenance of a fund:
 - (i) which is made up of contributions by one or more NHS bodies and one or more local authorities, and
 - (ii) out of which payments may be made towards expenditure incurred in the exercise of both prescribed functions of the NHS body or bodies and prescribed health-related functions of the authority or authorities,
- (b) for or in connection with the exercise by an NHS body on behalf of a local authority of prescribed health-related functions of the authority in conjunction with the exercise by the NHS body of prescribed functions of the NHS body,
- (c) for or in connection with the exercise by a local authority on behalf of an NHS body of prescribed functions of the NHS body in conjunction with the exercise by the local authority of prescribed health-related functions of the local authority,
- (d) as to the provision of staff, goods or services in connection with any arrangements mentioned in paragraph (a), (b) or (c),
- (e) as to the making of payments by a local authority to an NHS body in connection with any arrangements mentioned in paragraph (b),
- (f) as to the making of payments by an NHS body to a local authority in connection with any arrangements mentioned in paragraph (c).

7.3 The proposal for the Council to provide additional funding in the current financial year to fund the transformation agenda with a view to achieving savings in the long run and the Clinical Commissioning Group committing itself to provide additional funding in future years would meet with the specific requirements laid out in the legislation for the pooled funding arrangements under section 75 of the Act. (Elizabeth Cunningham Doyle)

8. **Co-operative Agenda**

8.1 The proposal to provide financial support to the CCG aligns to the Cooperative Agenda of the Council.

9 **Human Resources Comments**

9.1 There are no Human Resources comments.

10 **Risk Assessments**

10.1 Set out below are the are five main risks that need to be considered. Where appropriate these have been included within the Council's own risk register:

- The CCG cannot vary their contribution to the pool in the three financial years, commencing 2021/22, as transformation does not deliver the planned efficiencies to enable them to so.
- The Council is making a payment to an independent organisation so it is reliant on close partnership working to ensure its investment is successful as set out in this report.
- The transaction is challenged by a resident of Oldham as not demonstrating clear and demonstrable benefits to the Council Taxpayers of Oldham.
- The potential reduction in the financial resilience of the Council (if reserves cannot otherwise be replenished) at a time when the Medium-Term Financial Strategy highlights one off support is required to underpin day-to-day service activity, including reputational damage as a result of a reduced standing in nationally published data sets.
- The financial position of the CCG requires either closer external scrutiny or the implementation of Special Measures that may prevent the Authority from being able to benefit from both the planned reduced contribution to the pool in later years and the efficiencies in the wider provision of service arising from the investment.

11 **IT Implications**

11.1 There are no IT implications.

12 **Property Implications**

12.1 There are no property implications.

13 **Procurement Implications**

13.1 There are no procurement implications.

14 **Environmental and Health & Safety Implications**

14.1 There are no Environmental and Health & Safety implications.

15 **Equality, community cohesion and crime implications**

15.1 There are no equality, community cohesion and crime implications.

16 **Equality Impact Assessment Completed?**

16.1 No

17 **Key Decision**

17.1 Yes

18 **Key Decision Reference**

18.1 FCS-20-19

19 **Background Papers**

19.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:

File Ref: Background papers are contained in Appendix 1 and in the Council's Reserves Policy approved at the Councils Audit Committee of 25 June 2019
Officer Name: Anne Ryans
Contact No: 0160 770 4902

20 **Appendices**

20.1 Appendix 1 – Proposed Council Contribution to the 2019/20 Section 75 Agreement

COUNCIL CONTRIBUTION TO SECTION 75 POOLED BUDGET 2019/20

Council Portfolio	Pooled Budget	£'000
	Revenue Budget	
Health and Adult Social Care	Community Equipment	1,400
Health and Adult Social Care	Learning Disability	15,056
Health and Adult Social Care	Mental Health	9,337
Health and Adult Social Care	Safeguarding	683
Health and Adult Social Care	Commissioning	18,429
Health and Adult Social Care	Director of Social Care	1,785
Health and Adult Social Care	Community Health and Social Care	37,499
Health and Adult Social Care	Community Business Services	2,388
Health and Adult Social Care	Clusters	2,608
Health and Adult Social Care	Housing Related Commissioning	2,394
Children's Services	Children's Social Care	37,623
Reform	Public Health	14,952
Corporate Resources	Earmarked Reserves	5,900
	Pooled Revenue Budget	150,054
	Capital Budget	
Health and Adult Social Care	Disabled Facilities Grant	2,065
	Pooled Capital Budget	2,065
	Total Proposed Pooled Budget	152,119