

Commissioning Partnership Board Report

Decision Maker	Commissioning Partnership Board
Date of Decision:	21st October 2021
Subject:	Health & Social Care Integration Reserve
Report Author:	Anne Ryans (Director of Finance, Oldham Council) Kate Rigden (Chief Finance Officer, Oldham CCG)
Report Reference:	

Reason for the decision:	To give approval for the proposed use of funds held in reserves following increased flexibilities of S75 contributions within 2020/21.
Summary:	To update the Commissioning Partnership Board (CPB) on proposals to fund transformational

activity which will begin to address the c£90m recurrent system gap across the Oldham system.

What are the alternative option(s) to be considered? Please give the reason(s) for recommendation(s):

Recommendation(s):

a) Note the strong history of joint working and funding arrangements in Health and Social Care in Oldham;

b) Approve the request for use of funds in 2021/22 totalling £5.23m as detailed in para 2.1;

c) Note and approve the transfer of delegation to the new Oldham Health & Care System Board for future decisions regarding the use of the remainder of the £5.07m reserve;

d) Delegate approval jointly to the OMBC Director of Finance and the CCG Chief Finance Officer to finalise the technical requirements in order to utilise the £5m of the funds and confirm phasing arrangements; and

e) Note that approval will also be sought for changes arising from this paper through Council governance routes regarding the Use of Reserves Policy.

Implications:

*What are the **financial** implications?*

Financial implications are within the body of the report

*What are the **procurement** implications?*

N/A

*What are the **legal** implications?*

N/A

What are the **Human Resources** implications? N/A

Equality and Diversity Impact Assessment attached or not required because (please give reason) N/A

What are the **property** implications? N/A

Risks: N/A

Has the relevant Legal Officer confirmed that the recommendations within this report are lawful and comply with the Council's Constitution/CCG's Standing Orders? Yes

Has the relevant Finance Officer confirmed that any expenditure referred to within this report is consistent with the S.75 budget? Yes

Are any of the recommendations within this report contrary to the Policy Framework of the Council/CCG? N/A

Reason(s) for exemption from publication: N/A

Reason why this Is a Key Decision Financial Implications

List of Background Papers under Section 100D of the Local Government Act 1972:

Background papers are the reports as follows:

S75 Update – 25th February 2021

<https://committees.oldham.gov.uk/documents/s122096/S75%20Update%20public%20-%20CPB%2025th%20Feb%202021%20FINAL%20002.pdf>

S75 Update – 25th March 2021

<https://committees.oldham.gov.uk/documents/s122774/S75%20Update%20-%20CPB%2025th%20March%202021%20-%20final.pdf>

Report Author Sign-off:	
	Anne Ryans & Kate Rigden
Date:	8 October 2021

Appendix number or letter	Description
None	

Background

Budget position 2020/21

- 1.1 The NHS Budget Regime 2020/21 was very unusual for both NHS organisations and those providing services to the NHS.
- 1.2 During 2020/21 the Oldham Directors of Finance worked together to set out the system wide financial challenge being faced. Based on the financial plans developed by each organisation at the start of 2020/21 the underlying gap was £87.8m for the Oldham system before savings plans and use of reserves. Whilst there has been some movement in the elements and drivers of this position due to Covid, the year-end position still shows an underlying financial gap of approximately £90m at the end of 2020/21.
- 1.3 For a variety of reasons, the CCG had significant scope to contribute additional funds into the pooled budget. This principally arose due to:
 - £38m higher than normal baseline funding during 2020/21;
 - Acute contracts lower than expected, in particular the impact of lower levels of planned treatments as well as changed NHS England funding arrangements for AQP and elective care; and
 - Delays to investments and costs covered in-year under block contracting arrangements with NHS providers.
- 1.4 At the Commissioning Partnership Board dated 25th March 2021, it was proposed that these funds would be used to support creating a reserve totaling £10.3m in OMBC accounts to support what will be an extremely challenging financial position in 2021/22 and subsequent years.

2 Proposed use of reserves 2021/22

- 2.1 It is proposed that the reserve will be utilised to support the following within 2021/22;
 - Funding additional capacity for the next 12 months to speed up work on children's integration - £0.08m
 - Contribution towards the Delivering a Sustainable Future programme of transformational change - £0.15m
 - Additional contribution to the pool in response to the non-recurrent NHS system pressures as referenced in the paper of March 2021. - £5.0m with delegation, jointly, to the OMBC Director of Finance and the CCG Chief Finance Officer to finalise the technical requirements in order to utilise the funds and confirm phasing arrangements

2.2 Subject to approval a further £5.07m will remain available for future use as a Transformation fund to enable the requisite closing of the underlying gap within Oldham.

3 New Arrangements / Governance

3.1 It is proposed that any future use of the remaining £5.07m reserve will be delegated to the new Oldham Health & Care System Board, with bids being reviewed and proposed by the Place Lead for Oldham in consultation with the Chief Finance Officers of the CCG and the Council to provide assurance as to the financial benefits and to ensure compliance with the Oldham System Financial Framework as set out in Appendix 1. The use of the funds must however align to legislative and local financial frameworks applicable to Oldham Council given that the £5.07m is held in the accounts of the Council.

4 Recommendations:

4.1 CPB are requested to:

- a) Note the strong history of joint working and funding arrangements in Health and Social Care in Oldham;
- b) Approve the request for use of funds in 2021/22 totalling £5.23m as detailed in para 2.1;
- c) Note and approve the transfer of delegation to the new Oldham Health & Care System Board for future decisions regarding the use of the remainder of the £5.07m reserve;
- d) Delegate approval jointly to the OMBC Director of Finance and the CCG Chief Finance Officer to finalise the technical requirements in order to utilise the £5m of the funds and confirm phasing arrangements; and
- e) Note that approval will also be sought for changes arising from this paper through Council governance routes regarding the Use of Reserves Policy.

Oldham System Financial Framework

Over the past two years Oldham DoFs have been working together to improve understanding of the different parts of the health and care system through sharing information and taking a joint approach to service changes. The Framework sets out the principles to support and underpin the wider Integration Agreement.

Principles

The following principles underpin the financial aspects of our joint working:

1. Our overriding financial objective is to deliver a stable system financial position (“Oldham living within its means”), as well as and not solely focused on, individual organisational success and failure;
2. All parties recognise that Oldham is currently spending £90m more than the recurrent funding available long term and have agreed to work together to deliver a long term sustainable financial plan;
3. System working requires system decision making – i.e. system governance with delegated decision-making powers from all organisations;
4. Decision making must be informed by clear understanding of the financial implications and funding for each of the partners together with the regulatory framework within which each of the partners operates and the limitations that this may create (mindful that this is an evolving position and may change);
5. Organisations retain freedom to operate and accountability to deliver outcomes within the agreed resources;
6. Each organisation should be fairly funded and seek to manage within those resources within the funding provided; and
7. All organisations agree that funds and resources should be allocated with a focus on reducing health inequalities through a targeted, evidence-based approach.

Service changes and associated changes to financial flows

The allocation of finance to support investment will be supported by a business case sponsored by the recipient organisation. It is assumed that the partner organisation will require the assurance of a business case as part of its own governance.

At system level, each business case will be assessed against system criteria including the reduction of health inequalities; national priorities for investment (e.g. mental health) and benchmarks for productivity, efficiency and outcomes. The development of a business case

should set out these parameters and would be required for internal governance within the host organisation.

Where service pathway changes shift the distribution of responsibilities for patient care between different organisations, then the following principles will be applied to estimate changes to organisational budgets.

Actual cost changes

Calculated as the changes in costs of the organisation resulting from this service change both directly in delivering the service as well as the support costs. This would include as a minimum staffing, estates, equipment and consumables.

This method is likely to be most appropriate for Oldham Council, smaller organisations and/or simple/small-scale service changes. For example, changes to services delivered by GP Practices or PCNs.

Activity based tariff

The NHS national pricing tool (PbR) gives prices for all types of activity. Recognising that this is a national tool which calculates an impact across all areas of a provider, including fixed costs such as estate, it would not be appropriate to assume 100% of the costs can be removed where patient flows change and so 50% of tariff should be applied.

Activity changes should be estimated from proposed pathway at a detailed level using historic activity levels with impacts agreed collectively by the design team, including clinical input.

There is an expectation that using 50% of the PbR value of the agreed estimated activity impact would be reasonable. This should be considered on a case by case basis for reasonableness.

This method will only be appropriate for providers where a national tariff figure is available, e.g. ROH/OCO or community elective providers (e.g. Virgin Dermatology service).

Detailed cost and/or service line reporting data (only ROH/OCO)

Given the complexity of the process and the detailed inputs required, this method would only be appropriate for ROH/OCO for large scale service changes with a material shift of resources. This could use SLR, model hospital, GIRFT or PLICS costing data or a mix thereof.

Key aspects are:

- Uses methodology as per (2) above but at 100% to calculate the reduction in funding; but then;
 - Calculates transitional funding for up to 3 years on the following basis:
 - Uses actual cost base;
 - Determines which costs can be avoided immediately (e.g. agency staff, TUPE, re-use of equipment, consumables);
 - Categorises each remaining element of expenditure into “variable”, “semi-variable” or “fixed”;
 - For each type of expenditure applies a timeframe over which provider needs to manage out the costs of immediate or 1-3 years;
 - Calculates transitional (temporary) funding based on 100% for year 1, 50% for year 2 and 25% for year 3.

This methodology can only be applied where organisations have detailed costing information which is likely to only be PCFT and ROH/OCO.

Proposed Use of Funds

Using the methodology detailed above, it is proposed that the funds held in reserves will be used to either fund investment required in order to realise benefits or be used to recognise benefits in the year in which the pathway change is actioned whilst recognising that transitional funding may be required for a period of time.

Bids will be reviewed by the Place Lead for Oldham before recommendations are made to the Oldham Health & Care System Board for final approval.