INTEGRATED COMMISSIONING

Northern, Eastern and Western Devon
Clinical Commissioning Group

PLYMOUTH CITY COUNCIL

Subject:	Integrated Commissioning- Building "One System, One Budget"
	Section 75 Agreement
Committee:	Cabinet
Date:	10 March 2015
Cabinet Member:	Councillor Tuffin
CMT Member:	Carole Burgoyne (Strategic Director for People)
Authors:	Craig McArdle (Head of Co-operative Commissioning, PCC)
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Ref:	IHWB/IC
Key Decision:	Yes
Part:	I

Purpose of the Report

The purpose of this report is to gain Cabinet's approval and agreement to a range of recommendations which will allow for the development of the Integrated Commissioning offer. The paper details the key areas within the Section 75 agreement including governance arrangements, financial management and the strategies.

The business case for this project was previously approved by Cabinet on 15th July 2014; it outlined how Plymouth City Council and Northern, Eastern and Western Devon CCG proposed to develop Integrated Commissioning, in line with the Health and Wellbeing Board's vision of achieving Integration by 2016.

The "next steps" were brought back to cabinet on 11th November 2014 which outlined a series of recommendations to move the project forward. This paper responds to the recommendation noted below:

1.1.1. That Cabinet/Governing Body note the Workstream activity and risk register and that the Contract Award report for the Integrated Health and Social Care Provider and finalised Section 75 agreement is brought back to Cabinet/CCG Governing Body before March 2015.

The Integrated Commissioning Project, within the Integrated Health and Wellbeing programme, will deliver a single integrated commissioning function that will focus on developing joined up population based, public health, and preventative and early intervention strategies and adopt an asset based approach to providing an integrated system of health and wellbeing, focusing on increasing the capacity and assets of people and place.

What will people in Plymouth see as a result?

- Easier and earlier access to services that promote wellbeing or that provide help in a crisis
- People empowered to take control of their own health and wellbeing
- Local communities in Plymouth are increasingly supported by strong links between GPs, schools, social workers and community organisations, which helps people like them to stay independent for longer.
- Older people who have come out of hospital are helped to stay at home.
- Families and carers will not have to chase professionals or ask them to talk to each other.
- Children with a learning disability and their families and carers are supported in managing their needs and can trust that when they turn 25 they will continue to receive the support they need
- Developing social capital that enhances the lives of people in Plymouth through providing local resources that support a greater emphasis on prevention and early intervention.
- Greater economic opportunities as more people get the support they need to work.

The Brilliant Co-operative Council Corporate Plan 2013/14 -2016/17:

The propositions made align to the Plymouth City Council Corporate Plan by working cooperatively to meet the objectives of creating a Caring and Pioneering Plymouth. It also aligns to the Health and Wellbeing Board's vision of achieving Integration by 2016, as decided in June 2013.

This project will support the Corporate Vision through:

- Being pioneering in developing and delivering quality, innovative brilliant services with our citizens and partners that make a real difference to the health and wellbeing of the residents of Plymouth through challenging economic times.
- Growing Plymouth through learning and community development creating opportunities for vulnerable people to develop, making us and them stronger and more confident as a result.

- Putting citizens at the heart of their communities and work with our partners to help us care for Plymouth. We will achieve this together by supporting communities, help them develop existing and new enterprises, redesign existing services which will in turn create new jobs, raise aspirations, improve health and educational outcomes and make the city a brilliant place to live, to work and create a future for all that reflects our guiding cooperative values.
- Raising aspirations, improving education, increasing economic growth and regeneration, people will have increased confidence in Plymouth. With citizens, visitors and investors identifying us as a "vibrant, confident, pioneering, brilliant place to live and work" with an outstanding quality of life.

The Integrated Commissioning Project will contribute to the following of the Council's 50 Pledges:

Caring Plymouth - For all of Plymouth's residents whatever their age: Continue our pioneering work to make Plymouth a dementia friendly city.

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land

The Medium Term Financial Plan already includes all of the financial implications of this report insofar as they can be determined at this time.

Transformation resources will continue to be required for the implementation phase of the project. These will be internal where possible and so will rely on staff being temporarily released from other areas of the organisation.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:

The report strengthens our approach to both Child Poverty and Community Safety by focusing on early intervention and prevention and giving every child the best start to life. In line with our Cooperative commissioning principles the approach adopted aims to build both community and individual capacity. Children living in families affected by poverty will feel the benefit of improved family health and wellbeing which directly and indirectly affects economic stability and resilience.

This project is being managed under the guidance from the Transformation Portfolio Office, and uses best practice in managing and mitigating risk. Currently the biggest risks to successful integration are around lack of capacity of the workforce to deliver the intended change and increasing budget pressures in both organisations, could reduce the estimated benefits realised by integration.

The report also describes the ongoing governance arrangements for Integrated Commissioning that have been built into the Section 75 agreement and the financial framework, including:

- The Terms of Reference of the Integrated Commissioning Board and the governance structure to show the decision making and escalation processes
- Responsibility of the host partner and pooled fund manager
- Lead commissioner arrangements to define responsibility on jointly commissioned contracts
- The capped risk share model to limit the risk to each partner in the integrated pool regarding under and overspending

- Details of how the current schemes of delegation will be used to inform the decision making process

No specific Health and Safety Issues have been identified.

Equality and Diversity

Has an Equality Impact Assessment been undertaken: Yes – A Programme wide detailed equality impact assessment has been completed and will continue to be updated through this process to ensure we take action and mitigate any negative effects on any particular groups or individuals.

When considering this proposal it is important to have due regard to the public sector equalities duties imposed upon the Council by section 149 Equalities Act 2010 to:

- Eliminate unlawful discrimination, harassment and victimisation and
- Advance equality of opportunity between people who share a protected characteristic from those who do not and to
- Foster good relations between people who share protected characteristics and others

The relevant protected characteristics for this purpose are: (a) age; (b) disability; (c) gender reassignment; (d) pregnancy and maternity; (e) race; (f) religion or belief; (g) sex; (h) sexual orientation.

Compliance with the duties in this section may involve treating some persons more favourably than others.

Recommendations and Reasons for recommended action:

In order to meet the challenges facing the health and wellbeing system it is recommended that NEW Devon Clinical Commissioning Group and Plymouth City Council proceed towards Integrated Commissioning by;

1. **Approve** that the draft terms of reference for the Plymouth Integrated Commissioning Board (PICB) as submitted.
2. **Approve** the principle of the draft section 75 agreement and authorise the Strategic Director for People to sign the final section 75 agreement on the basis that there are no material changes to the proposals agreed at Cabinet and the CCG's Governing Body.
3. **Agree** to develop the service based on the draft documentation (terms of reference, financial framework and section 75 Agreement)
4. **Agree** the proposal that the CCG takes the role of the host of the integrated fund
5. **Approve** the temporary joint appointment of a senior executive to adopt the responsibilities of the pool manager, set out in the Regulations whilst a full options appraisal is undertaken

6. **Approve** the proposed mechanism for capping the financial risk share obligation to 0.5% of the total integrated commissioning budget, apportioned according to budget contribution.
7. **Note** that any overspend in excess of the risk-share cap will remain the responsibility of the commissioning partner with statutory, regulatory or policy responsibility
8. **Agree** the principle of the Financial Framework to be adopted by both partners and authorise the Council's s.151 officer to provide oversight and agree implementation of the same.
9. **Agree** the proposal to administer the financial transactions of the integrated commissioning function, within the existing administrative arrangements, as far as is practicable.
10. **Approve** that the draft Integrated Commissioning Strategies as submitted for consultation.
11. **Note** the inclusion of the acute health services budget in the integrated commissioning fund

A 'do nothing' option has been considered however this has been rejected due to the significant and time-critical budget pressures facing Plymouth City Council and NEW Devon CCG meaning that this option is not feasible. It would also not deliver the strategic ambition of Integration as set down by Plymouth Health and Wellbeing Board.

Published work / information:

Corporate Plan 2013/2014 – 2016/2017, Report to City Council, 22nd July 2013.
http://www.plymouth.gov.uk/mgInternet/documents/s48110/Corporate%20Plan%20Full20Council%2022.07.13.pdf

The Brilliant Cooperative Council Three Year Plan, Report to City Council, 16th September 2013.
http://www.plymouth.gov.uk/mgInternet/documents/s48110/Corporate%20Plan%20Full%20Council%2022.07.13.pdf

The Brilliant Cooperative Council Three Year Plan, Report to Cooperative Scrutiny Board, 16th October 2013.
http://www.plymouth.gov.uk/modgov?modgovlink=http%3A%2F%2Fwww.plymouth.gov.uk%2FmgInternet%2FieListDocuments.aspx%3FCId%3D1071%26amp%3BMId%3D5544%26amp%3BVer%3D4

Transformation Programme, Report to Cabinet 25th March 2014, including the IHWB Outline Business Case.
http://www.plymouth.gov.uk/mgInternet/documents/s53610/transformation%20cabinet%20march%222014%20final%20MCv1%202.pdf

Health and Wellbeing Strategy, Published by Plymouth City Council, February 2014

http://www.plymouth.gov.uk/healthwellbeingstrategy.pdf

Co-operative Commissioning Framework, Published by Plymouth City Council
http://www.plymouth.gov.uk/cooperative_commissioning.pdf

NHS NEW Devon CCG Five-year Strategic Plan (draft), 4 April 2014
http://www.newdevonccg.nhs.uk/who-we-are/what-is-clinical-commissioning/commissioningframework/100925

NHS NEW Devon CCG – Community services: a strategic framework (draft) -
http://www.newdevonccg.nhs.uk/involve/community-services/101039

Your health, your future, your say: Western Locality's engagement report on Transforming Community Services, March 2014

http://www.newdevonccg.nhs.uk/permanent-link/?rid=101537

Integrated Health and Wellbeing, Integrated Commissioning Project Business Case, Plymouth City Council Cabinet 15 July 2014
http://www.plymouth.gov.uk/mgInternet/documents/s56185/Integrated%20Commissioning%20Business%20Case.pdf6

Co-Operative Scrutiny, 2 / 3 July 2014
http://www.plymouth.gov.uk/mgInternet/documents/b12825/TO%20FOLLOW%20Wednesday%2002-Jul-2014%2010.00%20Scrutiny%20-%20Cooperative%20Scrutiny%20Reviews.pdf?T=9

Integrated Commissioning- Building "One System, One Budget", 11 November 2014

http://www.plymouth.gov.uk/mgInternet/documents/s58960/Integrated%20Commissioning%20-%20Building%20One%20System%20One%20Budget.pdf

Background Papers:

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7
Equality Impact Assessment	x								

Sign off:

Fin	djn1415.47	**Leg**	20445/IC/MS	**Mon Off**	lt22422/260215	**Assets**	DELT001PG	**IT/ Bus Arc**		**Strat Proc**	MC/CS/388/CP/0215
Originating SMT Member: Craig McArdle (Head of Co-operative Commissioning)											
Has the Cabinet Member agreed the contents of this report? Yes											

Section 75 Agreement Cabinet Report

A. Document Information

Programme Name:	**Integrated Health & Wellbeing**
Date:	**10/02/15**
Version:	**0.02**
Project:	**Integrated Commissioning**
Author:	**Anna Coles**
Owner (SRO):	**Carole Burgoyne** **Jerry Clough**

B. Document Control

Version	Date	Author	Change Ref	Pages Affected
0.01	06/02/15	Anna Coles	Initial Draft	All
0.02	09/02/15	Marc Gorman	Re-format & amendments from Project Exec	All
0.03	18/02/15	Craig McArdle	Review and amendments	All
0.04	24/02/15	Anna Coles	Review and amendments	All
0.05	25/02/15	Alex H-John	Implementing agreed amendments	All

C. Sign off

Position	Name		Date
Member for Health and Adult Social Care	Councillor Tuffin	Verbal Agreement	23/02/2015
Member for Children, Young People and Public Health	Councillor McDonald	Verbal Agreement	23/02/2015
Member for Transformation	Councillor Taylor	Verbal Agreement	23/02/2015
Senior Responsible Owner	Carole Burgoyne	Programme Board	12/02/2015
Senior Responsible Owner	Jerry Clough	Programme Board	12/02/2015
Project Executive	Craig McArdle	Co Author	25/02/2015
Project Executive	Nicola Jones	Co Author	25/02/2015
PCC Finance	David Northey	Co Author	25/02/2015
CCG Finance	Ben Chilcott	Co Author	25/02/2015

Legal	Linda Torney	Co Author	25/02/2015
Head of Portfolio Office	Les Allen	TPB	24/02/2015
Head of Business Architecture	Andy Fullard	TPB	24/02/2015

REVIEW AND APPROVAL PROCESS:

Date	Organisation	Meeting
	CCG	Finance Committee
	CCG	CCG Partnerships Commissioning Board
	CCG	Western Locality Board (part II)
	CCG	CCG Audit Committee
	CCG	CCG Gov Body (Part II)
	PCC	TPB
	PCC	Project Board
	PCC	Programme Board
	CCG	Western SLT
	PCC	CMT
	CCG	CCG Exec
	CCG	CCG Finance Committee
	PCC	CAB Planning
	CCG	Western Locality Board
	CCG	CCG Gov Body Decision
	PCC	Scrutiny – Caring Plymouth Panel
	PCC	Cabinet Members Briefing
	PCC	Cabinet

D. Executive Summary

NEW Devon CCG (the CCG) and Plymouth City Council (PCC) have confirmed their intention to develop an integrated health and wellbeing commissioning function, in line with the vision of the Plymouth Health and Wellbeing Board. From 1 April 2015, almost all health services and most of the People Directorate services, other than the "flow-through" schools education funding, will be commissioned jointly. Adult social services staff will transfer to Plymouth Community Healthcare Community Interest Company (PCH) on the same date. Children's Social Services and the Council's Public Health team will continue to provide services "in-house".

The integrated commissioning arrangements will be founded in a section 75 Agreement between the CCG and PCC. This Agreement will comprise pooled funds, including budget applied to the Better Care Fund; and budget for commissioned services that cannot legally be "pooled", but can be managed alongside, as an aligned budget.

In line with the decisions agreed at the November PCC Cabinet Meeting and December CCG Governing Body meeting, the scope of the integrated commissioning fund covers:

- Children and young people's services
- Wellbeing
- Community Care
- Complex Care

The contribution to the fund, for 2015/16, is estimated to be £460 million, split approximately on a 77:23 basis from the CCG and PCC. Risk sharing arrangements will be agreed to limit the level of uncertainty and financial risk faced by each partner to the fund.

The integrated commissioning function will also address health commissioning arrangements for the remainder of the Western Locality (South Hams and West Devon registered patients), but the related finances will be managed outside of the integrated commissioning fund.

Plymouth Integrated Commissioning Board will report to an unchanged Western Locality Board; and to the PCC Cabinet and Health and Wellbeing Board.

Although there will be shifts towards "joined-up" team working and decision making in commissioning, there are no plans for changing employment arrangements or TUPE of commissioning staff in 2015/16

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1. Purpose

1.1. This paper provides a summary of the progress of the work to deliver integrated commissioning for the people of the City of Plymouth. It sets out a number of recommendations on which the Committee's approval is sought, to enable the progress for arrangements for 2015/2016 with a review and further decisions being sought in July 2015 to set out arrangements for 2016/17 and beyond.

2. Recommendations

2.1. The recommendations for this committee's approval are set out in the relevant following sections of this report. For convenience, these are replicated in the paragraphs below.

1. **Approve** the draft terms of reference for the Plymouth Integrated Commissioning Board (PICB) as submitted.
2. **Approve** the principle of the draft section 75 agreement and authorise the Strategic Director for People to sign the final section 75 agreement on the basis that there are no material changes to the proposals agreed at Cabinet and the CCG's Governing Body.
3. **Agree** to develop the service based on the draft documentation (terms of reference, financial framework and section 75 Agreement)
4. **Agree** the proposal that the CCG takes the role of the host of the integrated fund.
5. **Approve** the temporary joint appointment of a senior executive to adopt the responsibilities of the pool manager, set out in the Regulations whilst a full options appraisal is undertaken.
6. **Approve** the proposed mechanism for capping the financial risk share obligation to 0.5% of the total integrated commissioning budget, apportioned according to budget contribution.
7. **Note** that any overspend in excess of the risk-share cap will remain the responsibility of the commissioning partner with statutory, regulatory or policy responsibility.

8. **Agree** the principle of the Financial Framework to be adopted by both partners and authorise the Council's Section 151 officer to provide oversight and agree implementation of the same.
9. **Agree** the proposal to administer the financial transactions of the integrated commissioning function, within the existing administrative arrangements, as far as is practicable.
10. **Approve** the draft Integrated Commissioning Strategies as submitted for consultation
11. **Note** the inclusion of the acute health services budget in the integrated commissioning fund

3. Context

3.1. The ambition for health and wellbeing in Plymouth is to create a fully integrated health and social care system within the next three years; in terms of both commissioning and delivery of care. The aim is to establish more collaborative, integrated and strategic approaches to how we commission and deliver services. Our key objectives are to:

3.1.1. Improve the experience of service users, their relatives and carers

3.1.2. Improve outcomes for the residents of Plymouth

3.1.3. Deliver improved value for money and manage better the cost of delivering a more responsive and focused health and social care service.

3.2. PCC and the CCG have set-up a joint programme of work, called the Integrated Health and Wellbeing Programme to achieve these objectives.

3.3. Integration, along with personalisation of care and prevention of need, features heavily in our joint service strategies. Engagement with stakeholders, as part of the CCG "Transforming Community Services" programme; and the resulting impetus for change features heavily in our approach to integration of health and wellbeing service provision. The people of Plymouth have sent a clear message that they want reduced boundaries and less fragmentation in the way that care is delivered. They want to tell their story

only once and to feel that they are being listened to. These messages are central to our approach to proposed integration. They are illustrated in the vision of the PCC Health and Wellbeing Board (HWB), below:

4. Past decisions

4.1. In July 2014, the PCC Cabinet and the CCG Governing Body agreed the following:

4.1.1. **On integrated commissioning of care**, NEW Devon CCG and Plymouth City Council will collaborate to:

4.1.2. achieve a fully integrated commissioning function, through a new entity by March 2016

4.1.3. develop a section 75 agreement(s) by the end of March 2015 to pool budgets based around:

- Wellness
- Community care

- Complex care
- Children and Young People

4.1.4. establish an interim arrangement to deliver integrated commissioning from April 2015

4.1.5. develop integrated strategies for joint commissioning of services

This scope has been increased subsequently to include acute care services.

4.2. Enabled by the integration of commissioning and also in line with the vision of the Health and Wellbeing Board, there is also an intention to integrate adult social care with community healthcare in Plymouth (integrated delivery) with effect 1st April 2015. The recommendations agreed by the Governing Body and Plymouth City Council's Cabinet in July 2014 for integration of delivery were:

4.2.1. **On integrated delivery of care,** NEW Devon CCG and Plymouth City Council will collaborate to:

4.2.1.1. Develop an agreement that pools relevant adult social care and healthcare resources to facilitate the creation of a single community health and adult social care delivery model for the people of Plymouth

4.2.1.2. Identify and evaluate options for integrating community health and adult social service delivery in the City by April 2015

4.2.1.3. Consult with staff, unions and stakeholders in developing the new service model.

4.3. **In November/December 2014 PCC Cabinet and CCG Governing Body agreed the following**:

4.3.1. The new high level governance arrangements

4.3.2. The scope of the integrated commissioning pooled budget is agreed and the indicative contributions are noted

4.3.3. The Risk Sharing principles are used as a basis to develop the Section 75 Agreement

4.3.4. The high level Integrated Commissioning Design is approved and is allowed to proceed to the design and build phase

4.3.5. The High Level draft Commissioning Strategies for Children and Young People, Wellbeing, Community Care and Complex Care are approved for consultation and development.

4.3.6. The commissioning and contracting approach for the Integrated Health and Social Care Provider is approved.

4.3.7. That Cabinet/Governing Body note the workstream activity and risk register and that the Contract Award report for the Integrated Health and Social Care Provider and finalised Section 75 agreement is brought back to Cabinet/CCG Governing Body before March 2015.

5. Governance

5.1. Members of both PCC and the CCG have considered a range of options for the corporate governance of the integrated commissioning function. In summer 2014, the PCC Cabinet and CCG Western Locality Board considered the principles around governance, values and the wider context of integrated health and wellbeing.

5.2. The partners share the view that the arrangements must be both clear and streamlined; and must recognise the dual accountability to, and delegation of authority and responsibility from, both and PCC Cabinet and the CCG Governing Body.

5.3. The Plymouth Integrated Commissioning Board will provide system leadership and direction to the staff of the Integrated Commissioning function. It will promote quality; and will identify how the health and wellbeing strategic intentions will be supported through Integrated Commissioning.

5.4. The Integrated Commissioning board will make recommendations to Cabinet and the CCG Locality Board on any in year Commissioning decisions not referenced in existing annual plans.

5.5. **Key Recommendation: (See Appendix 1 – Section 75 Schedule 2)**

5.5.1. **Approve** the draft terms of reference for the Plymouth Integrated Commissioning Board (PICB) as submitted

6. Section 75 (See appendix 1 – Section 75)

6.1. Section 75 of the NHS Act 2006 (the Act) allows the Secretary of State for Health to create arrangements for NHS and local government organisations to work more closely together, through pooling budgets for health care and health related services. The framework allows for the commissioning of existing or new services and provide for arrangements for working together.

6.2. In June 2013, the Government introduced the "Better Care Fund": the requirement for NHS and local government commissioning functions to work with service providers to create improved integration of services and improved outcomes for patients and service users. The Better Care Fund will be set up as a formal pooled commissioning budget, through a section 75 agreement.

6.3. The Better Care Fund is based on existing legislation and comprises a number of funding streams, mostly from the health commissioning resource, but including a number of specific local government grants. The value of the Better Care Fund (BCF) for the City of Plymouth is valued at around £19.6m for 2015/16.

6.4. In July 2014, the PCC Cabinet and the CCG Governing Body agreed that benefits to service users would be optimised, if the maximum range of commissioning budgets for health and health related services is pooled.

6.5. Bevan Brittan has been commissioned by the DH to prepare a model section 75 agreement for the Better Care Fund schemes. Both partners have agreed to use this model agreement as the basis for formalising the agreement for the wider integrated fund.

6.6. The Bevan Brittan model agreement is designed to allow the formal BCF pool to be built upon in subsequent years; and for other funding sources, which cannot legally be pooled, to be managed in alignment with the pooled funds, thus creating a wider

integrated fund. The Bevan Brittan model identifies that funds can also be transferred between partners, using section 75 and section 256 of the Act.

6.7. Since June, PCC and the CCG have worked together to identify the scope of the integrated fund. With the inclusion of acute care budgets and the public health Commissioning budget, the net value of the integrated fund for 2015/16 is close to £460 million.

6.8. The PCC in-house legal team has taken the lead on drafting a section 75 agreement that includes the pooled fund of the BCF and other service areas where pooling is allowed.

6.9. The scope of the section 75 arrangement is for prescribed NHS bodies and prescribed local authorities to enter into arrangements in relation to prescribed functions of NHS bodies and prescribed "health related" functions of the local authorities. These prescribed functions are set out in various legislation and regulations.

6.10. A range of services is identified in various regulations as being excluded from the option to pool.

6.11. PCC and the CCG aim to deliver a pooled arrangement that includes the maximum scope of services that are provided to the Plymouth population. Where the budget cannot be included within the pool, or is otherwise decided to be excluded from the pool, it may be managed in alignment with the pool, to maximise the potential benefits. The combined resources make up the integrated fund.

6.12. Although excluded from the initial proposals, the budget for acute services will be included in the integrated commissioning fund. This inclusion helps to deliver a whole system approach to integrated commissioning. PCC is seeking to include commissioning funding for those services that are likely to have an impact on the effectiveness of the outcome of the services commissioned. As such the Director of Public Health has made the decision to commit the entire public health commissioning budget covering both mandatory and non-mandatory services.

6.13. The resulting integrated commissioning fund is estimated to be around £460 million, see the table below. In broad terms, the level of investment in terms of the budget input to the pool is split by 77% to the CCG and 23% to PCC.

Table 1: Anticipated Integrated commissioning fund based on 14/15 budgets

	2014/15
Integration Groupings	**Total (£million)**
Wellbeing	17
Community based care	152
Complex Care	242
Children and Young People	51
Net total	462

6.2 Key Recommendation:

6.2.1 **Approve** the principle of the draft section 75 agreement and authorise the Strategic Director for People to sign the final section 75 agreement on the basis that there are no material changes to the proposals agreed at Cabinet and the CCG's Governing Body.

6.2.2 **Agree** to develop the service based on the draft documentation (terms of reference, financial framework and section 75 Agreement)

7. Host Partner Arrangements

7.1. The Regulations that govern pooled budgets state that:

7.1.1. "The partners shall agree that one of them ("the host partner") will be responsible for the accounts and audit of the pooled fund arrangements…

7.1.2. The host partner shall arrange for the audit of the accounts of the pooled fund arrangements and shall require the Audit Commission to make arrangements to certify an annual return of those accounts…"

7.2. The role of host partner is an administrative one and does not indicate seniority in the partnership. The objective of the role of host partner is to ensure delivery of a number of statutory reporting and audit obligations. The guidance which has been sought indicates that there should be no significant benefit in choosing one partner in preference to the other to be the host.

7.3. The Healthcare Financial Management Association (HFMA) and CIPFA suggest that either party to the section 75 agreement may act as the host partner. Whichever organisation is chosen to host the pooled fund will need to ensure that governance and management arrangements are sufficient to deliver the statutory, regulatory and local requirements of both partners, including:

7.3.1. Staffing the pooled fund administrative team, including arrangements for sharing staff between the two organisations

7.3.2. VAT management differences in NHS and local government

7.3.3. Statutory financial reporting regimes, including annual accounts closure and reporting requirements

7.3.4. Ledger management arrangements

7.3.5. Income charging arrangements

7.3.6. External and internal performance monitoring and reporting requirements.

7.4. We have considered the most significant elements of the role and the comparative ability of either the PCC or the CCG to deliver them. Based on these assessments, the CCG appears to be the more logical choice to be the host for the pooled fund and wider integrated fund. However, there are no obvious barriers to either partner becoming the host.

7.5. The considerations include:

7.5.1. **Impact of proportionality** - The CCG will be contributing around 77% of the fund. The greater value of commissioning will be NHS facing, but there is no clear indication comparative staff numbers associated and there is no obstacle to designing the integrated commissioning function around the principles of 'minimum change' in the first year.

7.5.2. **Corporate governance** - The current plan is for the roles and functions of the key oversight bodies to remain unchanged. The new PICB will manage delivery of operations, on behalf of both partners. No comparative impact is envisioned

7.5.3. **Ledger; financial transactions and records; and audit arrangements** - Neither partner is an obvious candidate to manage a complete integrated commissioning financial ledger. The current proposal is to keep the financial transactions and records as close to the current (separate) arrangements as possible, with a merged reporting facility, to reduce disruption and risk at the outset of the integrated commissioning arrangements. During 2015/16, the partners will seek to identify opportunities to make these administrative arrangements more efficient.

7.5.4. **Difference in treasury management flexibilities** – PCC uses its treasury management facilities as an opportunity to generate a level of interest income. The CCG is not allowed to hold bank balances locally, other than small differences between value drawn down and value committed to payments; and can only draw down to match need. It is expected that, although funds will be pooled, this will be completed only when payments are due. The CCG will not be able to draw down and transfer funds early, so opportunities for PCC to earn additional interest income are limited. PCC's interest earning opportunities should be not significantly better; and no worse than previously.

7.5.5. **Match of existing structures** –The CCG will be contributing (almost) all of its commissioning resource for Plymouth to the integrated commissioning function. The retained element of the CCG (Eastern, Northern, Partnerships and Corporate Core) will continue to have multiple links and relationships with the western locality, but the demarcation is already well established. PCC does not have such a straightforward structural split between integrated and retained elements of its business.

7.5.6. **Geography of the function** - The integrated commissioning function needs to incorporate the patients of South Hams and West Devon (SHWD) in the wider management of commissioning, whilst ensuring that the resources identified for the City of Plymouth are not diverted to the wider locality.

7.5.7. **Other differences in regulatory background** - Early views that differences in VAT arrangements and the scope to 'means test' and charge for services might impact on the hosting decision. The proposed minimal-change approach diminishes the immediate impact of these differences. In the longer term, both partners' regulatory frameworks will need to be reflected in any revised structure

7.5.8. **Contractual complexities** - Decisions still need to be made regarding the continuation of contracts, revisions and renewals into 2015/16. Legal advice indicates that the establishment of the integrated commissioning function does not necessitate wholesale novation of contracts.

7.6. **Key Recommendation:**

7.6.1. **Agree** the proposal that the CCG takes the role of the host of the integrated fund

8. Identification of the pool manager

8.1. The Regulations that govern pooled budgets state that:

8.1.1. "…the host partner shall appoint an officer of theirs (the pool manager) to be responsible for:

- (a) managing the pooled fund on their behalf
- (b) submitting to the partners quarterly reports and an annual return, about the income of and expenditure from the pooled fund and other information by which the partners can monitor the effectiveness of the pooled fund arrangements"

8.2. The Regulations do not stipulate which senior manager role should be appointed as the pool manager. Guidance issued by the HFMA and CIPFA suggests that the

responsibilities that should rest with the pool manager should include a significant element of financial duties and responsibilities relevant to the role of the chief operating officer.

8.3. The integrated commissioning fund is made up of budgets for commissioning services that can, legally, be pooled and commissioning budgets that cannot be pooled, but would be logical to manage in alignment, within an overall integrated approach.

8.4. The post of pool manager, along with the responsibilities identified in the regulations, will be incorporated within the duties of the senior manager.

8.5. The responsibility of managing the fund will be incorporated into the existing job responsibility, rather than as a new appointment. Other members of staff will also have their job responsibilities adapted to include appropriate levels of delegations of responsibility and authority for management of the integrated commissioning fund.

8.6. The most likely senior executive roles that would fit best with the additional responsibilities of the pool manager are:

8.6.1. The chief operating officer, or service director

8.6.2. The senior finance officer of the locality, or service area

8.7. Alternatively, the required duties of the pool manager may be incorporated within the duties and functions of the host partner organisation's accountable officer.

8.8. **Key recommendation:**

8.8.1. **Approve** the temporary joint appointment of a senior executive to adopt the responsibilities of the pool manager, set out in the Regulations until a full options appraisal is completed

9. Developing the Financial Framework

9.1. The integrated commissioning arrangement needs to be underwritten by a clear set of principles and rules that lay down the way that the partners to the integrated

commissioning function will manage their roles and responsibilities. This agreement is set out legally, in the section 75 agreement. Supporting this, a clear framework of understanding of the financial agreements underpinning the partners' relationship with the integrated commissioning fund will improve the future resilience of the fund.

9.2. The detail of the agreed approach to managing the governance, regularity and financial management of the fund will be set out in a jointly owned Financial Framework. The scope of the framework addresses:

9.2.1. Scope and objectives of the integrated commissioning function

9.2.2. Partners' responsibilities

9.2.3. Pool's responsibilities

9.2.4. Governance of the integrated commissioning fund, including the structure of governance

9.2.5. Corporate and annual plans and annual budget setting

9.2.6. Managing the integrated commissioning fund, including budgetary control

9.2.7. Monitoring and reporting performance

9.2.8. Managing financial risks

9.3. The framework sets the rules for both partners to the fund. Recognition of the key likely financial risks and challenges; and how these will be addressed, is a critical element of the framework.

9.4. The risk share agreement for the integrated commissioning fund is predicated on the understanding that neither the CCG nor PCC has the capacity or appetite to bear an indeterminate value of additional financial risk, as a result of integrating the commissioning budgets. The aim of the risk share framework is to design a simple set of responses that limit the additional financial risks faced by each partner and introduce flexibilities of options for responding to adverse trends and outcomes. The key considerations in the design of the risk share agreement are as follows:

9.4.1. accuracy of the opening position, including the budget set, projected trends in activity, savings requirements, savings plans and treatment of historic "overspends"

9.4.2. response to potential and actual financial deficits, including recovery actions within the integrated commissioning fund, scope for use of flexibilities to share the response to overspends and use of future year's resource.

9.4.3. budget allocations future risk, including design in principle of response to disproportionate reductions in funding available for the integrated commissioning budget.

9.4.4. treatment of future savings expectations, including response to increased blurring of the lines between budget input, commissioning design and 'ownership' of sectors of commissioning.

9.5. As a back-stop to the risk share, a pro-rata approach to sharing the first part of any annual overspend has been designed. The model is currently set to allow for the first 0.5% of agreed turnover of the integrated commissioning fund (about £2.1 million) of any overspend to be shared, pro-rata to the budget contribution. Any overspend in excess of the agreed value of the risk share will be the responsibility of the organisation with statutory, or regulatory based responsibility for commissioning the service; or the organisation that has traditionally commissioned the service.

10. Managing the finances of the integrated commissioning fund

10.1. At the start of the work to deliver integrated commissioning, the CCG and PCC agreed to set two milestone targets for developing the integrated commissioning function. The first milestone, on 1 April 2015 was to establish a shared commissioning function, with PCC and CCG staff working as a single team to join-up the approach to planning and delivering the commissioning function, including the transaction processing and recording. The second milestone, of 1 April 2016 envisaged the commissioning team developing into a stand-alone function, with the potential to establish a new business entity.

10.2. We have investigated a number of alternatives to develop a shared ledger however; the pragmatic solution is to administer the transactions of the integrated commissioning function within the ledgers of both partners; to combine these records to report the performance of the total integrated fund; and the specific pooled fund element at the end of the transactions processes.

10.3. The views of the auditors have been sought regarding the assessments we have made on a number of specific issues relating to the administration of the financial transactions and records of the integrated commissioning fund. These include the following:

10.3.1. **Treatment of VAT arrangements** – The NHS operates under a VAT regime that assumes that the VAT impact is accounted for in the funding provided from treasury. As a result, VAT is not charged on virtually the whole of the NHS provided services; and VAT charged by non-NHS organisations is, for the most part, not recoverable. Local Government applies the standard VAT structures, but the majority of the health-related services commissioned and provided are zero-rated for VAT purposes. The VAT impact on a fully integrated commissioning function should be manageable. In 2015, any risks are reduced further by maintaining transactions within their existing arrangements.

10.3.2. **Treatment of cash balances and treasury management opportunities** – PCC is required to manage its own financial resources; and will use treasury management opportunities to earn interest income. The transactions of the integrated commissioning function will be designed to ensure that PCC's treasury management facility and income earning potential is not jeopardised by funding and cash flow decisions, whilst ensuring that the OPG rules regarding the timing of cash draw-down are not breached by the CCG. The CCG is not allowed to carry significant bank balances; and is not allowed to draw down cash in advance of need from the Office of the Paymaster General (OPG) central bank.

10.3.3. **Preparation of annual accounts and other statutory financial returns** – NHS organisations work to a shorter annual reporting timetable than local government. Both partners will need to record the transactions and balances of the integrated commissioning arrangement; and the formal pooled funds, as part of their annual

accounts. The existing section 75 agreement operations, such as the community equipment stores, are not material to the financial record of either PCC or the CCG. However, the integrated commissioning pooled fund will be material to both.

10.4. The integrated commissioning finance team will produce the financial and performance reports to meet the Regulatory responsibility of the Pool Manager.

10.5. **Key Recommendations:**

10.5.1. **Approve** the proposed mechanism for capping the financial risk share obligation to 0.5% of the total integrated commissioning budget, apportioned according to budget contribution.

10.5.2. **Note** that any overspend in excess of the risk-share cap will remain the responsibility of the commissioning partner with statutory, regulatory or policy responsibility.

10.5.3. **Agree** the principle of the Financial Framework to be adopted by both partners and authorise the Council's Section 151 officer to provide oversight and agree implementation of the same.

10.5.4. **Agree** the proposal to administer the financial transactions of the integrated commissioning function, within the existing administrative arrangements, as far as is practicable.

11. Strategies (See appendix 2)

11.1. The Integrated Health and Wellbeing programme follows a cooperative commissioning approach. This means that the programme has adopted the following cooperative commissioning principles:

Table 2: Cooperative Commissioning Principles

• Citizens and communities will be at the heart of all commissioning activity • Commissioning decisions will be open and transparent • Commissioning will seek to promote civic responsibility
• We will commission for sustainability by prioritising early intervention and prevention • We will commission for quality and outcomes

• Commissioning decisions will focus on delivering VFM and promoting social value
• Commissioning will focus on reducing inequalities and making Plymouth a fair City • Commissioning activity will be needs and evidence based • We will develop local, fair and sustainable markets • We will work with organisations that pay their staff a "living wage" as a minimum.
• We will commission with a range of partners regardless of organisational form • We will work collaboratively and coproduce public services • We will promote citizen commissioning

11.2. The new approach to strategic planning for integrated commissioning of health and wellbeing services will be focused at a system level. Currently the following Integrated Commissioning Strategies are in development.

- Wellness
- Community care
- Complex care
- Children and Young People

11.3. **Key Recommendations:**

11.3.1 **Approve** the draft Integrated Commissioning Strategies as submitted for consultation.

11.3.2 **Note** the inclusion of the acute health services budget in the integrated commissioning fund.

12. Appendices

12.1 This Report recommends the agreement of the content of several documents, these are referenced below :

12.1.1 Draft Section 75 Agreement

12.1.2 Draft Integrated Commissioning Strategies