

Date of meeting:	23 September 2019
Title of Report:	Integrated Commissioning – Finance Assurance Review Group – Annual Report 2018/19 including ASW Audit Programme for CCG
Lead Member:	Councillor Kate Taylor (Cabinet Member for Health and Adult Social Care)
Lead Strategic Director:	Craig McArdle (Interim Strategic Director of People)
Author:	David Northey
Contact Email:	David.northey@plymouth.gov.uk
Your Reference:	DJN/FARG 2018/19
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

Under the terms of reference for the Integrated Commissioning Finance and Assurance Review Group (FARG), the Chair will prepare an Annual Report and an Effectiveness Review on the activities of the FARG to be completed in the spring of each year. This report will detail the work undertaken during the financial year, the successes and risks plus look into the coming year to highlight key tasks. This formal report will be presented to FARG for approval and onward distribution to Plymouth City Council's Federated Directorates Strategic Planning Commissioning Group meeting, the CCG Board and Plymouth City Council's Audit and Governance Committee.

Recommendations and Reasons

The Audit and Governance Committee note the report and endorse the next steps as set out. The governance of the FARG requires the report is noted at the Committee.

Alternative options considered and rejected

None, it is a requirement of the governance arrangements

Relevance to the Corporate Plan and/or the Plymouth Plan

FARG monitors all financial matters for Plymouth City Council's contribution to the Integrated Fund

Implications for the Medium Term Financial Plan and Resource Implications:

There are no implications as a result of this report.

Carbon Footprint (Environmental) Implications:

No impact

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

* When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.

All implications for child poverty are contained in the individual budget allocations from both organisations. There are no implications as a result of this report.

Appendices

*Add rows as required to box below

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable)						
		If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.						
		1	2	3	4	5	6	7
A	Month 12 (March 2019) Joint Finance Report							
B	Devon Audit Partnership: Internal Audit Report July 2018: Integrated Fund - (Plymouth City Council and Livewell Southwest) People Directorate							
C	NEW Devon Clinical Commissioning Group: Final Internal Audit Report: Plymouth Integrated Commissioning Fund – Section 75 Framework Agreement and Financial Framework High Level Review December 2018							

Background papers:

*Add rows as required to box below

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable)						
	If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.						
	1	2	3	4	5	6	7

Sign off:

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Originating Senior Leadership Team member: Anna Coles (Director of Intergrated Commissioning)

Please confirm the Strategic Director(s) has agreed the report? Yes

Date agreed: 05/09/2019

Cabinet Member approval: Councillor Kate Taylor *approved verbally*

Date approved: 05/09/2019



Northern, Eastern and Western Devon
Clinical Commissioning Group



Integrated Commissioning Finance and Assurance Review Group (FARG) Annual Report 2018/19

Executive Summary

Under the terms of reference for the Integrated Commissioning Finance and Assurance Review Group (FARG), the Chair will prepare an Annual Report and an Effectiveness Review on the activities of the FARG to be completed in the spring of each year. This report will detail the work undertaken during the financial year, the successes and risks plus look into the coming year to highlight key tasks. This formal report will be presented to FARG for approval and onward distribution to Plymouth City Council's Federated Directorates Strategic Planning and Commissioning Group meeting and the CCG Board.

On an Integrated Fund of £611m both the CCG and PCC each recorded an over spend against their budget share, resulting in the risk share on the Plymouth Integrated Fund of £0.157m payable from Plymouth City Council. The Section 75 sets out the methodology for the application of the risk share.

The following extract from the Month 12 Integrated Finance Report details the respective positions with CCG reporting an over spend of £4.245m against the budget of £351.844m (1.21%). The PCC position was reported as an over spend of £2.706m against the budget of £258.902m (1.05%). Overall, the Fund ended the year with an over spend of £6.951m against the total budget of £610.746m (1.14%).

This is a disappointing result when compared to last year's overall position of a small under spend. However, it became clear during the year that both organisations were coming under considerable financial pressure, from the Children's Directorate within PCC and Acute sector plus contingency costs within the CCG.

99P	Year to Date			Forecast		
	Budget	Actual	Variance	Budget	Actual	Variance
	£000's	£000's	Adv / (Fav)	£000's	£000's	Adv / (Fav)
CCG COMMISSIONED SERVICES						
Acute	162,780	164,435	1,654	162,780	164,435	1,654
Placements	35,980	35,255	-725	35,980	35,255	-725
Community & Non Acute	49,681	50,336	654	49,681	50,336	654
Mental Health Services	36,370	36,288	-81	36,370	36,288	-81
Other Commissioned Services	18,326	18,101	-225	18,326	18,101	-225
Primary Care	46,247	46,790	543	46,247	46,790	543
Subtotal	349,384	351,204	1,821	349,384	351,204	1,821
Running Costs & Technical/Risk	2,461	4,885	2,424	2,461	4,885	2,424
CCG Net Operating Expenditure	351,844	356,089	4,245	351,844	356,089	4,245
Risk Share				-157	-157	
CCG Net Operating Expenditure (after Risk Share)	351,844	356,089	4,245	351,844	355,932	4,088
PCC COMMISSIONED SERVICES						
Children, Young People & Families	37,168	41,174	4,006	37,168	41,174	4,006
Strategic Cooperative Commissioning	83,729	83,475	-253	83,729	83,475	-253
Education, Participation & Skills	101,106	101,106	-0	101,106	101,106	-0
Community Connections	3,784	3,739	-45	3,784	3,739	-45
Director of people	295	-705	-1,000	295	-705	-1,000
Public Health	16,048	16,048	-	16,048	16,048	-
Subtotal	242,131	244,837	2,706	242,131	244,837	2,706
Support Services costs	14,473	14,473	-	14,473	14,473	-
Disabled Facilities Grant (Cap Spend)	2,298	2,298	-	2,298	2,298	-
Recovery Plans in Development		-	-		-	-
PCC Net Operating Expenditure	258,902	261,609	2,706	258,902	261,609	2,706
Risk Share				157	157	
PCC Net Operating Expenditure (after Risk Share)	258,902	261,609	2,706	258,902	261,765	2,863
Combined Integrated Fund	610,746	617,697	6,951	610,746	617,697	6,951

There have been major changes within both organisations during 2018/19 which have meant a change of focus, albeit temporary, to availability of key finance resources.

With effect from 1st April 2018 Plymouth City Council took over responsibility of the management of Torbay's Children's Services. Although there is no impact on the funding of the Integrated Fund, the arrangement resulted in the establishment of a separate Children's Directorate with resultant changes to reporting requirements.

The Council's overall budget also came under severe strain as a result of pressures within the Children's Directorate budget. These pressures were the result of increasing costs due to the

complexity of care required by looked after children. Although the department worked hard throughout the year to cover these pressures from other savings, they still came in £4m over budget.

Within the CCG, there has been a focus required on both the Devon Sustainability Transformation Plan (STP) control total and the imminent creation of a new CCG. NHS Devon CCG – the fifth largest in England – formed on 1 April 2019, following the merger of the two previous CCGs in Devon: NHS Northern, Eastern and Western Devon CCG and NHS South Devon and Torbay CCG.

Both the new CCG and the Children’s Directorate are now up and running and FARG started 2019/20 with full resource and support. In addition, there have been significant new appointments to the senior leadership team within both organisations which could have had an adverse effect on the Integrated Fund.

FARG continues to provide oversight, scrutiny and assurance of the Integrated Fund on behalf of Plymouth’s Integrated Commissioning and is responsible for contributing to the overall process of financial planning, control and review. The group meets bi-monthly and amongst other agenda items reviews financial risks of the Integrated Fund by exception.

Audit South West and Devon Audit Partnership

Audit South West (ASW) provides the Internal Audit services for the Devon CCG, and Devon Audit Partnership (DAP) provides the services for Plymouth City Council. Over the course of the Integrated Fund, both organisations have adopted the working arrangement of not duplicating each other’s audit work programme, but supplementing each other, allowing more audit assurance to both the CCG and PCC.

Based on the ground-breaking approach to the provision of audit and assurance to public sector organisations in the South West, including PCC and in particular the work on the Integrated Fund, DAP were awarded national recognition as finalists in the 2018 Public Finance Innovation Awards.

In July 2018, DAP undertook an audit of the Integrated Fund - Plymouth City Council and Livewell Southwest, People Directorate, Plymouth City Council. The remit stated:

Plymouth City Council and Northern, Eastern and Western Devon Clinical Commissioning Group (NEW Devon CCG) formed an Integrated Commissioning function to allow budgets to be pooled and resources and management to be integrated. This provided the opportunity to commission an integrated provider function for health and social care with an aim to improving health and wellbeing outcomes for people in Plymouth and to improve people's experience of care. In April 2015, Plymouth City Council's Adult Social Care workers transferred to a new provider organisation; Livewell Southwest (formally PCH) to allow for an integrated delivery of Adult Social Care Services. Currently, there are a number of statutory duties which cannot be delegated to a provider and remain within the retained client function within Plymouth City Council.

To ensure accountability is not lost, Plymouth City Council require a robust oversight as the responsibility of the service remains with the Local Authority despite services being outsourced.

The Audit Opinion states:

Good Standard – The systems and controls generally mitigate the risks identified but a few weaknesses have been identified and / or mitigating controls may not be fully applied. There are no significant matters arising for the audit and the recommendations made serve to strengthen what are mainly reliable procedures. The full report, with management responses is included as **Attachment 2**.

In December 2018, ASW undertook an audit: Plymouth Integrated Commissioning Fund – Section 75 Framework Agreement and Financial Framework High Level Review.

The objective of this review was to assess the current s75 Agreement and the supporting Financial Framework to ensure that the documents have been fully completed, are up to date and have been approved and signed as required. As part of agreeing the scope of work for this review, suitable assurances were provided by the Chief Finance Officer (Western Locality) that the recommendations arising from the audit undertaken in 2014/15 were addressed before the Fund was established. It was also highlighted that Integrated Commissioning Fund arrangements and the supporting agreement and framework have evolved and been updated since the audit was completed. We continue to attend the Finance and Assurance Review Group (FARG) meetings, the key governance group for the Integrated Commissioning Fund, and can confirm the further development of the suitable governance arrangements since the creation of the Fund in April 2015 in order to support the ongoing management on a day to day basis. As such, a formal follow-up of the recommendations arising from the 2014/15 work was not required as part of this review.

The Audit's key findings state:

The governance arrangements in place surrounding the s75 Agreement and the Financial Framework are clearly defined in the corresponding documents and are appropriately structured. In respect of the robustness of the supporting s75 Agreement and the Financial Framework, we were advised that there is no jointly signed s75 Agreement in place, with copies of the original document from April 2015 being separately signed and held within each respective organisation. In partial mitigation, the recent update to the s75 Agreement resulted in a jointly signed covering letter detailing changes that had been made to the document. This also applies to the Financial Framework document for which we were unable to obtain a jointly signed and final version of the document.

We have highlighted within this report a number of areas in the Financial Framework which would benefit from updating during its imminent review to ensure that the document continues to be up to date and reflects current arrangements. In order to better demonstrate robust governance arrangements and management of the Integrated Commissioning Fund we have recommended that both parties hold a jointly signed copy of the s75 Agreement and Financial Framework. The full report, with management responses, is included as **Attachment 3**.

Better Care Fund (BCF) and Improved Better Care Fund (iBCF)

FARG JTWG (Joint Technical Working Group) continue to monitor these funding streams at each meeting. The table below shows the total BCF and IBCF for 2018/19, and the distribution between CCG and PCC.

2018/19 BCF & IBCF	PCC	CCG	Total
	£m	£m	£m
BCF Capital (Disabled Facilities Grant)	2.298	0.000	2.298
BCF Revenue	9.425	8.619	18.044
Sub Total BCF	11.723	8.619	20.342
IBCF (part of Councils RSG funding)	5.344	0.000	5.344
IBCF (other)	2.160	1.500	3.660
Sub Total BCF	7.504	1.500	9.004
Total Funds	19.227	10.119	29.346

These funds were paid to the Local Authority and came with conditions that they are “to be spent on adult social care and used for the purposes of meeting adult social care needs, reducing pressures on the NHS - including supporting more people to be discharged from hospital when they are ready - and stabilising the social care provider market.”

IT

A major breakthrough in 2017/18 saw the introduction of a Shared Drive which allows both organisations to save data in a common location. The significance of this is improved efficiency for FARG and JTWG; files can be updated “live” ensuring we are working on only one master; it eliminates the need to share sensitive data via email, improving data protection; links rather than actual files can be sent, reducing the size of the emails.

At the time of writing, we are continuing to work with DELT colleagues to implement a shared calendar function. This will allow sight of all calendars which will greatly improve the booking of meetings.

There have been too many false starts on this project, but Delt are now stating we are in the testing phase with an anticipated go –live during August 2019.

Membership

- Pooled Fund Manager (Associate Director of Finance (Western Locality), CCG)
- Deputy Pooled Fund Manager (Head of Integrated Finance, PCC)
- Finance Business Partner Integrated Commissioning & Public Health, PCC
- Finance & Contracting Administrator, CCG
- Contracting Accountant, CCG
- Internal Audit Representatives from Audit South West and Devon Audit Partnership (non-voting)
- Plus:
 - Integrated Commissioning Project Manager
 - Commissioning Representative, CCG
 - Commissioning Representative, PCC
 - Public Health Representative

During the financial year 2018/19 FARG has moved from monthly meetings to bi-monthly. This reflects the maturity of the relationship between both organisations which facilitate ad-hoc meetings when particular items need discussing. Any decisions required are then passed to FARG to ratify. We continue to hold these meetings in conjunction with the now bi-monthly JTWG meetings. In January 2018 it was agreed that starting in the new financial year 2018/19 the meetings would each become alternate months.

Key progress to date

During the year FARG has:

- Continued to work closely with DELT colleagues on the implementation of a shared calendar view, to facilitate meeting bookings:
- Held full FARG and JTWG meetings as scheduled:
- Undertaken due diligence on each organisation's 2018/19 budget for the Fund:
- Rolled out further improvements to the content and timing of the now Business as Usual monthly finance monitoring report.
- Regularly reviewed progress and performance of each of the approved savings schemes and, where necessary, reviewed reports and presentations by lead directors/project managers on progress against planned savings.
- Improved the financial controls around the Better Care Fund and the Improved Better Care Fund (iBCF):
- Refined the Work Plan and Forward Plan:
- Reviewed the data capture for the monthly joint reporting, including increasing the input and awareness of more members of the finance team:
- Refined both CCG and PCC risk and assurance reporting:
- Continued to work with both CCG Audit Committee and PCC Audit Committee to ensure the correct level of assurance is provided:
- Refined the agreed joint KPIs for the Fund which include:
 - ✓ finance ratios,
 - ✓ payments performance,
 - ✓ debtor control,
 - ✓ NHS England assurance framework requirements,

- Where necessary, seek explanation and corrective action to meet the agreed level of performance.
- Enhanced our overall assurance review, with regular contributions from officers.
- Worked closely on refining and cleansing SI 17 data to instigate a “pool within the pool”

Key Risks

Below is an overview of the key financial risks:

- Savings delivered from the integration are insufficient to meet the funding gap
- Resources required to deliver integration are not available / funding does not exist to commission external resources
- Statutory, regulatory or political differences between Health and Social Care or partners may lead to tensions
- External factors such as the Success Regime and STP may require a change of commissioning priorities
- Change in key finance personnel
- Financial pressures within the partner organisations and between the partners and the Integrated Fund lead to threats to the on-going resilience of the Integrated Fund

Next Steps/Priorities

- Continue working with DELT colleagues on the introduction of a shared calendar for all FARG members.
- Work continues within the FARG JTWG meetings to “Making it real” – designing pools within the overall Integrated Fund.
- Ensuring the local work streams are aligned with the wider Sustainable Transformation Plan (STP) for Devon.
- Working with the STP Director of Finance (DoFs) Working Group and the Deputy DoFs meetings to highlight the importance of integrated working and the role of the local authority in health and social care working collaboratively.
- Working closely with commissioning colleagues to maintain the link between budget allocations and the four commissioning strategies.
- Work collaboratively on the retendering of the Integrated Care Provision (ICP) contract.
- Undertake a review of the next steps for the Integrated Fund which will include:
 - Confirmation of Pooled Fund Host
 - Confirmation of Pooled Fund Manager arrangements
 - Are there any financial implications preventing a full integration?
 - Is the Risk Share arrangement still valid?

Attachments:

1. Month 12 (March 2019) Joint Finance Report



Finance Report
Western M12 FINAL F

2. Devon Audit Partnership: Internal Audit Report July 2018: Integrated Fund - (Plymouth City Council and Livewell Southwest) People Directorate



Integrated Fund
Final Report DAP.pd

3. NEW Devon Clinical Commissioning Group: Final Internal Audit Report: Plymouth Integrated Commissioning Fund – Section 75 Framework Agreement and Financial Framework High Level Review December 2018



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