Key risks and mitigations

Based on the information received and our analysis of the risks, this section presents the key risks to the Council and CCG from the pooling of their budgets, and identifies a range of possible mitigations available in order to reduce these risks.
The potential mitigations identified present a longlist of available options to the ICH – not all of these could or may be able to be implemented at this time.
Risks have been rated as follows:

Very Low Risk Low Risk	**0-9**
Moderate	**10-14**
High Risk	**15-19**
	20+

Table 2: Identified risks and potential mitigations of pooling budgets

Potential Risk	Which organisation presents this risk?	Potential impact	I	L	RAG rating	Potential mitigations	Where risk should sit in the ICH	WHaCC response	I	L	RAG rating
Income risk											
• Council revenues are variable in nature and are more short term than CCG funding. Wider scale funding reform for social are services has been proposed by Central Government from 2021 onwards, however no detail on what this may look like is available at present. • Available sources of income to mitigate cost pressures are variable each year, with a number of grants expected to be time-bound and council tax rate increases to fund social care capped by Central Government	Council	> The annual budgeting process will be less predictable each year for the ICH until the point at which grants and funds are confirmed > Unless alternative funding sources are sufficient to replace those being removed and/or reductions in expenditure are obtained, future budgets are at risk of deficit	2	4	**8**	> Defined process in place to agree budget and income > CCG active participant in discussions and agreement of grant funding request > CCG actively informed of any potential policy and funding changes proposed by the Government and Council > Contingency planning undertaken > Joint 3 year plan to be reviewed annually > Joint 3 year budgeting	Shared	Minimum exposure to risk in 2018/19. Longer term will require continued focus as settlement from central government grants becomes clearer. Mitigations as outlined are judged to be robust.	2	2	
• Delays in receiving income or deferred payments may result in lower than anticipated free cash flow available for the ICH	Council	> There may be lower than budgeted cash flow available when required	3	3	**9**	> Joint 3 year plan to be reviewed annually > Joint 3 year budgeting > Council acts in a 'cash management / banking' role, funding short term cash requirements until anticipated income is received > Risk of non-collection remains with the Council, agreed through an MOU and the Section 75 agreement	Council	Mitigations outlined are judged to be robust and partners in agreement with approach.	3	2	
Potential Risk	**Which organisation presents this risk?**	**Potential impact**	**I**	**L**	**RAG rating**	**Potential mitigations**	**Where risk should sit in the ICH**	**WHaCC response**	**I**	**L**	**RAG rating**
Income risk											
• Client income can be under-collected by the Council, placing pressures on the budget • Since 2015/16 the Council has under-recovered its budgeted income figure, with under-receipt of income varying between £0.8m and £1.3m per year • The Council significantly under-collected income across a range of service lines in 2016/17 compared to budget	Council	> Reductions in income compared to budget will place pressures on the ICH budget beyond any pre-existing efficiency requirement targets	3	5	**15**	> Robust SLA with Personal Finance Unit for income collection, with penalties if required > Managed through the current budget setting approach > Realistic income targets set > The Council could fund any deficits against collection > Prudent bad debt allowances assumed annually > Contingency fund built up in order to account for any shortfall > Risk share arrangements could be implemented > Council undertakes a 'banking' role for income collection of deferred income	Council	Mitigations outlined are judged to be robust and already in place. Deemed not to be a material risk.	3	1	
• Linked to the Medium Term Financial Planning process, retention of Business Rates is expected to be a large contributor to social care services in future years (as part of national business rates reform), which could be challenging for the Wirral	Council	> Business Rates recovered across the Wirral will be insufficient to substantively replace grant and other funding no longer provided by the Government/Council	3	3	**9**	> Defined process in place to agree budget and income for social care services > Top ups / no loss policy in place for now > CCG active participant in discussions and negotiations on income receipt > Joint three year budgets and plans agreed > CCG actively informed of any potential policy and funding changes proposed by the Government and Council	Shared	The Council strategy of increasing business rates with active leadership with the chamber of commerce is well publicised. Potential risk is not attracting new but a reduction in business rate income through close of businesses. Mitigations as stated sound.	3	1	

Demand risk											
• CCG is unable to negotiate any additional allocation of funds at the start of the year if it feels its budget is underfunded • Non-recurrent funding for unanticipated pressures is unpredictable and may be insufficient to meet non-recurrent pressures in the system	CCG	> Budget deficit for the ICH	3	4	**12**	> Joint agreement of likely budget requirement for healthcare services (inc. increased QIPP target) > Risk share arrangements put in place to incentivise joint working > Joint working between the Council, CCG and providers to plan for and implement solutions to manage demand and pressures at those times > Contingency funding put in place in light of unexpected pressures > Open book accounting introduced	Shared	Manifestation of funding CCG deficits not necessarily reflected in additional funding. This issue is usually dealt with, with a revised (deficit) control total as per 15/16, 16/17 and 17/18. New risk is integration of health economy wide deficits and system control totals. This will need to be worked through in the medium to longer term. Partners agree with the mitigations.	3	1	
Potential Risk	**Which organisation presents this risk?**	**Potential impact**	**I**	**L**	**RAG rating**	**Potential mitigations**	**Where risk should sit in the ICH**	**WHaCC response**	**I**	**L**	**RAG rating**
Demand risk											
• Increases in patient and service user demand may not be mitigated fully by social care services and additional iBCF funding available, resulting in further budget pressures • The CCG only received an additional net 0.1% increase in funding for demographic growth, and therefore must be able to manage demand across the health economy to remain in budget	Council CCG	> Pooled budget is underfunded, likely to result in a deficit for the ICH > Without significant intervention cumulative deficit likely to increase annually as prior-year demand is unmet	4	4	**16**	> Joint working between the Council, CCG and providers to plan for and implement solutions to manage demand and pressures at those times > Investment in effective demand management, integrated and contractual management and care assessment schemes > Contingency funding put in place in light of unexpected pressures > Joint agreement of the forecasting assumptions by both parties	Shared	Increases in patient and service user demand are a national issue. It is anticipated that more 'real money' will be coming to the NHS, although this will come with caveats for improved delivery of constitutional standards. The improved integrated commissioning will lead to a better understanding of demand levers and influencers, as will the pooled arrangements in terms of packages of care. Mitigations are supported. Need to be further supplemented by sensitivity analysis at planning assumptions stage, and also explicit contingency plans if budgets start to overspend.	4	2	
• Managing demand has been a challenge for the CCG, due to a number of factors including patient demographics and a need to ensure statutory targets are met	CCG	> Additional expenditure may be required by the CCG in order to pay alternative providers so that treatment targets are met	4	4	**16**	> Joint working to closely monitor the performance of their providers in meeting RTT targets and other demand pressures, inc. care assessment and management. > Risk share arrangements with providers in order to contribute to additional demand related costs. > Joint demand forecasting and planning in order to manage demographic pressures across the Wirral. > Commissioning for outcomes (not activity) > Ultimately a move to the Capped Expenditure Process would limit CCG expenditure	Shared	Mitigations are sound accompanied by more explicit modelling and more sensitivity analysis to ensure demand forecasting is robust.	4	2	
• CCG has reverted to an activity-based (PbR) contract with its main acute provider WUTH, as opposed to a block arrangement (as was the case in 2016/17). Efficiency (QIPP) savings within this contract total £5.8m	CCG	> Potential for significant contractual overspend if demand is higher than anticipated and is unable to be managed by the Trust and the CCG	4	4	**16**	> Joint demand management schemes including effective discharge planning and readmissions avoidance > Robust contract management to remain at agreed activity plan with associated contractual terms (e.g. cap/collar) > ASC involved in contract negotiations > Contractual penalties between the commissioner and the Trust > Ongoing movement towards introducing an ACS	Shared	Mitigations are sound as stated and need to be supplemented by demand forecasting as outlined above. Further mitigated by an 'in principle' agreement to adopt system budget.	2	4	
• Poor provider performance in the system could result in regulatory intervention in order to meet performance targets. Such an intervention would have to be funded by the CCG	CCG	> ICH will be required to fund the costs of any other providers which are required to intervene in order to meet RTT targets > Likely budget deficit	3	2	**6**	> Effective management of providers through contractual terms and arrangements > Joint working with providers to manage flow and demand across the system > Effective market management > Risk share arrangements with providers put in place > Ongoing movement towards introducing an ACS	Shared	Low risk and mitigations acknowledged. To be set in the context of system budget of £600m .	2	2	

Potential Risk	Which organisation presents this risk?	Potential impact	I	L	RAG rating	Potential mitigations	Where risk should sit in the ICH	WHaCC response	I	L	RAG rating
Budget setting risk											
• The funding allocated for social care services is through the council in its budget setting allocation process, as opposed to a predetermined figure such as % of central funding received	Council	> There will be uncertainty for the ICH as to its total budget each year, and associated efficiency requirements, until close to the start of the new financial year > The budget available to the ICH is likely to be influenced by external pressures and factors affecting the Council and its range of services	3	4	**12**	> CCG actively part of the budget setting process > Joint three year budget plans put in place > Risk share arrangements to incentivise joint working > Open book accounting > Council may take 100% risk on a real terms cut in budget plans where it is the sole determinant	Shared	Mitigations ok. Key will be open book counting and reconciliation of in year and prior year spend v proposed budget and any changes. MTFP within Council agreed with no further budget cuts.	3	2	
• Council has limited scope to make expenditure savings through reducing the price it pays providers – alternative approaches to meeting efficiency requirements will need to be identified	Council	> ICH may have difficulties in reducing its expenditure base if required (particularly as prices are going up due to NLW) > Alternative approaches to meeting efficiency requirements will need to be taken	3	5	**15**	> Single commissioning plan for outcomes > Opportunities to bring commissioning together to allow better outcomes > Joint discussions and agreements for ways to reduce the cost of social care services if required	Shared	Mitigations ok. Would anticipate increased shared purchasing power to allow for some reduction in volume.	3	2	
• Prescribing budget overspends (which is outside of the scope of the ICH) could restrict the sums of money the CCG is able to pool to the ICH	CCG	> Prescribing overspends will need to be funded through surpluses elsewhere or through deficit funding > This will limit the budget available to pool in the ICH	3	3	**9**	> Detailed saving plan in place with GPs who are actively incentivised to reduce prescribing spend and are managing this budget > Both parties should agree what happens in the event of an overspend so that pooled funds remain unaffected > Open book accounting should be introduced.	CCG	Mitigations ok.	3	1	
• Savings negatively impact on the ICH for ASC services based on the overarching performance of the Council rather than ASC's ability to deliver those savings	Council	> The ICH may be unable to meet the required savings targets, resulting in budget overspends and financial deficits	4	3	**12**	> Joint planning and implementation of ICH interventions > Savings already in the plan require transparency > Joint negotiations with Cabinet where possible on savings targets > Risk share arrangements to incentivise joint working	Shared	Mitigations ok.	4	1	
• The Council may be unable meet its efficiency requirement of £3.4m in 2017/18 (4.4% of total budget), resulting in an in-year deficit • Despite delivering savings of over 5% of net budget funding annually since 2014/15, social care services have not met their annual saving target since 2014/15, with this target being missed by as much as £7.5m. 'One-off' savings of £2.6m and £1.9 have been required to support savings in 2015/16 and 2016/17	Council	> The ICH would begin with a financial deficit, with funding insufficient to meet the required expenditure, prior to any additional budget pressures being experienced from 2018/19 onwards > Additional contingency/deficit funding would be required to be repaid in 2018/19 > Savings plans are still under discussion with community trust to identify and deliver further savings	4	5	**20**	> Prior year deficits to be kept out of the pooled funding arrangements > Deficit repayments to be made solely by the original organisation > Effective, joint saving plan required and implemented to reduce demand and take cost out of the system > Risk share arrangements to incentivise joint working > Open book accounting > "One-off" actions to be reviewed if required > Single population health budget implemented over the longer term	Council	Mitigations ok. Key again is agreeing contingency and recovery for the pooled budget and plan actions at budget setting, such that the recovery actions are explicit and clear to all as to what happens when efficiency savings are not met.	4	2	

Potential Risk	Which organisation presents this risk?	Potential impact	I	L	RAG rating	Potential mitigations	Where risk should sit in the ICH	WHaCC response	I	L	RAG rating
Budget setting risk											
• The CCG may be unable meet its efficiency requirement of £12.3m in 2017/18, resulting in an in-year deficit (2.4% of total budget), resulting in an in-year deficit. This could result in the CCG being placed in the Capped Expenditure Process in 2018/19 • The CCG did not meet its QIPP requirement in 2016/17, missing its £8.8m target by £5.0m	CCG	> The ICH would begin with a financial deficit, with funding insufficient to meet the required expenditure, prior to any additional budget pressures being experienced from 2018/19 onwards > Additional contingency/deficit funding would be required to be repaid in 2018/19 > CCG could be entered into the Capped Expenditure Process and/or Turnaround	4	5	**20**	> Prior year deficits to be kept out of the pooled funding arrangements > Deficit repayments to be made solely by the original organisation > Effective, joint saving plan required and implemented to reduce demand and take cost out of the system > Robust contractual arrangements with providers regarding QIPP > Risk share arrangements with providers > Risk share to incentivise joint working > Open book accounting introduced > Single population health budget implemented over the longer term	CCG	Mitigations ok. 17/18 has seen significant increase in QIPP delivery and performance. Culture of accountability and delivery still needs to improve, and the CCG has been set a challengingly ambitious Control Total of a £2m surplus, by NHSE, requiring savings of £19.6m. Net risks are currently estimated at £5.6m, with further actions identified to mitigate these risks. Ultimate delivery of financial balance for the CCG and WHaCC will depend as much on prudent financial and budget management as the delivery of QIPP.	2	3	

Forecasted spend risk											
• Wirral CCG is forecasting a break-even position for 17/18, despite it reporting annual overspends since 15/16 (£1.4m deficit in 15/16 rising to £7.1m deficit in 17/18) • Expenditure on acute and non-acute NHS contracts has, overall, over-spent against the target activity and financial plan for the last three years. These overspends have included contracts with a range of key NHS providers	CCG	> Based on previous trends a breakeven position for the CCG would be difficult to achieve in 17/18. This could result in underfunded services being pooled in the ICH > Additional contingency/deficit funding would be drawn down and would be required to be refunded in 2018/19	4	4	**16**	> Prudent assumptions regarding performance in 17/18 made > Proactive management of contracts > Prior year deficits to be kept out of the pooled funding arrangements > Deficit repayments to be made solely by the original organisation > ASC involved in contract negotiations > Effective, joint planning required and implemented to reduce demand and take cost out of the system > Re-baselining of service provision and cost in 2018/19	CCG (for non-recurring elements)	Mitigations ok. The 2018/19 CCG Control Total of £2m surplus, and require QIPP target of £19.6m is acknowledged as very challenging. Internally CCG reporting for the last 2 years has been sound and accurate. Any potential deficit position will not affect resources going in to WHaCC, but crucial to the long term sustainability of WHaCC and the health and social care economy will be the delivery of a robust 3 year financial recovery plan.	3	2	
• Brought forward pressures from 16/17 could in fact be recurrent and could place ongoing pressure on the budget • Social care services are forecasting a break-even budget position this year, despite social care services overspending its budget each year since 2014 (a £2.5m deficit in 14/15 rising £3.9m in 16/17) • For the last three years the Council have overspent on its expenditure budget, with these overspends varying between £1.6 and £4.2m	Council CCG	> Based on previous trends a breakeven position for ASC would be difficult to achieve in 17/18. This could result in underfunded services being pooled in the ICH > Additional contingency/deficit funding would be required to be refunded in 2018/19 > Risk of cumulative deficits and cost pressures becoming unmanageable if pressures in-year are not mitigated. > However, significant government intervention has changed the dynamics of funding to begin to offset these pressures	4	5	**20**	> Prudent assumptions regarding performance in 17/18 made > Prior year deficits to be kept out of the pooled funding arrangements > Deficit repayments to be made solely by the original organisation > Effective, joint planning required and implemented to reduce demand and take cost out of the system > Re-baselining of service provision and cost in 2018/19 in risk share arrangements > Open book accounting	Council (for non- recurring social care elements) Shared for recurring elements	Mitigations ok. LA now declaring balance for 18/19 deficit on social services budget.	3	2	
• National and local policies changes can result in annual fee uplifts and cost pressures (e.g. National Living Wage increases)	Council CCG	> Requirement for additional expenditure reductions and/or income being raised in order to counteract unexpected pressures	4	3	**12**	> Joint agreement and implementation of activities to reduce the impact of policy changes > Over time contingency funding built up to mitigate pressures	Shared	Pay increases for the NHS are fully funded. There is an acknowledgement of social care providers and staff feeling the pressure of increasing wages to ensure future supply. This needs to be factored into assumptions and discussions with appropriate mitigating strategies.	3	1	
Potential Risk	**Which organisation presents this risk?**	**Potential impact**	**I**	**L**	**RAG rating**	**Potential mitigations**	**Where risk should sit in the ICH**	**WHaCC response**	**I**	**L**	**RAG rating**
Forecasted spend risk											
• Funding pressures in 2018/19 include the repayment of deficits and contingency drawdowns used to fund prior year budget deficits • CCG allocation will be top-sliced in future years in order to repay deficits incurred in the years prior to 2017/18. This is likely to result in the CCG's budget being top-sliced by £9.8m in 2018/19	Council CCG	> ICH budget would contain pressures unrelated to service delivery in 2018/19, which are unmanageable by the ICH > CCG funding allocation is top-sliced by NHS England to repay prior-year debt drawdowns	4	5	**20**	> These pressures and repayment obligations are not pooled and remain with their original organisations > Organisation must pay its debt obligations back through a surplus made through the funding pool as part of a risk share arrangement > Council to be party to any negotiations with NHSE regarding deficit repayments > Open book accounting	Council CCG	Mitigations ok. There has been a change to allocation policy and adjustments from previous years such that the historic deficit is no longer automatically top sliced off CCG allocations. The historic cumulative deficit still appears as a note within the reporting system, but this will be repaid through future CCG surpluses. There is a recognition nationally of the perilous financial situation of the NHS and no desire nationally to worsen CCG financial positions by including the payment of historic of cumulative deficits. System control totals based on place are likely to be future way forward and therefore a resolution will need to be found to the funding of both commissioner and provider historic deficits.	4	2	
Budget management risk											
• The CCG has been issued formal directions by NHS England, requiring the CCG to improve its financial and governance weaknesses	CCG	> Additional oversight and scrutiny from NHS England > If performance doesn't improve the CCG could be placed in the capped expenditure process	4	3	**12**	> Strengthening the CCG's financial and governance arrangements through the ICH > CCG and Council should begin considering governance and reporting requirements with this in mind. > Section 75 financial framework in place	Shared	Mitigations ok. Whilst formal process carries with it an increased level of scrutiny by regulators, the Wirral system is likely to volunteer to enter a system budget process which should bring the benefits of the CEP process without increased formal regulation.	3	2	
• Residual funding remaining in separate original organisations (e.g. prescribing budget, funding which cannot be delegated), alongside the pooled ICH budget, will prevent joint, integrated realignment and maintain original organisational identities	Council CCG	> Current behaviours and cultures maintained > New ways of working disincentivised > Potential biases towards original organisations maintained	1	2	**2**	> Clear governance arrangements e.g. new joint board > Strong branding and joint organisational development > Integration of workforce	Shared	Mitigations ok. Joint OD programme will be key.	1	2	
• The lead ICH Commissioner could innately or overtly prioritise the funding of services from their 'old' organisation rather than for the benefit of the ICH overall, preferentially redirecting funding back to its old organisation	Council CCG	> Independent assessments of the best funding allocations for services and service investments not obtained > Potential conflicts between ICH members > Financial performance reported with respect to services offered by the original commissioning organisations will be skewed, unfairly affecting any risk share arrangements	2	3	**6**	> Strong governance arrangements required e.g. new joint board > Clear accounting treatment should be put in place, with joint recommendations for investment > Strong cultural identity in the ICH > Open book accounting	Shared	Mitigations ok. Early work from WHaCC/ Strategic Joint Commissioning Board, appears to show levels of transparency, honesty and integrity which will sustain the organisation through challenging times.	2	3	
• If the decision to integrate commissioning is reversed, disbanding the ICH could lead the Council being left with the residual costs of new interventions, without joint funding to support these recurrent costs	CCG	> ASC will experience large funding pressures as there will be insufficient income and Council budget to meet the additional recurrent costs in place in the system	5	2	**10**	> Contractual provisions to manage exit arrangements from the ICH which consider the Council's statutory position to fund ASC	Shared	Mitigations ok. Legal advice for both parties would need to be sought on exit arrangements, reconcile to Memorandum of understanding agreements.	4	2	

Potential Risk	Which organisation presents this risk?	Potential impact	I	L	RAG rating	Potential mitigations	Where risk should sit in the ICH	WHaCC response	I	L	RAG rating
CHC / complex care risk											
• Large discrepancies in joint vs fully funded packages of care compared to peer benchmarks means a re-baselining of CHC costs is likely to be required • Both parties face a significant financial pressure in relation to people with Complex Care needs. Current plans to meet these pressures are not aligned, leading to disputes for individual cases	Council CCG	> Current CHC working practices, assessment practices and/or classifications are inappropriate > CCG will experience an overspend in its CHC costs in 17/18 if ASC is to meet its efficiency saving requirements > Additional savings may have to be made from elsewhere, which might not be achievable > CHC budget may be underfunded	3	3	**9**	> Assessment and funding approvals process and criteria should be reviewed, with joint assessment implemented where relevant > Re-benchmarking of joint vs fully funded packages of care may be required in line with benchmarked peers, in order for an appropriate baseline to be passed into the ICH > Risk share arrangements to incentivise joint working > Open book accounting > Open discussions had between commissioners > Budget adjustments made if necessary	Shared	Since November 2017, greater collaboration and understanding of the commissioning of packages of care has taken place between the CCG and the LA. Increased resources have been put into this area, and whilst there is still a significant savings challenge, efforts are now centred on appropriateness of the packages and associated costs, as opposed to who pays.	1	3	
• Fully funded CHC budgets have overspent annually since 2014/15, with a significant overspend of £4.5m delivered against all Out of Hospital care services 2016/17	CCG	> Current CHC working practices and/or CCG budget management for CHC are inappropriate and require revision	5	3	**15**	> Joint review of CHC and other Out of Hospital costs to determine why overspends have been delivered > Agreement on realistic recurrent cost pressures with regards to these services	Shared	Mitigations ok, see above.	3	3	