

Report To: EXECUTIVE CABINET

Date: 29 November 2018

Executive Member / Reporting Officer: Cllr Fairfoull – Deputy Executive Leader
Kathy Roe – Director of Finance
Tom Wilkinson – Assistant Director of Finance
Sarah Dobson, Assistant Director (Policy, Performance and Communications)

Subject: STRATEGIC COMMISSION AND NHS TAMESIDE AND GLOSSOP INTEGRATED CARE FOUNDATION TRUST – CONSOLIDATED 2018/19 REVENUE MONITORING STATEMENT AT 30 SEPTEMBER 2018 AND FORECAST TO 31 MARCH 2019

Report Summary: As at 30 September 2018 the Integrated Commissioning Fund is forecasting to spend £583.1m against an approved budget of £580.4m, an over spend of £2.7m. Further detail on the economy wide position is included at **Appendix 1**. This forecast is a significantly improved position from the previous month but masks significant and increased pressures in a number of areas, including Children’s Services which is now forecasting expenditure to be £6.7m in excess of budget. Further detail produced by policy is included at **Appendix 2**.

The improved position is due mainly to the release of corporate contingency budgets (to offset increased pressures in Children’s Services), additional grant income in respect of business rate reliefs, and underspends in Governance. Overspends remain in Continuing Healthcare, Operations & Neighbourhoods and Growth as highlighted in previous reports. Further detailed analysis of budget performance and progress against savings is included in **Appendix 3**.

It also provides an update on the position regarding the Schools PFI and positive steps that have been taken to address the excess PFI reserve held by the Council, which following an in depth independently verified review, has been distributed back to schools, and thereby eliminating the deficits of 5 out of the 6 PFI schools which were in deficit. This is outlined in **Appendix 4**.

The Council’s Collection Fund update for month 6 is detailed in **Appendix 5**. The forecast position at month 6 is a £0.1m deficit on Council Tax and £1.2m surplus on Non-Domestic Rates (NDR).

Appendices 6 and 7 details the Council’s irrecoverable debts over £3,000 that have been written off. **Appendix 6** is for the period 1 April 2018 to 30 June 2018 and **Appendix 7** is for the period 1 July 2018 to 30 September 2018.

Recommendations:

1. That the significant level of savings required during 2018/19 to deliver a balanced recurrent economy budget together with the related risks which are contributing to the overall adverse forecast, be noted.
2. That the significant cost pressures facing the Strategic

Commission, particularly in respect of Continuing Healthcare, Children's Social Care and Operations & Neighbourhoods, and Growth, be noted.

3. That the outcome of the PFI accounting review summarised in section 3 and Appendix 4, be noted.

Links to Community Strategy:

Budget is allocated in accordance with the Community Strategy

Policy Implications:

Budget is allocated in accordance with Council Policy

**Financial Implications:
(Authorised by the Section 151 Officer & Chief Finance Officer)**

This report provides the 2018/19 consolidated financial position statement at 30 September 2018 for the Strategic Commission and ICFT partner organisations. For the year to 31 March 2019 the report forecasts that service expenditure will exceed the approved budget in a number of areas, due to a combination of cost pressures and non-delivery of savings. These pressures are being partially offset by additional income in corporate and contingency which may not be available in future years.

The report emphasises that there is a clear urgency to implement associated strategies to ensure the projected funding gap in the current financial year is addressed and closed on a recurrent basis across the whole economy. The Medium Term Financial Plan for the period 2019/20 to 2023/24 identifies significant savings requirements for future years. If budget pressures in service areas in 2018/19 are sustained, this will inevitably lead to an increase in the level of savings required in future years to balance the budget.

It should be noted that the Integrated Commissioning Fund (ICF) for the Strategic Commission is bound by the terms within the Section 75 and associated Financial Framework agreements.

**Legal Implications:
(Authorised by the Borough Solicitor)**

There is a statutory duty to ensure the Council sets a balanced budget and that it is monitored to ensure statutory commitments are met. There are a number of areas that require a clear strategy to ensure in the face of demand they achieve this.

Risk Management:

Associated details are specified within the presentation.

Failure to properly manage and monitor the Strategic Commission's budgets will lead to service failure and a loss of public confidence. Expenditure in excess of budgeted resources is likely to result in a call on Council reserves, which will reduce the resources available for future investment. The use and reliance on one off measures to balance the budget is not sustainable and makes it more difficult in future years to recover the budget position.

Background Papers:

Background papers relating to this report can be inspected by contacting :

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1. BACKGROUND

- 1.1 This report aims to provide an overview on the financial position of the Tameside and Glossop economy in 2018/19 at the 30 September 2018 with a forecast projection to 31 March 2019. Supporting details for the whole economy are provided in **Appendix 1**.
- 1.2 The report includes the details of the Integrated Commissioning Fund (ICF) for all Council services and the Clinical Commissioning Group. The total net revenue budget value of the ICF for 2018/19 is currently £580.4 million.
- 1.3 It should be noted that the report also includes details of the financial position of the Tameside and Glossop Integrated Care NHS Foundation Trust. This is to ensure members have an awareness of the overall Tameside and Glossop economy position. Reference to Glossop solely relates to health service expenditure as Council services for Glossop are the responsibility of Derbyshire County Council.
- 1.4 Please note that any reference throughout this report to the Tameside and Glossop economy refers to the three partner organisations namely:
 - Tameside and Glossop Integrated Care NHS Foundation Trust (ICFT)
 - NHS Tameside and Glossop CCG (CCG)
 - Tameside Metropolitan Borough Council (TMBC)

2. FINANCIAL SUMMARY

- 2.1 As at 30 September 2018 the Integrated Commissioning Fund is forecasting to spend £583.1m against an approved budget of £580.4m, **an over spend of £2.7m**. This forecast is a significantly improved position from the previous month but masks significant and increased pressures in a number of areas, including **Children's Services which is now forecasting expenditure to be £6.7m in excess of budget**.
- 2.2 The improved position is due mainly to the release of corporate contingency budgets (to offset increased pressures in Children's Services), additional grant income in respect of business rate reliefs, and underspends in Governance. Overspends remain in Continuing Healthcare, Operations & Neighbourhoods and Growth as highlighted in previous reports.
- 2.3 The attached Month 6 Integrated Finance report provides an overview of the financial position across the economy as a whole. **Appendix 2** is a deep dive into Children's Services. **Appendix 3** provides detailed analysis for all service areas in the Strategic Commission.

3. PFI SCHOOL'S ACCOUNTING REVIEW

- 1.1 **Appendix 4** to this report sets out the findings and outcomes from a review of the PFI School's Accounting. The review has been undertaken by Financial Management and reviewed and verified by an independent external consultant and been discussed with External Audit.
- 1.2 The Financial Management team's accounting review of PFI contracts covered a number of areas including, the contractual payments to the LEP, the contributions made by schools, the financial assumptions of the financial modeling to date and the reserve accounts held as part of the operation of the schemes.
- 1.3 The review carried out by Financial Management looked at all of the accounting transactions for the 3 types of contract. It covered all actual financial transactions made against those expected in the financial model, including;
 - Checking all historical payments to the service providers;

- A review of the RPIx factors in the past and updating those modeling forward;
- Checking the actual lettings to those projected;
- Updating the interest actually received against those projected in the model;
- The director fees. (BSF model only);
- Investment income received. (BSF model only);
- Review of all the penalty deductions and contract variation notices and charges to schools;
- Other contributions to the reserves.

1.4 The review found that there were some areas of the model that needed to be updated to reflect the actual figures, there had also been some errors in charging schools. The RPIx point has been incorrectly applied in some instances. The PAN for one school needed to be corrected and one school had been incorrectly charged for utility costs which are part of the contract. These corrections have been made and resolved with the schools concerned.

1.5 A large element of the review was in relation to the BSF PFI reserve. When originally modeled, this reserve did not include the Council's share of the income generated from its later investment in the PFI project companies. This investment was taken as a proactive step by the Council, and is not a routine element of PFI schemes. There have been a number of year's returns on this investment and it has realised much higher returns than originally anticipated.

1.6 Without the investment income from the project companies, and the top slice of DSG these schemes would be unaffordable. However, the additional contributions mean that the projections for the level of reserves to the end of the contracts, i.e. in 25 years' time, would have resulted in a significant surplus. The model at financial close was based on a small surplus of £100k being left at the end of the contracts in the reserve for winding up costs.

1.7 The forecast surplus position has meant that some of these balances can be returned to all schools and academies in Tameside.

4. COLLECTION FUND MONITORING AND IRRECOVERABLE DEBTS

4.1 The Collection Fund is a statement that reflects the statutory obligation of the Council as the billing authority to maintain a separate Collection Fund. The Collection Fund statement shows the Council's transactions in relation to the collection from taxpayers of Council Tax and Non-Domestic Rates (NDR) and its distribution to the relevant preceptors and Central Government

4.2 **Appendix 5** to this report provides a summary of the Council's month 6 Collection Fund monitoring. The forecast position at month 6 is a £0.1m deficit on Council Tax and £1.2m surplus on NDR.

4.3 **Appendices 6 and 7** list the council's irrecoverable debts over £3,000 that have been written off for the periods 1 April 2018 to 30 June 2018 and 1 July 2018 to 30 September 2018 respectively.

5. RECOMMENDATIONS

5.1 As stated on the front cover of the report.