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| Report To: | EXECUTIVE CABINET |
| Date: | 28 August 2019 |
| Executive Member / Reporting Officer: | <p>Councillor Ryan – Executive Member (Finance and Economic Growth)</p> <p>Dr Ashwin Ramachandra (CCG Governing Body Chair)</p> <p>Kathy Roe – Director of Finance</p> |
| Subject: | STRATEGIC COMMISSION AND NHS TAMESIDE AND GLOSSOP INTEGRATED CARE FOUNDATION TRUST – CONSOLIDATED 2019/20 REVENUE MONITORING STATEMENT AT 31 JUNE 2019 AND FORECAST TO 31 MARCH 2020 |
| Report Summary: | <p>With a gross budget for 2019/20 in excess of £943m, as at month 3 the Integrated Commissioning Fund has a forecast net spend of £617,896k, against a net budget of £615,694k. The forecast overspend of £2,202k is primarily driven by Children's Services, Growth, Operations and Neighbourhoods, and CCG TEP shortfall, offset by contingency and capital financing. Further detail on the economy wide position is included at Appendix 1.</p> <p>This forecast is an improved position from the previous month but masks significant and increased pressures in a number of areas, including Children's Services which is forecasting expenditure to be £4.5M in excess of budget. Significant pressures are also emerging in Growth and Operations and Neighbourhoods. Further detail is included at Appendix 1.</p> <p>The improved position from month 2 is due mainly to a significant favourable movement in Capital and Financing due an increase in the Manchester Airport Dividend payment. In addition there has been a significant favourable movement on the CCG Targeted Efficiency Programme (TEP). Further detailed analysis of budget performance and progress against savings is included in Appendix 2.</p> <p>Also set out in Section 3 the report are details of the significant financial pressures facing the Council in respect of the Education High Needs Funding Block. There is currently a projected deficit on the High Needs Funding of £5.507m. If this deficit materialises, the Council will be expected to produce a three year deficit recovery plan and submit this to the Department for Education.</p> <p>Section 4 of the report sets out proposed changes to the financing arrangements for the Tameside Wellness centre, which results in changes to the Active Tameside Management Fee.</p> <p>Appendix 3 details the Council's irrecoverable debts over £3,000 that are being requested to be written off.</p> |
| Recommendations: | <p>Members are recommended to :</p> <ol style="list-style-type: none"> 1. ACKNOWLEDGE the significant level of savings required during 2019/20 to deliver a balanced recurrent economy budget together with the related risks which are contributing to the overall adverse forecast. |

2. ACKNOWLEDGE the significant financial pressures facing the Strategic Commission, particularly in respect of Children's Social Care and Operations & Neighbourhoods, and Growth.
3. ACKNOWLEDGE the significant financial pressures facing the Council in respect of the Education High Needs Funding Block.
4. APPROVE the proposed changes to the financing arrangements for the Tameside Wellness Centre, as set out in **section 4** and the related change to the Active Tameside Management Fee.
5. APPROVE the write off of irrecoverable debts as outlined in **Appendix 3**.

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 2019/20 consolidated financial position statement at 30 June 2019 for the Strategic Commission and ICFT partner organisations. For the year to 31 March 2020 the report forecasts that service expenditure will exceed the approved budget in a number of areas, due to a combination of cost pressures, shortfalls in income and non-delivery of savings. These pressures are being partially offset by savings and additional income in Capital and Financing, Corporate and Contingency budgets 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 2019/20 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 requirement for the Council to deliver a balanced budget whilst ensuring all services deliver value for money. Given the implications for each of the constituent organisations this report will be required to be presented to the decision making body of each one to ensure good governance.

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 :

Tom Wilkinson, Assistant Director of Finance, Tameside Metropolitan Borough Council



Telephone:0161 342 5609



e-mail: tom.wilkinson@tameside.gov.uk

Tracey Simpson, Deputy Chief Finance Officer, Tameside and Glossop Clinical Commissioning Group



Telephone:0161 342 5626



e-mail: tracey.simpson@nhs.net

David Warhurst, Associate Director Of Finance, Tameside and Glossop Integrated Care NHS Foundation Trust



Telephone:0161 922 4624



e-mail: David.Warhurst@tgh.nhs.uk

1. BACKGROUND

- 1.1 This report aims to provide an overview on the financial position of the Tameside and Glossop economy in 2019/20 at the 30 June 2019 with a forecast projection to 31 March 2020. 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 gross revenue budget value of the ICF for 2019/20 is currently £943.042 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 June 2019 the Integrated Commissioning Fund is forecasting to spend £617.896m against an approved net budget of £615.694m, **an over spend of £2.202m**. This forecast is an improved position from the previous month but masks significant and increased pressures in a number of areas, including **Children's Services which is forecasting expenditure to be £4.5M in excess of budget**. Significant pressures are also emerging in Growth and Operations and Neighbourhoods. Further detail is included at **Appendix 1**.
- 2.2 The improved position from month 2 is due mainly to a significant favourable movement in Capital and Financing due an increase in the Manchester Airport Dividend payment. In addition there has been a significant favourable movement on the CCG Targeted Efficiency Programme (TEP). Further detailed analysis of budget performance and progress against savings is included in **Appendix 2**.

3. INDIVIDUAL SCHOOLS BUDGETS

- 3.1 Individual Schools Budgets reflect the dedicated schools grant (DSG) which is the ring fenced funding pass-ported to schools to fund education services. The grant is allocated through a nationally determined formula to local authorities in 4 blocks:
 - Central Services Schools Block (CSSB) - provided to provide funding to Local Authorities to support carrying out statutory duties on behalf of schools.
 - Schools Block - This is intended to fund mainstream (non-special) Schools
 - High Needs Block (HNB) - This is to fund Special Schools, additional support in mainstream schools for Special Educational Needs (SEND) and other SEND placements / support.
 - Early Years Block -This funds the free/extended entitlement & funding of places for 2, 3 and 4 year olds in school nurseries and Private, Voluntary and Independent (PVI) Sector settings.

3.2 The total DSG for 2019/20 allocated to the Tameside Borough for all Schools and Academies is £200.418m, £77.264m is then top sliced and allocated to Tameside Academies for which they then must report to the Education Schools Funding Agency (ESFA) on performance and spending. Updates to DSG funding will be made by the DFE throughout the year to reflect any new academy conversions and changes in High Needs and early year's allocations.

3.3 The projected DSG outturn for 2019/20 is shown in the table below;

| DSG Funding Blocks | DSG 2019/20 at March 2019 £000 | Projected Spend 2019/20 £000 | Variation Surplus / (Deficit) £000 |
|--------------------------------------|-------------------------------------------------------|-------------------------------------------------|-------------------------------------------------------|
| Schools Block | 162,369 | 162,355 | 14 |
| Central School Services Block (CSSB) | 925 | 925 | 0 |
| High Needs Block (Pre/Post 16) (HNB) | 20,854 | 26,360 | (5,507) |
| Early Years Block | 16,270 | 16,270 | 0 |
| Total | 200,418 | 205,910 | (5,492) |

3.4 The surplus on the schools block relates to a small surplus on growth funding of £0.014m and it is anticipated this will contribute to the DSG reserve and be utilised to offset anticipated pressures in the High Needs Block. It should be noted these are estimates at this stage.

3.5 The CSSB is expected to be spent in full.

3.6 The projected deficit on the High Needs Budget is expected to be £5.507m. The reason for overspending in the borough is due to;

- The increasing high needs population such as special school places and resourced provision
- Increase in Education Health Care Plans being issued. There has been an increase from 945 to 1267, an increase of 322 plans in 2018/19. Each of these plans requires specific funding to support the child.
- Increases in the number of Post 16 placements requiring top up funding.
- Increased spending in supporting Tameside children in the Independent Sector or Out of Borough placements.

3.7 There has continued to be significant numbers of referrals over the last 4 months, averaging at 45 per month. If growth continues throughout the financial year at current levels this would create a potential further pressure on the High Needs Budget which could exceed £3.5m. It is estimated that the number of plans maintained will increase by between 300 and 650, bringing the total number of EHCPs Tameside maintains to more than 1,800 by the end of the year.

3.8 The financial pressures in the High Needs Block are therefore serious and represent a high risk to the Council. There is an on-going review of SEND services and the SEND Strategy looking at our local offer and ways to address the financial pressures, and to stabilise the position over the following three years. If as predicted the HNB enters into deficit by the

end of 2019/20, the Council will be expected to produce a 3 year deficit recovery plan and submit this to the DfE.

- 3.9 The Early years block is expected to be on target however there are expected to be minor overspends that can be offset with savings in other areas.
- 3.10 The DSG will be monitored and regular updates will be reported to members and Schools Forum.

4. TAMESIDE WELLNESS CENTRE

- 4.1 The Tameside Wellness Centre scheme is progressing well following a Council Key Decision of 27 April 2017. Construction began in November 2018 with completion scheduled for early spring 2020.
- 4.2 The original financing arrangements for the scheme were £13.674m Council Investment, £1.050m repayable loan to Active Tameside, and £1.500m grant from Sport England.
- 4.3 The proposed repayable loan to Active Tameside is to finance the commercial elements of the scheme, specifically the 10 Pin bowling installation, soft play structure, enhanced catering offer and enhanced fitness offer, which will form part of the new asset. The Wellness Centre will be a Council Asset which will be leased to Active Tameside.
- 4.4 The original intention was that cost of the commercial elements of the scheme would be wholly repayable by Active Tameside in line with existing loan agreements between Active Tameside and the Council. It is now proposed that the investment is financed by the Council and recovered through a reduction to the existing annual management fee, reflecting the fact that the expenditure will be enhancing a Council asset.
- 4.5 Active Tameside have an approved level of management fee for the 19/20 and 20/21 financial years, in line with the decision approved at Executive Cabinet on 23 January 2019. The proposed reduction to the management fee, which equates to £83,650 per annum, will commence in 2021/22 for a period of 14 years to reflect the average expected useful life of the investment. Members are reminded to note that a further report on the annual management fee payable to Active Tameside from 2021/22 to the end of the current lease term in 2023/24 will be presented during the 2020/21 financial year.
- 4.6 Members are asked to approve this proposed change to the financing arrangements for the Tameside Wellness Centre.

5. IRRECOVERABLE DEBTS

- 5.1 **Appendix 3** details the Council's irrecoverable debts over £3,000 that are being requested to be written off.

6. RECOMMENDATIONS

- 6.1 As stated on the front cover of the report.