Report To:	**EXECUTIVE CABINET**
Date:	24 March 2021
Executive Member / Reporting Officer:	Cllr Ryan – Executive Member (Finance and Economic Growth) Dr Ash Ramachandra – Lead Clinical GP Kathy Roe – Director of Finance
Subject:	**STRATEGIC COMMISSION AND NHS TAMESIDE AND GLOSSOP INTEGRATED CARE FOUNDATION TRUST FINANCE REPORT 2020/21 - AS AT MONTH 10**
Report Summary:	This is the tenth financial monitoring report for the 2020/21 financial year, reflecting actual expenditure to 31 January 2021 and forecasts to 31 March 2021. In the context of the on-going Covid-19 pandemic, the forecasts for the rest of the financial year have been prepared using the best information available but is based on a number of assumptions. New funding continues to be announced by Government to support the impacts of the COVID pandemic, and whist confidence in the year end position is much greater at this time of year, forecasts remain subject to change in the event of new or changed government guidance and funding over the next two months. **Appendix 1** summarises the integrated financial position on revenue budgets as at 31 January 2021 and forecast to 31 March 2021. As at Month 10, the Strategic Commission is forecasting a net underspend of £0.155m by 31 March 2021. This is a significant improvement on the position reported at month 9 and reflects additional COVID related income on Council budgets which has reduced the forecast overspend to £0.358m. On the assumption that the anticipated COVID top up is received in full, a surplus of £512k is projected at year end on CCG budgets. Whilst the overall forecast position is looking more positive, there remain significant variances in some service areas which are not attributed to COVID and which present ongoing financial risks for future years. Further detail on budget variances, savings and pressures is included in **APPENDIX 2.** **Appendix 3** provides an update on Council Tax and Business Rates collection performance and the forecast year end position on the Collection Fund based on a detailed exercise undertaken in December 2020. There is a forecast in year deficit on the Collection Fund for both Council Tax and Business Rates due to the impact of the COVID pandemic. This forecast deficit will need to be funded in 2021/22 and the forecast deficit is reflected in the 2021/22 budget approved by Full Council on 23 February 2021. **Appendix 4** is the third capital monitoring report for 2020/21, summarising the forecast outturn at 31 March 2021 based on the financial activity to 31 January 2020. The detail of this monitoring report is focused on the budget and forecast expenditure for fully approved projects in the 2020/21 financial year. The approved budget for 2020/21 is £56.338m (after re-profiling approved at P7 monitoring) and current forecast for the financial year is £46.209m. **Appendix 5** provides an update on the Dedicated Schools Grant (DSG). The Council is facing significant pressures on High Needs

funding and starts the 2020/21 financial year with an overall deficit on the DSG reserve of £0.557m. The projected in-year deficit on the high needs block is expected to be £2.838m due to the continuing significant increases in the number of pupils requiring support.

Recommendations:	Members are recommended to: (i) Note the forecast outturn position and associated risks for 2020/21 as set out in **Appendix 1**. (ii) Note the significant pressures facing Council Budgets as set out in **Appendix 2.** (iii) **Approve** the budget virements and reserve transfers set out on pages 23 and 24 of **Appendix 2.** (iv) Note the forecast Collection Fund position for 2020/21 as set out in **Appendix 3.** (v) Note the Capital Programme 2020/21 forecast and **approve** the re-profiling of capital budgets as set out in **Appendix 4**. (vi) Note the forecast position in respect of Dedicated Schools Grant as set out in **Appendix 5.** (vii) Approve the proposals for accessing the CCG cumulative surplus and the utilisation of funds for the purposes set out in **section 6**, including the creation of earmarked reserves to support specific initiatives. (viii) Approve the signing of the Memorandum of Understanding to accept £0.548m of funding to support the preparation for the Domestic Abuse Bill and to receive a further report to agree the implementation strategy in Tameside, as outlined in **Section 8**.
Policy Implications:	Budget is allocated in accordance with Council Policy
Financial Implications: **(Authorised by the Section 151 Officer & Chief Finance Officer)**	The Council set a balanced budget for 2020/21 but the budget process in the Council did not produce any meaningful efficiencies from departments and therefore relied on a number of corporate financing initiatives, including budgeting for the full estimated dividend from Manchester Airport Group, an increase in the vacancy factor and targets around increasing fees and charges income. The budget also relied on drawing down £12.4m of reserves to allow services the time to turn around areas of pressures. These areas were broadly, Children's Services placement costs, Children's Services prevention work (which was to be later mainstreamed and funded from reduced placement costs), shortfalls on car parking and markets income. Each of these services required on-going development work to have the impact of allowing demand to be taken out of the systems and additional income generated. There was additional investment around the IT and Growth Directorate Services, to invest in IT equipment, software and capacity and to develop strategically important sites for housing and business development, including key Town Centre masterplans. A delay in delivering the projects that the reserves were funding is likely to mean more reserves will be required in future years, placing pressure on already depleting resources. The NHS was operating under a command and control financial

regime for the first six months of 2020/21. Under command and control there was no requirement or expectation that the CCG would deliver efficiency savings. Since October the NHS has entered phase 3 of the COVID recovery process. Under phase 3, financial envelopes have been issued on a Sustainabilty and Transformation Plan (STP) footprint. In T&G this means that a financial envelope exists at a Greater Manchester level. This report show that local control totals required to deliver against the envelope will be met, however there is risk associated with this. In order to meet the control total QIPP savings of £7,994k are required, against which there is currently a gap of £174k.

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)

Legislation is clear that every councillor is responsible for the financial control and decision making at their council. The Local Government Act 1972 (Sec 151) states that "*every local authority shall make arrangements for the proper administration of their financial affairs…"* and the Local Government Act 2000 requires Full Council to approve the council's budget and council tax demand.

Every council requires money to finance the resources it needs to provide local public services. Therefore, every councillor is required to take an interest in the way their council is funded and the financial decisions that the council takes.

A sound budget is essential to ensure effective financial control in any organisation and the preparation of the annual budget is a key activity at every council.

Every council must have a balanced and robust budget for the forthcoming financial year and also a 'medium term financial strategy (MTFS)' which is also known as a Medium Term Financial Plan (MTFP). This projects forward likely income and expenditure over at least three years. The MTFS ought to be consistent with the council's work plans and strategies, particularly the corporate plan. Due to income constraints and the pressure on service expenditure through increased demand and inflation, many councils find that their MTFS estimates that projected expenditure will be higher than projected income. This is known as a budget gap.

Whilst such budget gaps are common in years two-three of the MTFS, the requirement to approve a balanced and robust budget for the immediate forthcoming year means that efforts need to be made to ensure that any such budget gap is closed. This is achieved by making attempts to reduce expenditure and/or increase income. Clearly councillors will be concerned with any potential effect that these financial decisions have on service delivery.

There is unlikely to be sufficient money to do everything the council would wish to provide due to its budget gap. Therefore, councillors need to consider their priorities and objectives and ensure that these drive the budget process. In addition, it is essential that councils consider how efficient it is in providing services and obtaining the appropriate service outcome for all its services.

In times of austerity, it is tempting for a council to run down its reserves to maintain day-to-day spending. However, this is, at best, short sighted and, at worst, disastrous! Reserves can only be spent once and so can never be the answer to long-term funding problems. However, reserves can be used to buy the council time to consider how best to make efficiency savings and can also be used to ‘smooth’ any uneven pattern in the need to make savings.

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 Monthly integrated finance reports are usually prepared to provide an overview on the financial position of the Tameside and Glossop economy**.**

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 2020/21 is in excess of £980 million.

1.3 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. REVENUE BUDGET SUMMARY

2.1 **Appendix 1** summarises the integrated financial position on revenue budgets as at 31 January 2021 and forecast to 31 March 2021.

2.2 As at Month 10, the Strategic Commission is forecasting a net underspend of £0.155m by 31 March 2021. This is a significant improvement on the position reported at month 9 and reflects additional COVID related income on Council budgets which has reduced the forecast overspend to £0.358m. On the assumption that the anticipated COVID top up is received in full, a surplus of £512k is projected at year end on CCG budgets.

2.3 Whilst the overall forecast position is looking more positive, there remain significant variances in some service areas which are not attributed to COVID and which present ongoing financial risks for future years. Further detail on budget variances, savings and pressures is included in **Appendix 2**.

3. COLLECTION FUND 2020/21

3.1 **Appendix 3** provides an update on Council Tax and Business Rates collection performance and the forecast year end position on the Collection Fund based on a detailed exercise undertaken in December 2020. There is a forecast in year deficit on the Collection Fund for both Council Tax and Business Rates due to the impact of the COVID pandemic. This forecast deficit will need to be funded in 2021/22 and the forecast deficit is reflected in the 2021/22 budget approved by Full Council on 23 February 2021

4. CAPITAL PROGRAMME

4.1 **Appendix 4** is the third capital monitoring report for 2020/21, summarising the forecast outturn at 31 March 2021 based on the financial activity to 31 January 2020. The detail of this monitoring report is focused on the budget and forecast expenditure for fully approved projects in the 2020/21 financial year. The approved budget for 2020/21 is £56.338m (after re-profiling approved at P7 monitoring) and current forecast for the financial year is £46.410m.

5. DEDICATED SCHOOLS GRANT (DSG)

5.1 **Appendix 5** provides an update on the Dedicated Schools Grant (DSG). The Council is facing significant pressures on High Needs funding and starts the 2020/21 financial year with an overall deficit on the DSG reserve of £0.557m. The projected in-year deficit on the high needs block is expected to be £2.838m due to the continuing significant increases in the number of pupils requiring support. If the 2020/21 projections materialise, there will be a deficit on the DSG reserve at the end of this financial year. This would mean it is likely a deficit recovery plan would have to be submitted to the Department for Education (DfE) outlining how we expect to recover this deficit and manage spending over the next 3 years and will require discussions and agreement of the Schools Forum.

6. CCG CUMULATIVE SURPLUS

6.1 The CCG has a cumulative surplus held with NHS England which has built up over a number of years and is reported in the CCG annual accounts. The Strategic Commission has been unable to access this funding without prior authorisation from NHS England and this has been impeded as a result of the NHS Command and Control financial regime in 2020-21.

6.2 NHS England have now offered the opportunity to access this resource in the 20/21 financial year to support the financial pressures faced by the system and tackle delays incurred in implementation of the next phase of our transformation as a result of COVID. It is proposed that this surplus is accessed and utilised to facilitate ongoing financial sustainability across the economy. This additional funding will enable the Strategic Commission to invest in integrated transformation programmes, to improve outcomes and efficiency whilst we build back and learn to live with COVID.

6.3 The total available surplus is £7.8m which it is proposed will be utilised as follows:

- £5m to be managed under the risk share arrangement in 2020-21 under the Section 75 pooled budget arrangement. The opportunity afforded by the return of the accumulated surplus allows the risk share to be activated and used to fund the Population Health community services contract with the ICFT under the pooled budget arrangements. The Council's 2020-21 position was balanced by the use of £12m Council reserves. This will allow the £5m of Council resources that was earmarked to be spent on this contract to be added to an earmarked reserve and used in future years to support future priorities of the Strategic Commission as set out under the terms of the risk share agreement. (Members will recall this offers the benefits in reverse from when the Council increased contributions to the section 75 pool to enable the CCG to meet its obligations in 2017-18).
- £1m additional investment into the joint Investment Fund. In 2018/19 the Strategic Commission created an Investment Fund of £1m (funded £0.5m from the Council and £0.5m from the CCG) to fund 'invest to save' initiatives across the Strategic Commission. It is proposed that this Investment Fund is expanded with a further £1m of investment from the CCG in 2020-21, matched with a further £1m of investment from the Council, to support the on-going transformation strategy across the system and particularly within our neighbourhoods. The Council investment will be reallocated from the service improvement reserve.
- £1.094m CCG Contribution to support expenditure incurred during 2020/21 on Housing, Homelessness and Supporting People services. The Council has experienced demand and cost pressures in this area during 2020-21, with total forecast spend of £2.091m exacerbated by health needs during the pandemic. These pressures are expected to continue into 2021-22 – the CCG contribution in 2020-21 will enable the Council to reduce its overall drawdown of reserves that are being used to support the overall budget this year. These unused reserves will be available to support the Council's ongoing homelessness pressures into 2021-22 if required. It is proposed that an earmarked reserve will be created for this purpose.
- £0.706m CCG Contribution to support the health needs in complex Children's Social Care packages in 2020-21 as identified as part of the Children's Services Seven point improvement plan. As the Council is now forecasting to be broadly on budget, in the spirit of joint working, it is proposed that this funding will be held in an earmarked reserve and

future spending decisions related to this amount be taken jointly by the Strategic Commission.

7. WRITE OFF OF IRRECOVERABLE DEBT

7.1 There were no write offs of irrecoverable debt requiring Member approval in the period 1 October 2020 to 31 December 2020.

8. DOMESTIC ABUSE BILL FUNDING

8.1 The Ministry of Housing, Communities and Local Government has announced the distribution of £125m nationally to support the implementation of the Domestic Abuse Bill when it comes into law (subject to Parliamentary approval). Tameside are eligible for £0.548m towards this to be spent in the 2021/22 financial year, with a robust needs assessment to be prepared by August 2021. To access this funding the MHCLG are requiring the Council to sign a memorandum of understanding to confirm that they will use the funding towards the necessary preparations and meet the obligations yet to be made law. As the funding is in excess of £500K in accordance with the Council's Constitution a further report will be necessary for Executive Cabinet approval of the proposed allocation of the funding.

9. RECOMMENDATIONS

9.1 As stated on the front cover of the report.