Report To:	**STRATEGIC COMMISSIONING BOARD**
Date:	23 June 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 OUTTURN REPORT 2020/21**
Report Summary:	This is the final financial report for the 2020/21 financial year, reflecting actual expenditure to 31 March 2021. At the end of an unusual and challenging financial year for the Strategic Commission and ICFT, the final outturn position on 2020/21 budgets presents a broadly balanced position, with a small underspend on Council Budgets. CCG budgets have achieved a balanced position with nil variance. The ICFT are reporting a small deficit. Given the significant pressures and challenges that have been faced over the last 12 months, this position is a significant achievement. COVID continues to place a significant operational strain on the system, while the longer term financial outlook is a cause for concern as we contend with the aftermath of the pandemic at the same time as addressing an underlying financial deficit. The financial impacts of COVID have been addressed with significant one-off funding during 2020/21, and whilst some further additional funding is available to the Council in 2021/22 for ongoing COVID pressures, this is one-off in nature. The longer term impacts of COVID, uncertainty over future local government funding, and a lack of clarity over future operational arrangements for the CCG, present significant barriers to sustainable financial planning. **APPENDIX 1** summarises the integrated financial position on revenue budgets as at 31 March 2021. The final outturn position on 2020/21 budgets presents a broadly balanced position, with a small underspend of £102k on Council Budgets. CCG budgets have achieved a balanced position with nil variance against budget. The final outturn position is net of a range of significant under and over spends across a number of service areas. Further detail on budget variances, savings and pressures, COVID grants and expenditure is included in **APPENDIX 2.** **APPENDIX 3** provides an update on Council Tax and Business Rates collection performance and the year end position on the Collection Fund. There is an in year deficit on the Collection Fund for both Council Tax and Business Rates due to the impact of the COVID pandemic, although the Council Tax deficit is less than previously forecast due to significantly improved collection rates in the final quarter of the year. The deficits will need to be funded in over the three financial years 2021/22, 2022/23 and 2023/24 and this is reflected in the 2021/22 budget and MTFP approved by Full Council on 23 February 2021.

APPENDIX 4 is the capital outturn report for 2020/21, summarising the financial activity to 31 March 2021. The detail of this monitoring report is focused on the budget and expenditure for fully approved projects in the 2020/21 financial year.

APPENDIX 5 provides an update on the Dedicated Schools Grant (DSG). The Council is facing significant pressures on High Needs funding and started the 2020/21 financial year with an overall deficit on the DSG reserve of £0.557m. The 2020/21 deficit on DSG is £1.686m, mainly as a result of a continued pressure on High Needs but partly offset by surpluses on the other funding blocks. Under DfE regulations the authority have produced a deficit recovery plan which has been submitted to the DfE outlining how we expect to recover this deficit and manage spending over the next 3 years.

Recommendations:

Members are recommended to:

(i) Note the outturn position as set out in **Appendix 1**.
(ii) Note the significant variations and pressures facing Budgets as set out in **Appendix 2.**
(iii) **Approve** the budget virements and reserve transfers set out on pages 36 and 37 of **Appendix 2.**
(iv) Note the Collection Fund position for 2020/21 as set out in **Appendix 3.**
(v) Note the Capital Programme 2020/21 outturn and **approve** the re-profiling of capital budgets as set out in **Appendix 4**.
(vi) Note the outturn position in respect of Dedicated Schools Grant as set out in **Appendix 5.**
(vii) Agree that a Budget turnaround team be created from the Invest to Save ring-fenced allocation to reduce the budget gap and avoid the need to rely on reserves with the detail being set out in an executive decision to be brought forward by the Executive Member for Finance & Growth.

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 which it is intended will have the impact of allowing demand to be taken out of the systems and additional income generated. This development and turnaround work must deliver savings and additional income in future years.

The budget being balanced in 2020/21 is a positive outcome but it should be noted that this still means the drawdown of £12.4m from reserves.

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 further 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 Sustainability 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)

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). 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.

In challenging financial times it is tempting to use reserves to maintain day-to-day spending. However reserves by their very nature can only be spent once and so can never be the answer to long-term funding problems. 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 : Heather Green, Finance Business Partner, Tameside Metropolitan Borough Council Telephone:0161 342 2929 e-mail: heather.green@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

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 was 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 outturn on revenue budgets at 31 March 2021.

2.2 The final outturn position on 2020/21 budgets presents a broadly balanced position, with a small underspend of £102k on Council Budgets. CCG budgets have achieved a balanced position with nil variance against budget.

2.3 Whilst the overall position is positive, the Council's 2020/21 net expenditure has been financed with £12.4m of reserves and there remain significant variances in some service areas which are not attributed to COVID and which present ongoing financial risks for future years. The final outturn position is net of a range of significant under and over spends across a number of service areas. Further detail on budget variances, savings and pressures, COVID grants and expenditure 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 yearend position on the Collection Fund. There is an in year deficit on the Collection Fund for both Council Tax and Business Rates due to the impact of the COVID pandemic. The Council Tax deficit is less than previously forecast due to significantly improved collection rates in the final quarter of the year. The Council will received additional section 31 grant from Government to cover a substantial proportion of the deficit on NNDR, however there remains a net deficit on both Council Tax and NNDR that will need to be funded by the Council. The funding of the estimated deficits is reflected in the MTFP for the three financial years 2021/22, 2022/23 and 2023/24 as approved by Full Council on 23 February 2021.

4. CAPITAL PROGRAMME

4.1 **APPENDIX 4** is the fourth and final capital monitoring report for 2020/21, summarising the outturn at 31 March 2021. The approved budget for 2020/21 was £47.448m (after re-profiling approved at P10 monitoring) and outturn for the financial year is £43.593m. There have been delays on a number of schemes throughout the year due to COVID, and scheme budgets have been re-profiled into the 2021/22 financial year.

5. DEDICATED SCHOOLS GRANT (DSG)

5.1 **APPENDIX 5** provides an update on the Dedicated Schools Grant (DSG) financial pressures and outturn for 2020/21. The Council is facing significant pressures on High Needs funding and started the 2020/21 financial year with an overall deficit on the DSG reserve of £0.557m. The 2020/21 outturn deficit on DSG is £1.686m, mainly as a result of a continued pressure on High Needs but partly offset by surpluses on the other funding blocks. Under DfE regulations the authority has produced a deficit recovery plan which has been submitted to the DfE outlining how we expect to recover this deficit and manage spending over the next 3 years.

6. WRITE OFF OF IRRECOVERABLE DEBT

6.1 There were no write offs of irrecoverable debt requiring Member approval in the period 1 January 2021 to 31 March 2021.

7. RECOMMENDATIONS

7.1 As stated on the front cover of the report.