

Report To: EXECUTIVE CABINET

Date: 28 July 2021

Executive Member / Reporting Officer: Cllr Oliver 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
CONSOLIDATED 2021/22 REVENUE MONITORING STATEMENT AT 31 MAY 2021

Report Summary: This report covers the Month 2 2021/22 financial position, reflecting actual expenditure to 31 May 2021. In the context of the on-going Covid-19 pandemic and the national restructuring exercise in the NHS, the forecasts have been prepared using the best information available, but is based on a number of assumptions which will inevitably evolve over the remainder of the financial year. However, indicative CCG budgets have been prepared for 2021-22 which combined with the 2021-22 Council budgets inform the 2021-22 Integrated Commissioning Fund. The existing Section 75 Agreement and Financial Framework underpinning the Integrated Commissioning Fund have been rolled forward but updated by legal colleagues to reflect 2021-22 being a transition year for the CCG as it is planned to become an Integrated Care System with effect from 1st April 2022.

Forecasts for the Council cover the period to 31 March 2022, while CCG forecasts only cover the first 6 months of the year in line with confirmed allocations as part of some ongoing NHS national “command and control” procedures.

At Period 2, the Council is forecasting an overspend against budget of £5.8m. £5.3m of the total pressure does not relate to COVID, but reflects underlying financial issues that the Council would be facing regardless of the ongoing pandemic. Children's Services are still the biggest area of financial concern.

The CCG is reporting an overspend of £194k which relates to reimbursable COVID expenses for which a future allocation increase will be received.

Recommendations: That Executive Cabinet and Strategic Commissioning Board be recommended to:

- (i) Note the forecast outturn position and associated risks for 2021/22 as set out in **Appendix 1**.
- (ii) **Approve** the indicative 2021-22 Integrated Commissioning Fund and agree the roll forward of the existing Section 75 Agreement and Financial Framework which has been to reflect the transition year of the CCG.
- (iii) To note the recent notifications of Education Capital Grants and **approve** the inclusion of the amounts set out in

paragraph 4.1 on the Capital Programme for the financial years 2021/22 and 2022/23.

Policy Implications: Budget is allocated in accordance with Council/CCG Policy

Financial Implications: This report provides the 2021/22 consolidated financial position statement at 31 May 2021 for the Strategic Commission and ICFT partner organisations. The Council set a balanced budget for 2021/22 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 to balance.

(Authorised by the Section 151 Officer & Chief Finance Officer)

Despite this, a significant pressure is currently forecast, which will need to be addressed within this financial year. A new financial turnaround process is being implemented across all budget areas to address financial pressures on a recurrent basis.

With the outbreak of COVID-19 last year, emergency planning procedures were instigated by NHSE and a national 'command and control' financial framework was introduced. While some national controls have been relaxed over time, normal NHS financial operating procedures have still not yet been fully reintroduced.

A financial envelope for the first 6 months of the year has been agreed at a Greater Manchester level, from which the CCG has an allocation. Nationally calculated contract values remain in place, while the CCG are still able to claim top up payments for vaccination related costs and for the Hospital Discharge Programme. While an overspend is currently being reported, this relates to reimbursable COVID expenses for which we should receive a future allocation increase.

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 :

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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 gross revenue budget value of the ICF for 2020/21 is reported at £767 million. This includes a full 12 month of expenditure for the Council, but only 6 months for the CCG.
- 1.3 The value of the ICF will increase once more certainty is available on the NHS financial regime for the second half of the year and a full year allocation is in place. The full year indicative value of the ICF, assuming that expenditure in the second half of the year is the same as the first, would be £988 million
- 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 (REVENUE BUDGETS)

- 2.1 At Period 2, the Council is forecasting an overspend against budget of £5.8m. Children's Services are still the biggest area of financial concern, with expenditure forecast to exceed budget by £4.717m. The overspend is predominantly due to the number and cost of external placements.
- 2.2 There is also a pressure of £198k in the Growth Directorate, resulting from a shortfall in customer and client receipts. A pressure of £891k has been reported for Operations and Neighbourhoods due to a combination of additional costs and non-recovery of income, including an income shortfall on car parks.
- 2.3 The CCG is reporting an overspend of £194k, this relates to reimbursable COVID expenses for which we should receive a future allocation increase.
- 2.4 Further detail on the financial position can be found in **Appendix 1**.

3. INTEGRATED COMMISSIONING FUND

- 3.1 With the outbreak of COVID-19 last year, emergency planning procedures were instigated by NHSE and a national 'command and control' financial framework was introduced. While some national controls have been relaxed over time, normal NHS financial operating procedures have still not yet been fully reintroduced.
- 3.2 A financial envelope for the first 6 months of the year has been agreed at a Greater Manchester level, from which the CCG has been allocated £221.3m of resource. Nationally calculated contract values remain in place, while the CCG are still able to claim top up payments for vaccination related costs and for the Hospital Discharge Programme.
- 3.3 It is not yet clear what the financial regime will look like in the second half of the year. As such it is difficult to estimate what our full year allocation will ultimately become.
- 3.4 In view of this uncertainty and on the basis that submitted plans and national reporting of CCG spend focus on a six month period only, the ICF position included in this report includes

only 6 months of NHS data.

- 3.5 This ensures consistency with CCG data reported nationally through the Integrated Single Financial Environment. By combining 12 months of council data with only 6 months of CCG spend, we must be aware of the planning differences and exercise caution in drawing conclusions from face value data. It also means the ICF total in this report is not directly comparable to ICF spend reported in previous years.
- 3.6 In the absence of full year allocations for the CCG at this stage, if we were to assume that allocations and spend in the second half of the year were equal to the first six months, the annual indicative ICF would be:

| Theoretical 12 Month ICF | Expenditure Budget | Income Budget | Net Budget | Section 75 | Aligned | In Collab | Total |
|--------------------------------------|--------------------|------------------|----------------|----------------|----------------|---------------|----------------|
| CCG Expenditure | 442,610 | 0 | 442,610 | 290,156 | 114,631 | 37,823 | 442,610 |
| TMBC Expenditure | 545,697 | (351,203) | 194,494 | 54,565 | 110,315 | 29,614 | 194,494 |
| Integrated Commissioning Fund | 988,307 | (351,203) | 637,104 | 344,721 | 224,946 | 67,437 | 637,104 |

- 3.7 The annual indicative net resource for the 2021-22 combined ICF with effect from the 1st April 2021 is £637.1m comprising £442.6m from the CCG [£221.3m x 2 to annualise] and £194.5m from the Council.
- 3.8 The existing Section 75 Agreement and the Financial Framework underpinning the joint ICF across the Council and CCG has been rolled forward to include the updated 2021-22 budgets as noted above and to reflect the fact that 2021-22 is a transitional year for the CCG whilst we await further guidance on the emergence of a GM Integrated Care System. As a consequence the rolled forward Section 75 Agreement and Financial Framework will terminate on the 31st March 2022.
- 3.9 The Council legal team have supported the finance team in reviewing formal documentation to ensure the existing Section 75 Agreement and Financial Framework appropriately reflect 2021-22 as a transition year for the CCG and ensure any risk share arrangement enacted in 2021-22 by either party would be repayable to the fund by 31 March 2022.

4. EDUCATION CAPITAL GRANT FUNDING

- 4.1 The Council has recently received notification of the following grant allocations for Capital Investment in Schools. Members are asked to note the following Education Capital Grants and approve the inclusion of these amounts on the Capital Programme for the financial years 2021/22 and 2022/23. Decisions regarding the allocation and application of these grants will be the subject of separate reports to Strategic Planning and Capital Monitoring Panel and Executive Cabinet.

- £264,244 of Devolved Formula Capital grant for 2021/22
- £1,328,013 of School Condition grant for 2021/22
- £1,223,336 of High Needs Provision Capital grant for 2021/22.
- £12,231,816 of Basic Need grant for 2021/22
- £6,348,338 of Basic Need grant for 2022/23.

5. RECOMMENDATIONS

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