

Report To: EXECUTIVE CABINET

Date: 26 May 2020

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:**
(a) CONSOLIDATED 2019/20 REVENUE MONITORING STATEMENT AT 31 MARCH 2020
(b) CAPITAL PROGRAMME OUTTURN REPORT 2019/20
(c) FORWARD LOOK 2020/21 FINANCIAL POSITION

Report Summary: For the 2019/20 financial year the Integrated Commissioning Fund has spent £619,675K, against a net budget of £619,662k. Further detail is set out in **Appendix 1**. The small overspend of £13K on Council budgets will be met from general reserves. Delivery of the budget has only been possible as a result of several significant non recurrent financial interventions, including one-off savings and additional one-off income, and a planned use of £9.3m of Council Reserves. It should be noted that significant overspends are included in the overall position across a number of service areas, including Children’s Services which has spent £8.4m in excess of budget. This and other pressures will continue into 2020/21.

Appendix 2 sets out the Capital Programme Outturn for 2019/20 and provides a forward look to the financing of the 2020/21 Programme. The existing 2020/21 programme is dependent on the realisation of planned capital receipts. The current and forecast economic conditions means there is an increased risk that capital receipts may not be achieved or that values are diminished. If additional capital receipts cannot be realised, there is a risk that the Capital Programme is not financially sustainable.

Appendix 3 includes an initial forward look at the financial position for 2020/21, taking account of the potential impacts of COVID-19 and the underlying financial pressures within the 2019/20 outturn position. The Strategic Commission entered 2020/21 with an existing budget gap which increased significantly over the next five years. Initial modelling of the expenditure and income pressures arising from COVID-19, both in 20/21 and future years, suggest the Strategic Commission faces significant questions about financial sustainability, particularly for Council budgets.

Recommendations: Members are recommended to :

1. Note the overall outturn position for 2019/20 as set out in **Appendix 1**. Whilst the overall position for 2019/20 is in line with budget, this includes several significant one-off savings and additional income sources. The budget was also set assuming the use of £9.3m of Council Reserves.
2. Note the Capital outturn position and financing for 2019/20, and the capital financing risks for 20/21 and beyond as set out in **Appendix 2**. Members are asked to **approve**:

- i) The re-profiling of £5.344m of Capital Budgets to reflect up to date investment profiles;
 - ii) The updated Prudential Indicator position which was approved by Council in February 2019
 - iii) Budget virement of £178k to Vision Tameside from Vision Tameside Public Realm; and
 - iv) Reprioritisation of corporate funded capital budget of £110k for Godley Green to be returned to the funding pot following approval of the £10m from Homes England.
3. Note the potential financial scenarios and risks for 2020/21 and beyond as set out in part 3 and **Appendix 3** to this report.

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)

For the 2019/20 financial year the Integrated Commissioning Fund has spent £619,675k, against a net budget of £619,662k. The small overspend of £13k on Council budgets will be met from general reserves. Delivery of the budget has only been possible as a result of several significant non recurrent financial interventions, including one-off savings and additional one-off income, and a planned use of £9.3m of Council Reserves. It should be noted that significant overspends are included in the overall position across a number of service areas, including Children’s Services which has spent £8.4m in excess of budget. This and other pressures will continue into 2020/21.

The report considers potential scenarios for the 2020/21 budget and beyond, taking in to account the potential impact of COVID-19 and underlying financial pressures. There remains a significant degree of uncertainty over the financial impact of COVID-19, and whilst some additional government funding has been provided, initial indications are that this is far from sufficient to cover the additional costs and significant loss of income resulting from the pandemic.

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)

Back in December, CIFA published [the Resilience Index](https://www.cipfa.org/services/financial-resilience-index/financial-resilience) showing, <https://www.cipfa.org/services/financial-resilience-index/financial-resilience> that despite many years of financial strain, the majority of local authorities have found ways to maintain resilient positions. But this track record must not lead to complacency by government regarding this new and unprecedented challenge. Cipfa has been urging the government not to underestimate the severity of the financial impact this crisis is likely to have, and to be fully aware of the scale of the challenge faced by all public services beyond the NHS. Councils may need to borrow in order to fund services – government should be underwriting what is needed to keep councils solvent.

Despite the fact that councils have been able to maintain resilient financial positions amid deep budget cuts, the absence of a long-term funding solution already implied that this position will not be sustainable for the future. But now we face a financial tsunami of reduced income and increased cost. While it’s vital that our

health service is given everything it needs to fight this disease, we must not forget the crucial role of services like public health, social care and all community services. It is also a well-known fact that local government is already struggling under the pressures of social care, with most councils already significantly overspending on budgets due to increasing levels of demand. These pressures exist regardless of the additional strains that will come as a result of the outbreak. We need to have a close eye on the budget as it is clear we will not be funded to deal with the impacts of covid for example the under recovery of council tax etc and we still are obligated by law to deliver a balanced budget.

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.

Demand for capital resources exceeds availability and it is essential that those leading projects ensure that the management of each scheme is able to deliver them on plan and within the allocated budget.

Close monitoring of capital expenditure on each scheme and the resources available to fund capital expenditure is essential and is an integral part of the financial planning process. We continue to experience significant delays to a number of projects, resulting in slippage in the programme.

There is very limited contingency funding set aside for capital schemes, and any significant variation in capital expenditure and resources, particularly the delivery of capital receipts, will have implications for future revenue budgets or the viability of future capital schemes.

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 2019/20 at the 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 £949 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

Revenue Budgets 2019/20

- 2.1 For the 2019/20 financial year the Integrated Commissioning Fund has spent £619,675k, against a net budget of £619,662k. The small overspend of £13k on Council budgets will be met from general reserves. Delivery of the budget has only been possible as a result of several significant non recurrent financial interventions, including one-off savings and additional one-off income. It should be noted that significant overspends are included in the overall position across a number of service areas, including Children's Services which has spent £8.4m in excess of budget. This and other pressures will continue into 2020/21. Further detail is included at **Appendix 1**.

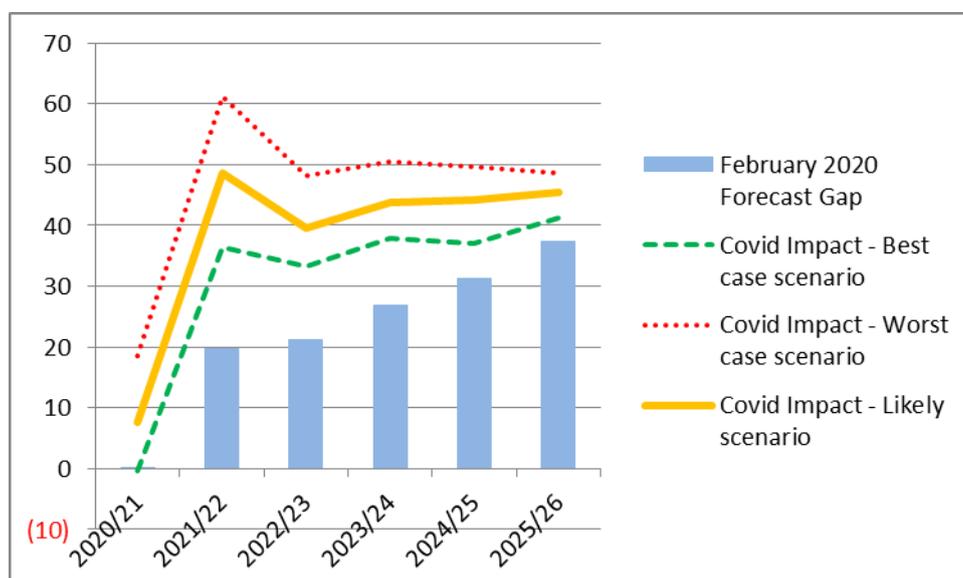
Capital Programme 2019/20

- 2.2 The approved Capital Programme budget for 2019/20 is £42.013m. Service areas have spent £37.341m on capital investment in 2019/20, which is £4.672m less than the capital budget for the year. This variation is spread across a number of areas, and is made up of a number of over/underspends on a number of specific schemes (£0.673m) less the re-phasing of expenditure in some other areas (£5.344m). There are additional schemes that have been identified as a priority for the Council, and, where available, capital resource has been earmarked against these schemes, which will be added to the Capital Programme and future detailed monitoring reports once satisfactory business cases have been approved by Executive Cabinet. Further detail is included at **Appendix 2**.
- 2.3 The Capital Programme for 2020/21 and beyond is summarised in **Appendix 2**. After the financing of expenditure in 2019/20 the Council is holding a balance of £14.593m in the Capital Investment Reserve to fund the £18.792m of budgeted schemes that require corporate funding. Delivery of the Capital Programme is now therefore highly dependent on the realisation of planned Capital Receipts. The current COVID-19 pandemic increases the risk that Capital receipts will either not be achievable or that values will be diminished, putting the delivery of Capital Investment objectives at risk.

3. FINANCIAL OUTLOOK 2020/21

- 3.1 The COVID-19 pandemic is unprecedented and whilst its impact on local public service delivery is clearly significant, the full scale and extent of the health, socio-economic and financial impact is not yet fully understood. The immediate demands placed on local service delivery will result in significant additional costs across the economy, and the economic impact is expected to have significant repercussions for our populations, resulting in losses of income for the Council across a number of areas, potentially for a number of years. Whilst the immediate focus is quite rightly to manage and minimise the impact of the virus on public health, the longer term financial implications and scenarios do need to be considered.
- 3.2 **Appendix 3** sets out further detail on the forecast financial impact and financial issues facing the Strategic Commission as a result of COVID-19. There are significant risks facing the CCG as NHS England & Improvement endeavour to manage the impact of COVID-19 on the NHS in a 'command and control' style of leadership. CCGs are being told what values to pay providers based on a month 9 position, which included considerable non recurrent funding that the CCG no longer has included within budgets. This is being stringently monitored and the risks highlighted to GM Health and Social Care Partnership.
- 3.3 There is also likely to be a significant financial shock to the Council's current revenue budget, on-going financial sustainability and balance sheet. Significant additional costs are being incurred as the Council responds to the pandemic, and there will be a significant reduction in income levels to the Council in 2020/21 and potentially into future years. Whilst Government have stepped in and provided additional funding, this is already insufficient to support the financial impact of the crisis on the Council's finances.
- 3.4 It remains difficult to accurately establish the financial impact of the pandemic at this early stage. The full extent of additional service demands and costs are being captured, but the longer term impacts can only be forecast. Similarly, the longer term impacts on income sources can be estimated but with varying degrees of accuracy as the economic consequences of COVID-19 are currently speculative. Initial analysis of the potential financial impacts using a best, worst and likely scenario concludes that the likely financial impact will be significant both in the current and future financial years, with a likely shortfall in 20/21 of over £7m, increasing to £48m in 21/22 as the full impact of lost income has a delayed impact.

Potential Financial Impact of COVID-19:



4. RECOMMENDATIONS

4.1 As stated on the front cover of the report.