Report To:	**EXECUTIVE CABINET**
Date:	24 June 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** **CONSOLIDATED 2020/21 REVENUE MONITORING STATEMENT AT 31 MAY 2020**
Report Summary:	This is the first financial monitoring report for the 2020/21 financial year, reflecting actual expenditure to 31 May 2020 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 and future year modelling has been prepared using the best information available but is based on a number of assumptions. Forecasts are inevitably likely to be subject to change over the course of the year as more information becomes available, and there is greater certainty over assumptions. This report is focused on the Strategic Commission budgets and forecasts only this month. The Integrated Care Foundation Trust financial position will be included at month 3 when the wider Finance Economy Report will be produced. The ICFT and CCG continue to operate under a 'Command and Control' regime, directed by NHS England & Improvement (NHSE&I). NHSE has assumed responsibility for elements of commissioning and procurement and CCGs have been advised to assume a break-even financial position in 2020-21. A notional £6.2m Government funding is available for CCG COVID expenditure including Local Authority hospital discharges. It is proposed this is added to the CCG contribution to the Integrated Commissioning Fund. **As at Period 2, the Council is forecasting an overspend against budget of £4.041m.** In addition to this there are financial risks of £3.5m in relation to the sustainability of Active Tameside, the Council's Leisure provider, which when factored in results in an in year financial pressure of £7.541m. The gross overspend before COVID funding and other contributions is £19.054m, of which £14.297m is attributed to COVID related pressures. £4.757m of pressure is not related to COVID but reflects underlying financial issues that the Council would be facing regardless of the current pandemic. The Council is in receipt of £13.906m of COVID grant funding from Government (of which £0.027m was used in 2019/20), and the balance of this grant together with other COVID related contributions,

results in forecast additional income in 2020/21 of £15.013m to offset COVID costs. **Appendix 1** provides further detail.

Recommendations:	Members are recommended to : 1. Note the forecast outturn position and associated risks for 2020/21 as set out in **appendix 1**. 2. Approve the addition of £20.106m of Government COVID grant funding to the Integrated Commissioning Fund of which £13.906 relates to the Council (£0.027m in respect of 2019/20) and £6.2m relates to the CCG (£0.3m in respect of 2019/20) 3. Note the forecast position in respect of Dedicated Schools Grant as set out in **appendix 2**. 4. **Approve** the write off of irrecoverable debts set out in **appendix 3**. 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)	The Council set a balanced budget for 2020/21 but the budget process in the Council did not produce any meaningful efficiencies from services 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 drew on £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. Although the CCG delivered its QIPP target of £11m in 2019/20, the majority (£6.5m ie. 59% of core allocations) was as a result of non-recurrent means and therefore added considerable additional pressure to 2020/21. The QIPP target for 2020-21 is £12.5m (3.2% of CCG core and running cost allocations) and £3m of this target has no schemes in place to deliver these savings. A late notification in March on increased funded nursing care

rates for 2020/21 and delays in delivering QIPP schemes as a result of COVID-19 will evidently exacerbate financial pressures further. 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 in the medium term.

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. Budgets and financial plans will be considered more fully later in the workbook, but the central financial issue at most councils is that there are limits and constraints on most of the sources of funding open to local councils. This makes finance the key constraint on the council's ability to provide more and better services.

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.

The detailed finance rules and regulations for local councils are complex and ever-changing. However, over the past few years, there has been a significant change in the overall approach to local government funding.

Since 2010 – Government has sought to make the local government funding system more locally based, phasing out general government grant altogether. One of the key implications of this change in government policy is that local decisions affecting the local economy now have important implications on council income. Therefore, the policy objectives and decision making of the local council plays a far more significant role in the council's ability to raise income than before.

The councillor's role put simply, it is to consider the council's finance and funding as a central part of all decision making and to ensure that the council provides value for money, or best value, in all of its services.

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.

A budget is a financial plan and like all plans it can go wrong. Councils therefore need to consider the financial impact of risk and they also need to think about their future needs. Accounting rules and regulations require all organisations to act prudently in setting aside funding where there is an expectation of the need to spend in the future. Accordingly, local councils will set aside funding over three broad areas: Councils create reserves as a means of building up funds to meet know future liabilities. These are sometimes reported in a series of locally agreed specific or earmarked reserves and may include sums to cover potential damage to council assets (sometimes known as self-insurance), un-spent budgets carried forward by the service or reserves to enable the council to accumulate funding for large projects in the future, for example a transformation reserve. Each reserve comes with a different level of risk. It is important to understand risk and risk appetite before spending. These reserves are restricted by local agreement to fund certain types of expenditure but can be reconsidered or released if the council's future plans and priorities change. However, every council will also wish to ensure that it has a 'working balance' to act as a final contingency for unanticipated fluctuations in their spending and income. The Local Government Act 2003 requires a council to ensure that it has a minimum level of reserves and balances and requires that the Section

151 officer reports that they are satisfied that the annual budget about to be agreed does indeed leave the council with at least the agreed minimum reserve. Legislation does not define how much this minimum level should be, instead, the Section 151 officer will estimate the elements of risk in the council's finances and then recommend a minimum level of reserves to council as part of the annual budget setting process.

There are no legal or best practice guidelines on how much councils should hold in reserves and will depend on the local circumstances of the individual council. The only legal requirement is that the council must define and attempt to ensure that it holds an agreed minimum level of reserves as discussed above. When added together, most councils have total reserves in excess of the agreed minimum level.

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**. This report is focused on Council budgets** due to the 'Command and Control' regime currently operating for NHS bodies.

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 £975 million.

1.3 It should be noted that the report does not include details of the financial position of the Tameside and Glossop Integrated Care NHS Foundation Trust due to the current Covid-19 pandemic. The report is focused on Council budgets only this month.

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 Period 2, the Council is forecasting an overspend against budget of £4.041m. The gross overspend before COVID funding and other contributions is £19.054m, of which £14.297m is attributed to COVID related pressures. £4.757m of pressure is not related to COVID but reflects underlying financial issues that the Council would be facing regardless of the current pandemic. In addition to this there are financial risks of £3.5m in relation to the sustainability of Active Tameside, the Council's Leisure provider, which when factored in results in an in year financial pressure of £7.541m. The Council is in receipt of £13.906m of COVID grant funding from Government (of which £0.027m was used in 2019/20), and the balance of this grant together with other COVID related contributions, results in forecast additional income in 2020/21 of £15.013m to offset COVID costs. **Appendix 1** provides further detail**.**

2.2 The CCG continues to operate under a 'Command and Control' regime, directed by NHS England & Improvement (NHSE&I). NHSE has assumed responsibility for elements of commissioning and procurement and CCGs have been advised to assume a break-even financial position in 2020-21**.**

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.

4. DEDICATED SCHOOLS GRANT (DSG)

4.1 **Appendix 2** provides an overview of the forecast position on Dedicated Schools Grant (DSG) for 2020/21. There are significant financial pressures on the high needs block which represent a high risk to the Council. If the 2020/21 projections materialise, there will be a deficit of £5.311m 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. The position will be closely monitored throughout the year and updates will be reported to Members.

5. WRITE OFF OF IRRECOVERABLE DEBT

5.1 Members are asked to approve the write off of irrecoverable debts for the period 1 January 2020 to 31 March 2020 as set out in **Appendix 3**.

6. RECOMMENDATIONS

6.1 As stated on the front cover of the report.