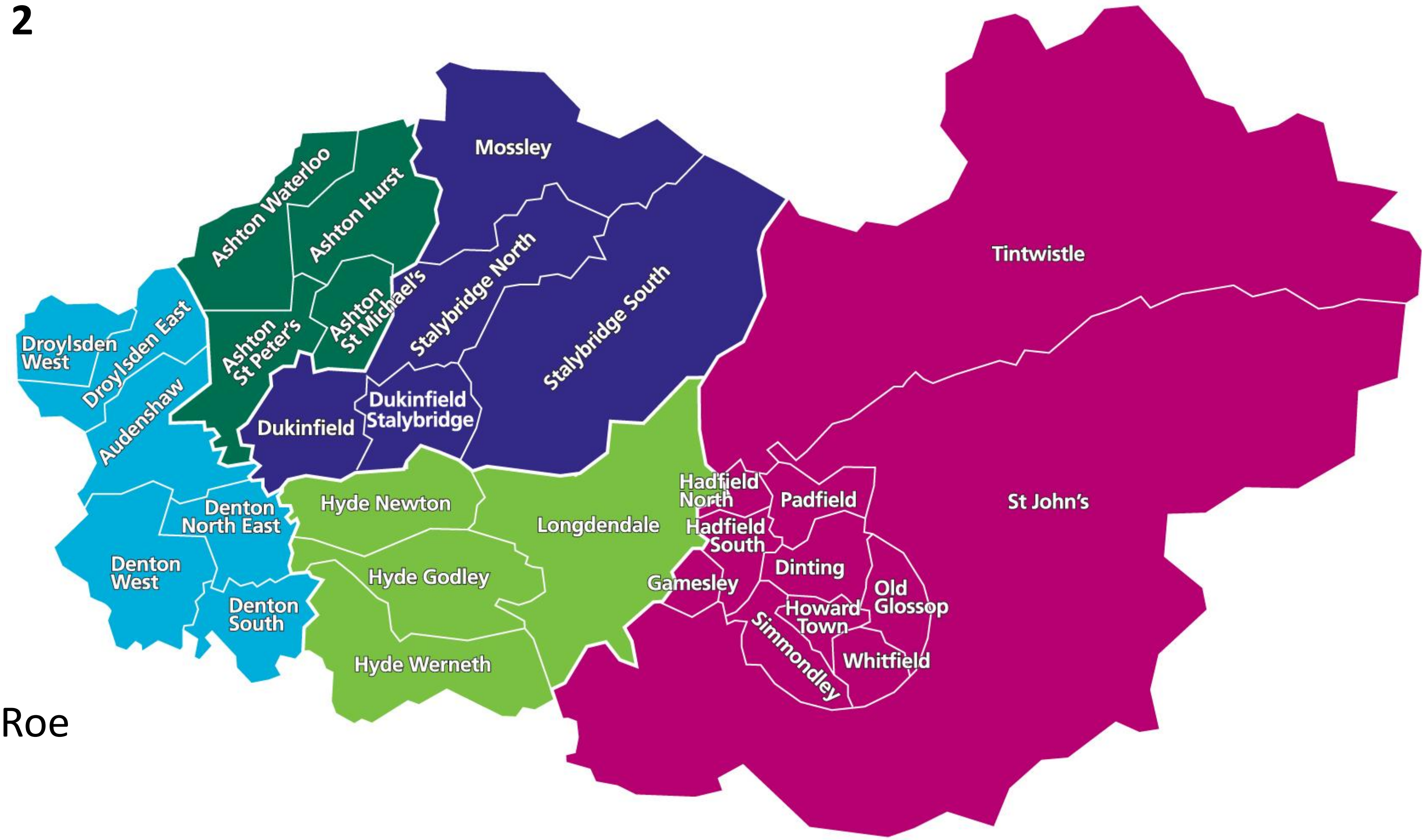
Tameside and Glossop Strategic Commission

Finance Update Report
Period Ending 31st March 2021
Month 2



Kathy Roe

Period 2 Finance Report

This report covers the Tameside and Glossop Strategic Commission (Tameside & Glossop Clinical Commissioning Group (CCG) and Tameside Metropolitan Borough Council (TMBC)). It does not capture any Local Authority spend from Derbyshire County Council or High Peak Borough Council for the residents of Glossop.

Finance Update Report – Executive 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**. 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.

The forecast of £4.041m over budget does not include any additional costs relating to financial support for the Council's Sport and Leisure provider, Active Tameside. It is currently assumed that temporary financial support will be reimbursed through Active Tameside's Business Interruption Insurance. If this does not materialise, there remains a further financial risk to the Council which could increase the forecast overspend for 2020/21.

Forecast Position £000's	Gross Expenditure Budget	Gross Income Budget	Net Budget	Forecast	Variance	COVID Variance	Non-COVID Variance
CCG Budget Total	**432,760**	**0**	**432,760**	**438,722**	**(5,962)**	**(5,962)**	**0**
COVID-19 Notional 20/21 Funding	0	0	0	(5,962)	5,962	5,962	0
Total after COVID Funding	**432,760**	**0**	**432,760**	**432,760**	**0**	**0**	**0**
Council Budgets Total	**542,502**	**(337,223)**	**205,279**	**224,333**	**(19,054)**	**(14,297)**	**(4,757)**
COVID-19 Grant Funding	0	0	0	(13,879)	13,879	13,879	0
Other COVID contributions	0	0	0	(1,135)	1,135	1,135	0
Total after COVID Funding	**542,502**	**(337,223)**	**205,279**	**209,320**	**(4,041)**	**717**	**(4,757)**
Active Tameside Risk	0	0	0	3,500	(3,500)	(3,500)	0
Totals including risk areas	**975,262**	**(337,223)**	**638,039**	**645,580**	**(7,541)**	**(2,783)**	**(4,757)**

Finance Update Report – Strategic Commission Budgets

Budgets are facing significant pressures across many service areas. COVID pressures are a significant driver of this, with pressures arising from additional costs or demand, and significant shortfalls of council income in many areas. External COVID funding and other contributions should help to offset this pressure. However, over £4.7m of forecast budget overspends do not relate to COVID pressures but instead reflect an underlying financial position which requires urgent attention by Directorates.

Forecast Position £000's	Gross Expenditure Budget	Gross Income Budget	Net Budget	Forecast	Variance	COVID Variance	Non-COVID Variance
Acute	223,219	0	223,219	223,238	(19)	(19)	0
Mental Health	40,039	0	40,039	40,561	(522)	(522)	0
Primary Care	90,771	0	90,771	91,110	(339)	(339)	0
Continuing Care	17,332	0	17,332	17,332	0	0	0
Community	34,107	0	34,107	34,121	(13)	(13)	0
Other CCG	22,805	0	22,805	27,874	(5,069)	(5,069)	0
CCG TEP Shortfall (QIPP)	0	0	0	0	0	0	0
CCG Running Costs	4,486	0	4,486	4,486	0	0	0
COVID-19 Notional 20/21 Funding	0	0	0	(5,962)	5,962	5,962	0
CCG Budgets Total	**432,760**	**0**	**432,760**	**432,760**	**(0)**	**(0)**	**0**
Adults	87,405	(48,961)	38,444	41,291	(2,847)	(1,730)	(1,117)
Children's Services	64,043	(10,098)	53,946	56,339	(2,394)	(53)	(2,341)
Education	32,277	(26,079)	6,198	7,234	(1,036)	(168)	(868)
Schools	119,648	(119,648)	0	0	0	0	0
Population Health	15,882	(263)	15,619	15,619	0	0	0
Operations and Neighbourhoods	80,537	(27,566)	52,971	53,982	(1,011)	(1,136)	125
Growth	45,686	(34,706)	10,981	12,130	(1,149)	(240)	(909)
Governance	67,081	(57,550)	9,531	9,249	281	84	197
Finance & IT	10,056	(2,196)	7,860	7,853	7	0	7
Quality and Safeguarding	448	(232)	216	210	6	0	6
Capital and Financing	10,619	(9,624)	996	10,209	(9,214)	(9,263)	50
Contingency	3,284	0	3,284	3,307	(23)	0	(23)
Contingency - COVID Direct Costs	0	0	0	1,498	(1,498)	(1,498)	0
Corporate Costs	5,536	(301)	5,234	5,412	(178)	(293)	115
Council Budgets Total	**542,502**	**(337,223)**	**205,279**	**224,333**	**(19,054)**	**(14,297)**	**(4,757)**
COVID-19 Grant Funding	0	0	0	(13,879)	13,879	13,879	0
Other COVID contributions	0	0	0	(1,135)	1,135	1,135	0
Total after COVID Funding	**542,502**	**(337,223)**	**205,279**	**209,320**	**(4,041)**	**717**	**(4,757)**
Active Tameside Risk	0	0	0	3,500	(3,500)	(3,500)	0
Totals including risk areas	**542,502**	**(337,223)**	**205,279**	**212,820**	**(7,541)**	**(2,783)**	**(4,757)**

Finance Update Report – Council Budgets

Adults (£2.847m)

There are a number of projected variances that are under review across the directorate budget at 31 May period end - these will be updated during future monitoring reports. It should be noted that a number of the variances still require additional investigation and validation at this stage.

The impact of Covid-19 has delayed the progression of key priority initiatives across the directorate – these include the progression of the Moving With Dignity, Day Services Review and Resettlement programme savings initiatives. The expected total annual savings for these programmes was £ 1.7m – if 25% of these savings are delivered this would realise £ 0.43 million and reduce the projected adverse variance. In addition, the estimated budgetary impact of the demographic increase in service demand has been retained in the Council's contingency budget. This will be allocated to the directorate budget at period 3 monitoring – a budget increase of £ 0.23 million and further reduction to the projected variance. Alongside these variances, existing Covid-19 related costs within the directorate are being reviewed to ascertain appropriate funding sources.

Further scrutiny of the budget and associated demand drivers continues across the directorate. The impact of this will be reported during the remainder of 20/21 to ensure a balanced budget is delivered at 31 March 2021, whilst also evaluating the ongoing budgetary impact in future years.

Education (£1.036m)

- SEN Transport (£0.624m) - A further pressure is currently projected for the service in 2020/21 based on the Summer 20 term route costs. The demand for SEN Transport continues to rise due to the increase in the number of pupils eligible and the increase in out of borough placements. An additional £200k, currently held in contingency, is due to be transferred to the SEN Transport budget which will partially alleviate the pressure resulting in an updated pressure of £424k. It is estimated that £14k of this pressure relates to additional costs of transporting pupils in the Eater and Summer half term holidays as a result of schools being open to vulnerable and key worker children during the Covid 19 situation.
- The Education service is projected to under achieve on its traded income with schools by £0.432m due to a reduced buy in to services. Work is being undertaken to fully understand this pressure and meetings are taking place with the relevant service managers to agree how this pressure can be managed.
- There is a projected decrease in Education Welfare penalty notice income due to changes in government legislation, and a projected loss of Parental and other community income for the Music Service due to restricted access to the service during the COVID lockdown period.

Corporate Costs (£0.178m)

The overall variance is net of some minor savings across budget areas. Pressures relate to a forecast increase in the cost of the Coroners Service and the Council's share of Greater Manchester temporary Mortuary Costs as a result of the COVID-19 pandemic.

Children's Services (Social Care) (£2.394m)

The Local Authority is currently experiencing a reduction in the numbers of children referred into the service via our MASH arrangements. The reduction is replicated across GM with recent data indicating that there has been a 45.9% reduction in referrals. This is in the main as a result of schools closing and the impact of Covid 19 on parents/carers taking their children for health appointments, attending hospital A&E and going to the GP.

We are still unclear what will happen once lockdown ends and children gradually go back to School, but it is anticipated that there will be an increase in referrals as the hidden harm that has occurred during lockdown is reported by children on their return to School and/or through health routes as services return to normal. This in turn may lead to an increase in the numbers of Children subject to Child In Need Plans, Child Protection Plans and an increase in the number of children who are Looked After by the Local Authority. Although there are no precise predictions available, the national conversation anticipates this surge in demand to occur over an extended period, but most likely in September – October. If the predicted increases happen, then despite all the work we are doing to reduce the number of Children Looked After via the 7 Sustainability Projects, the target of a reduction in the number of Children Looked After to 650 by April 2021 may not be achieved and the cost avoidance and savings attached to the 7 sustainability projects will not be fully realised.

Another factor for consideration is the slowing of cases through the court process as a result of a number of factors including virtual hearings. This has led to a more cautious approach to final contested hearings, which in the medium to long term is likely to lead to a blockage in the court system leading to delays. This understandable caution is designed to ensure that parents and other interested parties are able to engage fully with the proceedings and to prevent future potential challenge to decisions via appeals. However this will inevitably impact on the timescales for cases to be concluded and the effect of this will be to delay children achieving permanence via adoption, Special Guardianship Orders or by the discharge of care orders. We are unsure at this time the full impact of this on our Looked After Children numbers, but this will likely mean that some children remain Looked After for longer than anticipated with the subsequent financial costs for the Local Authority

The financial implications of the issues above are difficult to quantify. What is certain is that the current projected reduction in the number of children looked after to 650 by April 2021, and the savings attached to this reduction, is now unlikely to be fully realised.

Despite the impact of Covid-19 we have continued to address the challenges and to work towards implementation of the 7 Looked After Sustainability projects. Significant work has been completed, is under way, or planned to progress during Covid 19, alongside other work streams. Covid-19 has impacted negatively on the progress of some aspects of the projects, resulting in some slippage of timescales. The delayed implementation of some projects will have an impact on cost avoidance and actual savings.

It is positive to note that the process and plans that have been put into place for the duration of the Covid-19 pandemic, including Early Help and Children Social Care teams working much closely with schools and partners has meant that the service has started to work albeit virtually, on a more neighbourhood/locality model as a default position to enable the Local Authority to most effectively support vulnerable children and families. This puts the service in a strong position to resume its focus on co-location and multi-agency locality working once we are able to.

Finance Update Report – Council Budgets

Operations & Neighbourhoods (£1.011m)

The overall forecast position is net of a number of forecast savings across the Directorate, including:

- **£0.1m** Employee cost savings due to vacant posts in Culture and Customer Services
- **£0.12m** Savings on events as result of Covid-19 restrictions
- **£0.265m** budget saving on the transport levy
- **£0.301m** savings on transport in Operations & Greenspace
- **£0.292m** savings on street sweepings disposal costs

Pressures are forecast due to a combination of additional costs and non-recovery of income, including:

- **£0.164m** additional fees and charges target is not expected to be delivered
- **£0.071m** additional costs to enable homelessness service users to self isolate
- **£0.278m** energy costs due to delays on LED street lighting replacement
- **£0.302m** forecast increase in the waste levy due to increased waste tonnages
- **£0.665m** forecast shortfall in car parking income due to COVID-19 and additional car parks not becoming operational
- **£0.140m** income shortfalls in markets due to Covid-19 and national trends
- **£0.214m** income shortfalls within licensing and public protection, partially attributable to Covid-19.

Growth (£1.149m)

Savings of £0.215m are forecast on premises costs due to a number of vacant sites, however significant pressures exist across the directorate including:

- £0.500m additional income from rent reviews is not expected to be delivered. The Estates team is currently developing a rent review plan based on a recent survey of assets.
- £0.235m agency staff covering permanent posts. Plan to recruit permanent staff as soon as possible.
- £0.165m under achievement of planning service income, due in part to Covid-19
- £0.144m loss on room hire income, due in part to Covid-19
- £0.118 loss of rental income to Estates
- £0.103 additional premises expenditure, some of which is due to Covid-19.

Capital & Financing (£9.214m)

Forecasts assume that any budgeted income from Manchester Airport Group (MAG) will not be received due to the financial impact of the COVID 19 crisis on the Airport. This represents a worst-case scenario and could be amended later on in year with the possibility of some of this income being accrued for. The best case scenario will be an income shortfall of £6.4m as no dividend is expected in this financial year.

Corporate Costs (£0.178m)

The overall variance is net of some minor savings across budget areas. Pressures relate to a forecast increase in the cost of the Coroners Service and the Council’s share of Greater Manchester temporary Mortuary Costs as a result of the COVID-19 pandemic.

Finance Update Report – CCG Budgets

Month 2 CCG Forecasts

The CCG financial position at Month 2 is based on the 2020-21 financial plans approved through governance. With the outbreak of COVID-19 in March, emergency planning procedures were instigated by NHS England and Improvement (NHSE&I) and it was declared that the NHS would operate within a national command and control framework. As such NHSE assumed responsibility for elements of commissioning and procurement and CCGs were advised to assume a break-even financial position in 2020-21. The month 2 position is therefore prepared in accordance with that explicit advice whereby the actual values reconcile to the planned 2020-21 budgets submitted to NHSE before the outbreak of the pandemic.

The NHS is clearly operating in unprecedented circumstances and whilst NHSE have instigated and continue to implement emergency procedures on a month by month basis to ensure delivery of front-line services and manage the pandemic, for the purpose of financial reporting, it is important to note the caveat underlying the CCG's financial position; which is, the CCG is working on the assumption that the pre-COVID financial plans prepared in line with the published allocations still stand. We will separately report the costs attributable to COVID-19 during this period together with the Government's notional allocation to fund this emergency expenditure.

Furthermore, it must be recognised that within the above reported position, in order to comply with the advice of assuming break-even, this assumes the 2020-21 QIPP target of £12.5m will be fully achieved. Whilst we are under the month by month national command and control regime, it is not yet clear how this will be fully met in the current conditions. However, the CCG is still making every effort to fully deliver the QIPP in 2020-21 but it is likely the profile of delivery will move to later in the financial year. Further guidance is expected from NHSE as we move forward throughout the year, which will provide clarification on how CCGs will meet their statutory control totals and respond to these challenges.

The NW Regional Director for NHSE&I, Bill McCarthy, wrote to CCG Accountable Officers on the 8th June confirming the responsibilities of CCGs and governance whilst under the national command and control regime. Pertinent extracts of that communication is as follows:

"The basic principle is that Boards [Governing Bodies] retain all of their responsibilities apart from those brought into the emergency governance arrangements. So, for example, quality, safeguarding, staff welfare, equalities, financial probity all remain essential areas for the Board to oversee and scrutinize.

Once a level 4 incident is declared, in health NHSE take responsibility for "running the emergency". This means that new governance arrangements are established for decision making within the scope of the emergency. In the NW we have set out governance arrangements … which remain in place for the duration. … This commits resource which is then reflected in the operation of the emergency financial regime."

It is the context of this narrative which the CCG has taken to support the approach of preparing our month 2 position in accordance with our original plans before the instigation of extraordinary emergency procedures.

CCG COVID-19 Spend

Tameside & Glossop CCG COVID-19 Claims	March Actual	April Actual	May Actual	June Forecast	July Forecast	August Forecast	September Forecast	Total
Hospital Discharge Programme	151,222	655,367	1,127,364	843,001	843,001	0	0	3,619,956
Remote management of patients	175,417	391,081	387,137	285,295	214,731	5,606	3,561	1,462,829
National Procurement Areas	0	204,973	139,509	150,000	150,000	0	0	644,482
Backfill for higher sickness absence	0	0	21,985	0	0	0	0	21,985
Internal and external communication costs	0	0	0	46,579	0	0	0	46,579
Other Covid-19	0	33,646	12,998	363,034	67,800	7,800	7,800	493,078
PPE	41,922	0	0	0	0	0	0	41,922
Support stay at home model	94,860	0	0	0	0	0	0	94,860
Sickness / isolation cover	7,282	0	0	0	0	0	0	7,282
Other action (provide commentary)	75,792	0	0	0	0	0	0	75,792
Grand Total	**546,496**	**1,285,067**	**1,688,994**	**1,687,909**	**1,275,532**	**13,406**	**11,361**	**6,508,766**

- The table above summarises COVID spend by the CCG. An indicative figure has been published, showing expected COVID spend by CCG based on a fair share of national COVID funding to the end of July. This gives an indicative spend figure of £6.2m in T&G.
- Forecasts based on current run rates would result in spend of approximately £6.5m by the end of July, so approximately £300k higher than the national expectation.
- The forecast of £6.5m has been reported back to NHSE but it is unclear at this stage if this pressure will be funded.
- Current funding arrangements have been confirmed to the end of July. We are awaiting guidance on what will happen beyond this point, but an extension of some form of command and control is likely.
- The table spans two financial years. £546k of COVID spend relates to the 19/20 financial year, with £5,508k relating to the current financial year.

Financial Outlook

FINANCIAL IMPACT ANALYSIS

It remains difficult to accurately establish the medium term financial impact of the pandemic at this early stage across the Strategic Commission. 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.

	2020/21 '£000	2021/22 '£000	2022/23 '£000	2023/24 '£000	2024/25 '£000	2025/26 '£000
February 2020 Gap	0	19,661	21,249	26,761	31,278	37,278
Covid19 Pressure:						
Best case scenario	(291)	36,375	33,226	37,830	37,012	41,178
Worst case scenario	18,494	61,297	48,227	50,399	49,697	48,628
Likely scenario	**7,541**	**48,437**	**39,550**	**43,668**	**44,206**	**45,378**

Best case:

- Delivery of savings commences during 20/21
- Additional costs and demand only 50% of current forecast
- Minimal additional borrowing
- Airport income (excluding dividend) continues, dividend resumes in 2024
- Council Tax and Business Rates collection down 5%
- Minimal losses in fees and charges, recovery begins in 2020/21
- Provider Trusts break-even in 2020/21

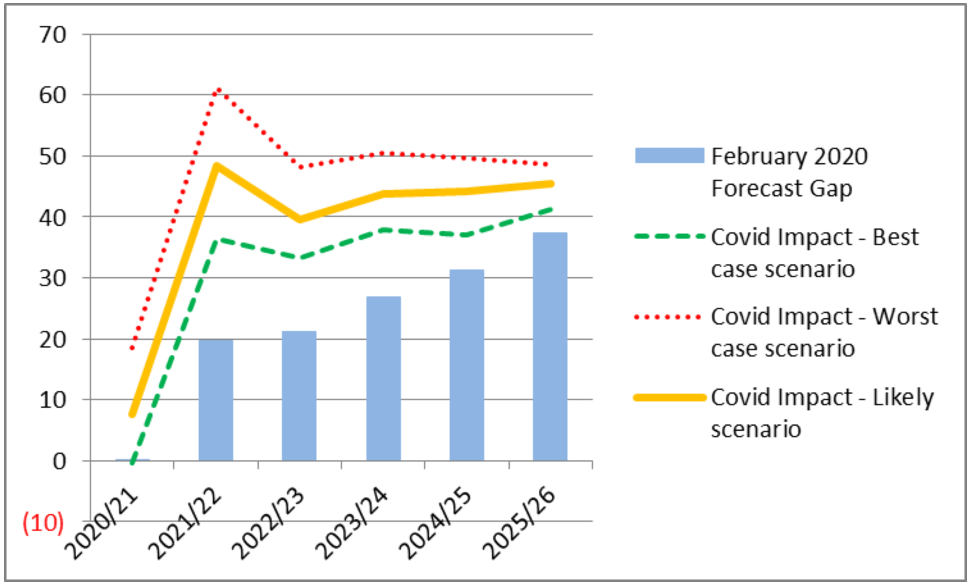
Likely Scenario assumes:

- Implementation of savings plans delayed until 21/22
- Additional costs and demand as currently estimated
- Additional borrowing costs incurred to fund capital investment requirements
- Airport bond interest and land rental reduced, no dividend until 2025
- Council Tax and Business Rates Collection down 10%
- Assumed losses in fees and charges begin to recover in 2021/22
- Additional funding provided to ensure providers break even

Worst case:

- Planned savings not delivered until 22/23
- Additional costs and demand exceed current forecasts
- Significant increase in borrowing costs
- No income from Airport until 2026
- Council Tax and Business Rates Collection down 15%
- Fees and charges recovery does not commence until 2022/23
- CCGs have to provide financial support to providers to sustain services

Financial Outlook



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. The government funding in 2020/21 will offset the additional costs and loss of income, however future years are expected to see a continued loss of income with no additional resources. In addition, there are significant financial pressures on Council budgets which are not attributable to Covid-19 and will have financial implications for future years. A one year government funding settlement is expected for 2021/22 but this is unlikely to be published until late 2020, resulting in significant uncertainty over funding levels for 2021/22.

Next Steps

Work will continue over the next few weeks to further understand the pressures identified at Period 2 and determine what corrective actions can be taken within Directorates to reduce the forecast overspend. Direct and indirect Covid related costs will continue to be tracked and monitored, and reported back to Government through the monthly Covid returns.

Focus will then need to move to planning for 2021/22 and beyond. Significant work is required across the Strategic Commission to identify and begin to deliver transformation in service delivery, focused on rebuilding post-Covid in a way that delivers better but more efficient services to our communities.