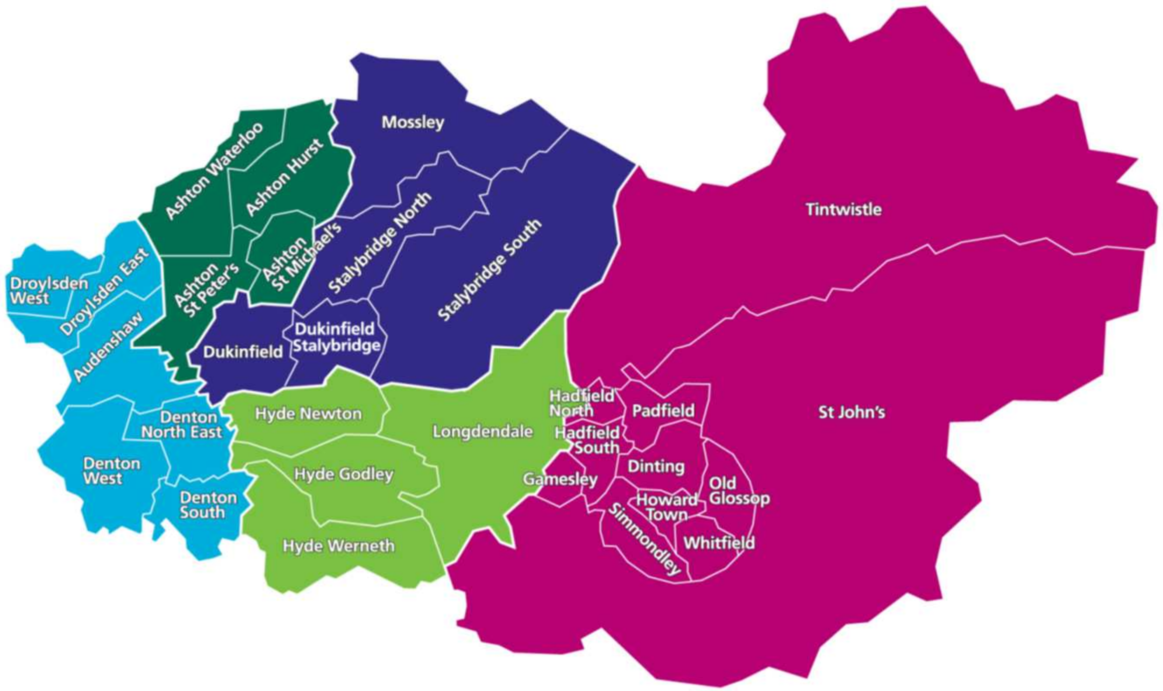
Tameside and Glossop Strategic Commission – Financial Position

2020/21 Financial Outlook

Initial Assessment of the 2020/21 Financial position and the potential impact of COVID-19



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Tameside & Glossop Strategic Commission 2020/21 Financial Outlook

2019/20 Underlying Financial Risks

Whilst the 2019/20 outturn position reported a balanced budget overall, this was net of some significant variances in services, and as a result of some significant one-off savings and additional income. Even before the impact of COVID-19, the Strategic Commission entered the 2020/21 financial year with significant pressures in Acute, Adults, Children's Services, Operations & Neighbourhoods, and Growth.

	£m's		
Outturn Position £m's	Net Budget	Net Forecast	Net Variance
Acute	215.0	217.1	(2.2)
Mental Health	39.7	40.1	(0.4)
Primary Care	84.8	84.5	0.3
Continuing Care	15.5	15.1	0.4
Community	32.9	32.8	0.1
Other CCG	29.6	28.9	0.7
CCG TEP Shortfall (QIPP)	0.0	0.0	0.0
CCG Running Costs	5.4	4.4	1.0
Adults	38.4	39.3	(1.0)
Children's Services	48.4	56.8	(8.4)
Education	6.0	6.1	(0.0)
Individual Schools Budgets	0.0	0.0	0.0
Population Health	16.1	16.3	(0.2)
Operations and Neighbourhoods	50.6	51.2	(0.5)
Growth	9.1	9.7	(0.6)
Governance	9.3	8.8	0.4
Finance & IT	7.2	5.2	2.0
Quality and Safeguarding	0.1	0.1	0.0
Capital and Financing	2.8	(1.5)	4.3
Contingency	3.9	0.2	3.7
Corporate Costs	5.0	4.8	0.2
Integrated Commissioning Fund	**619.7**	**619.7**	**0.0**

The 2019/20 outturn position included:

- £6.5m of one-off benefits to CCG budgets
- £1.5m net benefit from Waste and Transport Levy Adjustments
- £1.2m one-off benefit from insurance provision adjustments
- £2.4m of additional income from the Manchester Airport Dividend

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2020/21 Budget

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 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.

Before the impact of COVID-19, the forecast budget gap after the use of reserves and delivery of QIPP targets was as follows:

Strategic Commission Total Budget Forecasts 2020/21 - 2024/25					
	2020/21 £000s	2021/22 £000s	2022/23 £000s	2023/24 £000s	2024/25 £000s
Total Forecast Gap	**3,048**	**22,732**	**24,363**	**32,270**	**36,792**
Which includes:					
Identified QIPP Savings	(9,452)	(11,771)	(12,706)	(13,631)	(13,631)
Use of Reserves	(12,395)	(1,442)	(413)	(242)	(275)
Gap before QIPP and reserves	*24,895*	*35,945*	*37,482*	*46,143*	*50,698*

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COVID-19 FINANCIAL RISKS

CCG Budgets

For the CCG, NHS England & Improvement (NHSE&I) are operating on a "command and control" style of leadership in the current crisis and as a consequence all 2020-21 contracts and financial planning have been temporarily put on hold whilst the unfolding developments of COVID-19 are managed. Guidance and updates are coming out almost daily across health and Local Government briefings and various different processes and funding streams are being put in place to ensure provider cash flow is not detrimentally affected by the crisis and core front line services can continue. NHSE&I are therefore ensuring providers break even in their finances.

The Government has allocated £4.5 billion nationally across both health (£1.3 billion) and Local Government (£3.2 billion) to cover increased costs as a result of COVID-19 including the funding of social care costs to facilitate early discharge from hospital in the health costs. The proportion of national funding attributable to the Tameside and Glossop economy is £13.9 million for the Council and circa £6.2 million for the CCG. The method of apportionment is different for both organisations in that the funding is directly paid to the Council for them to manage; but the CCG must make a retrospective claim which is funded, if approved, by changes to the monthly allocation. All costs are being stringently monitored and reported via regular information returns to NHSE&I.

As a result of the command and control budget management in place and NHSE&I ensuring providers break even, it is difficult to quantify the full extent of COVID pressures in the CCG. Despite assurances around additional funding for COVID related pressures, there remains uncertainty as to whether certain categories of expenditure will qualify for national funding (e.g. communications systems in primary care), or how allocations (e.g. to fund increased rates for Funded Nursing Care) will be calculated. The CCG is therefore assuming the financial pressure attributable to COVID is £6.2 million as estimated by NHSE&I.

Council Budgets

The COVID-19 Pandemic has significant implications for the Council's financial position. Government funding has been provided which will contribute to additional costs, however the scale and significance of potential losses of income, far exceeds Government funding allocated to date. Key risk areas for the Council include:

- Investment Income – both from cash investments and more significantly from the Manchester Airport Investments
- Income from Trading – fees and charges levied for discretionary services including car parks, markets and investment properties
- Council Tax – the financial impact of the pandemic is expected to result in reduced Council Tax collection rates
- Business Rates – the economic impacts are expected to reduce collection rates as businesses struggle to pay or go out of business
- Looked After Children – potential for greater demands on services due to lockdown and delays in implementing improvement plans
- Active Tameside – closure of sites and loss of income means that Active Tameside may no longer be financial viable
- Adults Social Care – additional costs resulting from lockdown and isolation of care homes
- Delivery of planned savings – likely to be delayed as services focus on the COVID-19 response

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FINANCIAL IMPACT ANALYSIS

It remains difficult to accurately establish the 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.
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 a significant proportion, but not all, of the additional costs and loss of income, however future years are expected to see a continued loss of income.

	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	**7,719**	**48,526**	**39,595**	**43,690**	**44,217**	**45,378**

	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 Likely Pressure:						
Expenditure Pressures	19,281	6,466	3,296	2,228	1,489	1,000
Income Pressures	8,543	22,400	15,050	14,700	11,450	7,100
Total Forecast Pressures	**27,824**	**28,866**	**18,346**	**16,928**	**12,939**	**8,100**
COVID Funding	(20,106)	0	0	0	0	0
Revised Gap	**7,719**	**48,526**	**39,595**	**43,690**	**44,217**	**45,378**

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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

COVID Funding for individuals and businesses

The Council is administering £2.1m of Council Tax hardship funding and up to £53m of grants to local businesses on behalf of the Ministry of Housing Communities and Local Government (MHCLG). This funding can only be awarded directly to business and individual Council Tax payers.

Council Tax Hardship	'£000
Council Tax Hardship Fund	2,158
Grants awarded at 5 May	0
Balance available	**2,158**

Administrative arrangements for Council Tax hardship funding are being finalised. System amendments are required and administration is expected to be complex. Awards will initially be made to those already in receipt of Council Tax Support.

Business Rates Support	'£000
Business Rates Support Grant	53,810
Grants awarded to 5 May 2020	(35,210)
Balance available	**18,600**

Business Rates Support grants are being paid through the Council on behalf of MHCLG and as at 5 May 2020 over £35m has been paid to eligible businesses in Tameside. Further payments will continue during May, but unused grant is expected to be returned to Government.

COVID Funding – Local Government and CCG

The Council has been allocated £13.906m of COVID grant funding, with £7.7m of cash received to date and a further £6.2m expected. Council funding is un-ring fenced with no formal claim arrangements in place. A monthly return is required to the Ministry of Housing, Communities and Local Government setting out actual and forecast financial implications of the crisis. The CCG has access to a notional £6.2m to support COVID costs including social care discharges to care homes. This funding is accessed retrospectively on a claims basis for identified expenditure incurred.

COVID Funding	'£000
LG Grant Funding	13,906
CCG COVID Allocation	6,200
Balance available	**20,106**

Whilst the additional funding is welcome, it is clear that what has been provided to date will not be enough. £1.084m of funding has been earmarked to offset income due but not received from Manchester Airport at the end of March 2020, with the balance remaining for future allocation. Initial estimates are that the additional costs and lost income resulting from the pandemic is likely to be a sum of around £21m in 2020/21. This estimate is based on a number of assumptions but modelling of the best and worst case scenarios could see this figure anywhere between £13m and £29m.

Many Directorates have responded to the crisis by using existing resources creatively and flexibly, through redeployment of both staff and contracts. The approach that we are taking is in the spirit of the Government guidelines in that we continue to receive Government funds and support despite some services no longer being delivered. So where there is budget available for services and we have redeployed we are just using that budget differently.

There will be no compensation to services for this redeployment. However, in forming our case to Government for extra funding we will need, we are seeking to identify and quantify where budget is be redirected to respond to COVID-19. We have seen some additional costs arise, for example, overtime for certain staff as they respond to the extra demand created, new IT kit, PPE, payments to foodbank providers etc. These additional costs are being coded to the COVID-19 cost centres set up in each Directorate.

Where we have business as usual, but we have seen demand increase due to Covid, we are tracking and monitoring those additional costs. Where the Council can legitimately charge to the CCG allocation we are doing so. For other areas we are monitoring but we will not be transferring any additional budget at this time. The reason for this is because we know there is insufficient funding from government so allocating it out will not address this as an issue, it will just make some areas better off than others, so funding is being retained corporately. Any new additional expenditure (that is not demand related through business as usual) will still be requested through Executive Cabinet. We are also tracking any new pressures that appear as a result of Covid and this includes areas where we are losing income (such as for car parks, Council Tax and Business Rates).