Report To:	**STRATEGIC COMMISSIONING BOARD**
Date:	29 July 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 2020/21 - AS AT MONTH 3**
Report Summary:	This is the second financial monitoring report for the 2020/21 financial year, reflecting actual expenditure to 30 June 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. **APPENDIX 1** summarises the integrated financial position on revenue budgets as at 30 June 2020 and forecast to 31 March 2021. 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. The Council is forecasting an overspend against budget of £5.966m. Whilst this forecast includes some significant COVID related pressures, £3.487m of pressure is not related to COVID but reflects underlying financial issues that the Council would be facing regardless of the current pandemic. This includes continuing significant financial pressures in Children's Social Care, budget pressures in Adults services and income shortfalls in the Growth Directorate. Further detail on Council budget variances, savings and pressures is included in **APPENDIX 2.** **APPENDIX 3** is the first capital monitoring report for 2020/21, summarising the forecast outturn at 31 March 2021 based on the financial activity to 30 June 2020. The detail of this monitoring report is focused on the budget and forecast expenditure for fully approved projects in the 2020/21 financial year. The approved budget for 2020/21 is £60.067m (after re-profiling following the 2019/20 Outturn) and the current forecast is for service areas to have spent £47.684m on capital investment in 2020/21, which is £12.383m less than the current 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 (£0.123m) less the re-profiling of expenditure in some other areas into 2021/22 financial year (£12.503m). **APPENDIX 4** provides an overview of the current approved and earmarked Capital Programme, and the required funding. The Council's capital programme ambition is currently unsustainable.

The current committed programme requires £18.9m of corporate resources, with only £14.6m available in reserves, leaving a £4.3m shortfall which needs to be met from the proceeds from the sale of surplus assets. The broader ambition of the Council points to a further requirement of £33.2m of corporate funding to pay for earmarked schemes identified as a priority and subject to future business cases. Clearly these will be unable to progress until additional capital receipts are generated. Many of these schemes were identified in 2017/18 and therefore should be the subject of a detailed review and reprioritisation. The Growth Directorate are reviewing the estate and developing a pipeline of surplus sites for disposal.

APPENDIX 5 provides an update on the Dedicated Schools Grant (DSG). The Council is facing significant pressures on High Needs funding and starts the 2020/21 financial year with an overall deficit on the DSG reserve of £0.557m. The projected in-year deficit on the high needs block is expected to be £4.804m due to the continuing significant increases in the number of pupils requiring support. If the 2020/21 projections materialise, there will be a deficit of £5.311m on the DSG reserve at 31 March 2021. This would mean it is likely a deficit recovery plan would have to be submitted to the Department for Education 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 financial pressures in the High Needs Block are therefore serious and represent a high risk to the Council.

Recommendations:

Members are recommended to:

(i) Note the forecast outturn position and associated risks for 2020/21 as set out in **Appendix 1**.
(ii) Note the significant pressures facing Council Budgets as set out in **Appendix 2.**
(iii) **Approve** the budget virements and reserve transfers set out on pages 23 and 24 of **Appendix 2.**
(iv) Note the Capital Programme 2020/21 forecast and **approve** the re-profiling of capital budgets as set out in **Table 2 of Appendix 3**.
(v) **Approve** the Education capital budget virements set out on page 9 of **Appendix 3.** Members are also asked to give approval that, subject to the total overall budget for School Condition Schemes not exceeding £1.886m, the Assistant Director of Education, in consultation with the Assistant Director Finance, is given authority to undertake further virements of funding between these projects should further changes be required.
(vi) Note the funding pressures facing the Capital Programme as set out in **Appendix 4.** Members are asked to **approve** a pause on all earmarked schemes and support a full review and re-prioritisation of the future Capital Programme, to be concluded alongside the Growth Directorate's review of the estate and identification of surplus assets for disposal.
(vii) Note the forecast position in respect of Dedicated Schools Grant as set out in **Appendix 5.**
(viii) **Approve** the write off of irrecoverable debts for the period 1 April to 30 June 2020 as set out in **Appendix 6**.
(ix) As stated in section 7.11, for the period 16 August 2020 to 31

August 2020, approve payment to in borough care home providers a monthly gross sum of the relevant care home bed fee rates based on the reduced level of 80% occupancy levels (less the places funded by other third parties). The Council therefore guarantees each care home will receive income for 80% of its available beds each month including private and out of borough placements. There will be no premium payment for occupancy levels that exceed 80%. This payment arrangement will end on 31 August 2020.

(x) To continue payment arrangements to support at home care providers as stated in section 7.16 until 31 August 2020.

(xi) To continue payment arrangements to day services providers a stated in section 7.19 until 31 August 2020.

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 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 relied on drawing down £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 i.e. 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.

The estimated cost of recommendation (ix) is £ 0.375 million. This is based on 30 June 2020 occupancy levels and will be adjusted once 31 August 2020 occupancy levels are available.

The estimated cost of (xi) for August 2020 is £ 0.105 million.

Both recommendations will be financed via the indicative NHS covid funding allocation of £ 6.2 million. However, Members should note that the total estimated cost of £ 0.480 million could be a cost liability to the Council if the NHS covid funding is unable to support this cost.

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 £973 million. 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.

1.3 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. REVENUE BUDGET SUMMARY

2.1 This is the second financial monitoring report for the 2020/21 financial year, reflecting actual expenditure to 30 June 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.

2.2 **APPENDIX 1** summarises the integrated financial position on revenue budgets as at 30 June 2020 and forecast to 31 March 2021. 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.

2.3 The Council is forecasting an overspend against budget of £5.966m, this is after the announcement of a further £2.3m of COVID 19 support grant announced by the government on 16 July. Whilst this forecast includes some significant COVID related pressures, £3.487m of pressure is not related to COVID but reflects underlying financial issues that the Council would be facing regardless of the current pandemic. This includes continuing significant financial pressures in Children's Social Care, budget pressures in Adults services and income shortfalls in the Growth Directorate.

2.4 This forecast includes some significiant risks faced by the Council in relation to its obligations to delivery Special Educational Needs (SEN) Transport (£4.2m) and potential pressures in relation to the Council's Leisure Trust provider (£3.5m). If these risks can be mitigated either through changes to guidance in relation to SEN transport, or a Government rescue package and/or insurance cover in relation to Leisure Trusts, the in year position will improve significantly. Further detail on Council budget variances, savings and pressures is included in **APPENDIX 2.**

3. CAPITAL PROGRAMME 2020/21

3.1 This is the first capital monitoring report for 2020/21, summarising the forecast outturn at 31 March 2021 based on the financial activity to 30 June 2020. The detail of this monitoring report is focused on the budget and forecast expenditure for fully approved projects in the 2020/21 financial year. The approved budget for 2020/21 is £60.067m (after re-profiling approved at Outturn) and the current forecast is for service areas to have spent £47.684m on capital investment in 2020/21, which is £12.383m less than the current 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 (£0.123m) less the re-profiling of expenditure into 2021/22 in some other areas (£12.503m).

3.2 Key messages at period 3 monitoring are as follows:

- The delays in Vision Tameside Public Realm is due to the Council being asked to prioritise works to the junction in front of the new Interchange. A procurement exercise is due to start this month and works are expected to commence in November 2020. There have also been delays in Ashton Town Centre and Civic Square due to COVID and staff being redeployed to other priority areas of Council. Design work is on-going throughout 20/21 and is expected to be completed later in the financial year.
- There have been unforeseen delays on the LED Street Lighting scheme which resulted in delays between the procurement of materials and also the appointment of consultants. Design work is expected to be completed shortly and the scheme is due to be completed by the end of the next financial year. There are significant revenue savings dependent on the successful completion of this project.

4. CAPITAL PROGRAMME REVIEW

4.1 **APPENDIX 4** provides an overview of the current approved and earmarked Capital Programme, and the required funding. The Council's capital programme ambition is currently unsustainable. The current committed programme requires £18.9m of corporate resources, with only £14.6m available in reserves, leaving a £4.3m shortfall which needs to be met from the proceeds from the sale of surplus assets.

4.2 The broader ambition of the Council points to a further requirement of £33.2m of corporate funding to pay for earmarked schemes identified as a priority and subject to future business cases. Clearly these will be unable to progress until additional capital receipts are generated. Many of these schemes were identified in 2017/18 and therefore should be the subject of a detailed review and reprioritisation. The Growth Directorate are reviewing the estate and developing a pipeline of surplus sites for disposal.

4.3 Members are asked to approve a pause on all earmarked schemes and support a full review and re-prioritisation of the future Capital Programme, to be concluded alongside the Growth Directorate's review of the estate and identification of surplus assets for disposal.

5. DEDICATED SCHOOLS GRANT (DSG)

5.1 **Appendix 5** 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.

6. WRITE OFF OF IRRECOVERABLE DEBT

6.1 Members are asked to approve the write off of irrecoverable debts for the period 1 April to 30 June 2020 as set out in **appendix 6**.

7. ADULT SERVICES FINANCIAL SUPPORT RESPONSE TO THE PROVIDER MARKET DURING THE COVID-19 PANDEMIC

7.1 Members are reminded that the Council has been supporting Adult Services providers in the exceptional challenges posed by the Covid-19 pandemic to ensure market stability and to enable the Council to continue having sufficient good quality services throughout this period and beyond.

7.2 On 24 June 2020, the Strategic Commissioning Board approved an extension to continue financial support to providers until 15 August 2020. This followed a previous Executive Decision taken on 8 April 2020 that approved support to 15 July 2020.

7.3 The financial support arrangements that are currently in place are :

Care Homes

7.4 To pay in borough care home providers a monthly gross sum at the start of the month the relevant care home bed fee rates based on 90% occupancy levels (less the places funded by other third parties). The Council therefore guarantees each care home will receive income for 90% of its available beds each month including private and out of borough placements.

7.5 Fee rates for occupancy levels above 90% will be enhanced by a premium of 20% per bed. This enhancement is designed to incentivise homes to continue to take new residents in a difficult climate and recognises the additional cost pressures due to staff shortages and therefore agency staff use; increased number of staff due to social distancing measures; and the increased costs attributed to supplies including food, PPE equipment and equipment.

7.6 It should be recognised that the 20% premium payment for occupancy levels above 90% is only paid for beds occupied and commissioned by the Council and CCG and does not secure any additional vacant beds within the home.

7.7 The cost of this payment guarantee to 31 July 2020 is provided in table 1. This cost has been financed via the indicative NHS covid funding allocation of £ 6.2 million.

Table 1

Month	Actual / Estimate	£'m
March (From 19th)	Actual	0.082
April	Actual	0.363
May	Actual	0.466
June	Actual	0.485
July	Estimate	0.463
	Total	**1.859**

7.8 It is appropriate to review this existing payment guarantee in response to the level of covid funding support available to both the Council and CCG as reported in **Appendix 1**.

7.9 Members are reminded that Care Homes also received the first instalment of the Infection Control grant during July 2020. The total sum paid was £ 0.748 million. It is expected that an equivalent sum will also be paid in August for the second instalment i.e. a total estimated payment of £ 1.496 million.

7.10 In addition a total sum of £ 0.158 million will be paid to nursing care homes in August. This relates to a recently announced increase to the funded nursing care rate which was backdated for the period 1 April 2019 to 31 March 2020. The rate was increased from £ 165.56 per week to £ 180.31 per week. There was then a further increase to £ 183.92 from 1 April 2020. This is a cost liability to the 2020/21 CCG funding allocation.

7.11 It is proposed that for the period 16 August 2020 to 31 August 2020, the Council will pay in borough care home providers a monthly gross sum of the relevant care home bed fee rates based on the reduced level of 80% occupancy levels (less the places funded by other third parties). The Council therefore guarantees each care home will receive income for 80% of its available beds each month including private and out of borough placements. There will be no premium payment for occupancy levels that exceed 80%.

7.12 The payment occupancy guarantee payment will end on 31 August 2020.

7.13 Discussions will take place with care home providers to manage the sustainability of the market as occupancy levels in some homes have been severely affected during the pandemic due to increased levels of mortality over the covid period and, at the same time, reduced levels of referrals into care homes. This will include consideration of alternative options to increase occupancy levels such as respite provision, specialist dementia care, and mental health provision for under 65 residential and nursing care.

7.14 For context, the average occupancy level across in borough care homes at 31 March 2020 based on operational available beds was 90.9%. At 30 June 2020 this had reduced to 80.3%.

7.15 Table 2 provides details of the estimated cost of the August payment. This is based on 30 June 2020 occupancy levels and will be adjusted once 31 August 2020 occupancy levels are available. This cost will be financed via the indicative NHS covid funding allocation of £ 6.2 million. However, Members should note this will be a cost liability to the Council if the NHS covid funding is unable to support this cost of £ 0.375 million.

Table 2

Period	Covid Support	Est Cost £ m
1 to 15 August 2020	90% Occupancy / 20% Premium	0.243
16 to 31 August 2020	80% Occupancy	0.132
	Total	**0.375**

Support At Home

7.16 The support at home providers are paid a monthly sum at the start of each calendar month which is the average actual hours delivered based on the 3 month period 1 January 2020 to 31 March 2020. This is a minimum guaranteed amount. If providers deliver in excess of these hours there is an adjustment made in the following calendar month.

7.17 This ensures stability with providers and supports the accelerated hospital discharge process that requires providers to be agile enough to commence care packages within 2 hours of notification of an individual being ready to be discharged.

7.18 It is proposed to continue these arrangements to 31 August 2020.

Day Services Providers

7.19 The day service providers are paid a monthly sum which is the average actual placements delivered based on the 3 month period 1 January 2020 to 31 March 2020.

7.20 This ensures stability with providers. Many of the day service providers are voluntary sector and community groups so do not have the capital to sustain their operations without financial support. For many of them families have made the decision to withdraw their family member to reduce their risks of contracting covid-19 so it has not been viable to retain services in their usual format.

7.21 The providers have been consulted and although day services provision is not being delivered within the agreed contracted service specification, different ways of delivery has been established e.g. via telephone calls, group sessions via electronic media, social distancing visits and welfare checks.

7.22 It is proposed to continue these arrangements to 31 August 2020.

7.23 Table 3 provides details of the payments to date and the sum payable for August. This cost will be financed via the indicative NHS covid funding allocation of £ 6.2 million. However, Members should note that the August payment of £ 0.105 million could be a cost liability to the Council if the NHS covid funding is unable to support this cost.

Table 3

Month	£'m
April	0.105
May	0.105
June	0.105
July	0.105
August	0.105
Total	**0.525**

Supported Accommodation and other block contract arrangements

7.24 Where the Council has a block contract arrangement in place with providers the Council have continued to pay the contracted rate even if numbers accessing the service reduces during this period.

7.25 The payment arrangement has stayed as defined in the existing contract terms. The providers have had continued dialogue with the Council regarding service delivery and where they are delivering services in different ways

8. RECOMMENDATIONS

8.1 As stated on the front cover of the report.