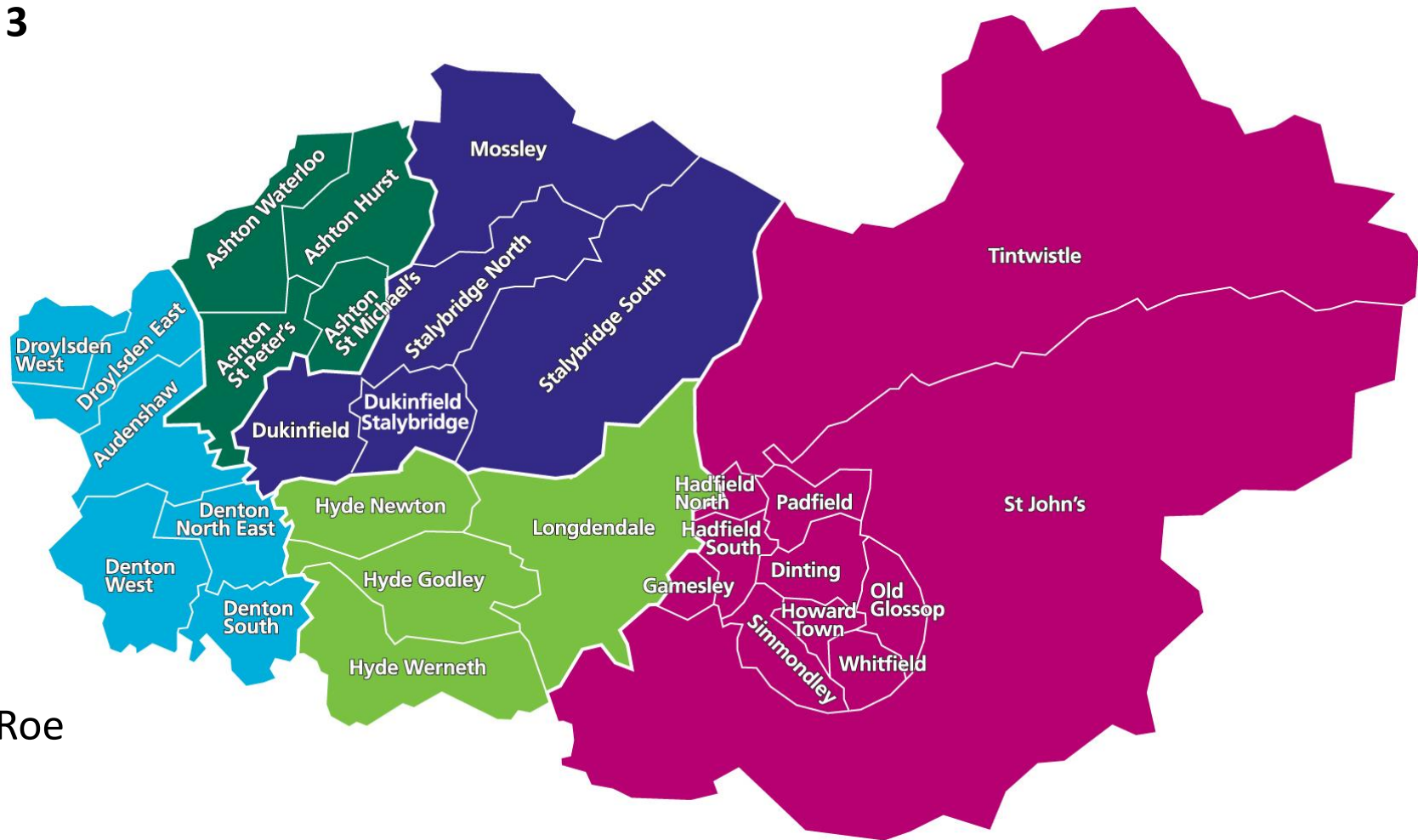


# Tameside and Glossop Strategic Commission

## Finance Update Report Period Ending 31st March 2021 Month 3



Kathy Roe

## Period 3 Finance Report

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*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 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.

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 guidance continues to unfold through these unprecedented times.

As at Period 3, **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.

The Council is now forecasting direct and indirect COVID related costs of £32.432m in 2020/21. This excludes forecast losses of £8.5m on Council Tax and Business Rates collection which impact in 2021/22, bring the total forecast pressure arising from COVID to over £40m. Forecast COVID grant funding and other COVID contributions are forecast at £29.953m, resulting in a budget pressure of £2.479m relating to COVID. Additional funding for local authorities was announced by Government on 2 July, resulting further grant of £2.333m which is reflected in this monitoring report. Detailed guidance in respect of income support is awaited but any additional funding resulting from this announcement will reduce the forecast COVID pressure.

The forecast position includes assumptions regarding cost pressures arising from pressures on the Home to School Transport (£4.2m) service as a result of social distancing requirements and estimated financial support that may be required to Active Tameside (£3.5m) as a result of income losses during the period of closure and future restrictions. These forecasts may be subject to significant change in future periods.

Forecast Position £000's	Expenditure Budget	Income Budget	Net Budget	Net Forecast	Net Variance	COVID Variance	Non-COVID Variance	Previous Month	Movement in Month
CCG Expenditure	432,760	0	432,760	432,760	(0)	(0)	0	0	(0)
TMBC Expenditure	540,659	(335,380)	205,279	211,245	(5,966)	(2,479)	(3,487)	(4,041)	(1,925)
<b>Integrated Commissioning Fund</b>	<b>973,419</b>	<b>(335,380)</b>	<b>638,039</b>	<b>644,005</b>	<b>(5,966)</b>	<b>(2,479)</b>	<b>(3,487)</b>	<b>(4,041)</b>	<b>(1,925)</b>

# 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, almost £3.5m 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	Expenditure Budget	Income Budget	Net Budget	Net Forecast	Net Variance	COVID Variance	Non-COVID Variance	Previous Month	Movement in Month
Acute	223,219	0	223,219	223,238	(19)	(19)	0	0	(19)
Mental Health	40,039	0	40,039	40,272	(233)	(233)	0	0	(233)
Primary Care	90,771	0	90,771	90,840	(69)	(69)	0	0	(69)
Continuing Care	17,332	0	17,332	17,336	(4)	(4)	0	0	(4)
Community	34,107	0	34,107	34,107	0	0	0	0	0
Other CCG	22,805	0	22,805	29,361	(6,556)	(6,556)	0	0	(6,556)
CCG TEP Shortfall (QIPP)	0	0	0	0	0	0	0	0	0
CCG Running Costs	4,486		4,486	4,486	0	0	0	0	0
CCG COVID-19 Notional 20/21 Funding	0	0	0	(6,881)	6,881	6,881	0	0	6,881
Adults	85,643	(46,972)	38,671	40,759	(2,088)	(1,395)	(693)	(2,847)	758
Children's Services - Social Care	64,234	(10,288)	53,946	56,307	(2,362)	0	(2,362)	(2,394)	32
Education	32,477	(26,079)	6,398	11,198	(4,801)	(4,398)	(403)	(1,036)	(3,765)
Individual Schools Budgets	119,648	(119,648)	0	0	0	0	0	0	0
Population Health	15,882	(263)	15,619	19,059	(3,440)	(3,464)	24	0	(3,440)
Operations and Neighbourhoods	80,537	(27,566)	52,971	53,287	(316)	(674)	358	(1,011)	695
Growth	45,623	(34,643)	10,981	12,086	(1,106)	(221)	(884)	(1,149)	44
Governance	67,071	(57,540)	9,531	9,272	258	45	213	281	(23)
Finance & IT	10,079	(2,219)	7,860	7,853	7	(35)	42	7	0
Quality and Safeguarding	453	(237)	216	227	(11)	0	(11)	6	(17)
Capital and Financing	10,619	(9,624)	996	7,573	(6,577)	(6,632)	55	(9,214)	2,637
Contingency	2,857	0	2,857	2,880	(23)	0	(23)	(23)	0
Contingency - COVID Direct Costs	0	0	0	15,557	(15,557)	(15,557)	0	(1,498)	(14,060)
Corporate Costs	5,536	(301)	5,234	5,139	96	(100)	196	(178)	274
LA COVID-19 Grant Funding	0	0	0	(24,268)	24,268	24,268	0	13,879	10,389
Other COVID contributions	0	0	0	(5,684)	5,684	5,684	0	1,135	4,550
<b>Integrated Commissioning Fund</b>	<b>973,419</b>	<b>(335,380)</b>	<b>638,039</b>	<b>644,005</b>	<b>(5,966)</b>	<b>(2,479)</b>	<b>(3,487)</b>	<b>(4,041)</b>	<b>(1,925)</b>

## Council Budgets (£5.966m)

There are a number of variances across the Directorates resulting in the overall forecast overspend. A significant proportion of this relates to the pressures arising from the impact of COVID-19, however £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. **Appendix 2** provides further detail of variances, pressures and savings across the Directorates, but headlines at Period 3 include:

- **Savings:** The Council had a savings target of £6.740m for 2020/21 but as at period 2 only £2.643m is forecast to be delivered. Of those savings no longer expected to be delivered £2.4m relates to additional Airport dividend and £0.981m to savings in Adults, both of which are not expected to be delivered due to COVID-19. The £0.5m target for additional income from property rent reviews is being reassessed as it is no longer considered realistic by the Directorate.
- **Adults** are forecasting to spend £2.088m in excess of approved budget. This is in part due to the non-delivery of savings as a result of COVID, but also attributed to additional agency staffing costs, increased costs of contracted day services provision, additional mental health placements, and a forecast reduced level of client contributions to care packages.
- **Children's Social Care** is forecasting to exceed the approved budget by £2.362m predominantly due to the number of internal and external placements (£2.012m). There is also a pressure on salary costs due to pressures on Children's Homes and the continuing cost of agency workers.
- **Education** is forecasting an overspend of £4.801m with many pressures arising as a result of COVID-19. Existing pressures on Home to School transport have continued as 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. In addition the forecast includes an estimate of additional costs from September 2020 for the provision of Home to School transport with 2m Social Distancing in place. This projection may change as further guidance is received from the Department for Education. Other pressures in Education include shortfalls in income from traded services and penalty charge notices.
- **Population Health** forecast reflects the potential financial support to maintain the Council's leisure offer to its residents by supporting Active Tameside. It is estimated the cost of this support could be up to £3.5m to offset income losses during the period of closure and likely income reductions over the coming months as services begin to reopen with restrictions.
- **Operations & Neighbourhoods** is forecasting a net overspend of £0.316m overall, but this is net of some significant under and overspends across the service. Savings are forecast on staffing costs, transport costs, the transport levy, waste disposal, events and bereavement services, but these are off set by forecast overspends including additional street lighting energy and maintenance costs, and income shortfalls in car parking, markets and pest control.
- **Growth** is forecasting an overspend of £1.106m due to income shortfalls in Estates, events and building control, non-delivery of the savings target for rent reviews, and additional costs due to the use of interim staff to cover vacant posts.

# Finance Update Report – Council Budgets

- **Capital & Financing** is expected to exceed the approved budget by £6.504m . Most of this pressure is due to the income shortfall of £6.4m relating to the Manchester Airport dividend which is not expected to be received in 2020/21. This pressure will continue into future years as a result of the impact of COVID-19 on the aviation industry, with dividend payments unlikely to resume for some time. Other pressures include an assumed increase in borrowing costs to finance additional investment in Manchester Airport and support the Capital Programme.

Service	Direct £000	Indirect £000	Total £000
Adults	8,023	1,395	<b>9,418</b>
Children's Services	168	0	<b>168</b>
Education	501	4,398	<b>4,899</b>
Schools	0	0	<b>0</b>
Population Health	1,622	3,464	<b>5,086</b>
Operations and Neighbourhoods	247	674	<b>921</b>
Growth	2,419	221	<b>2,641</b>
Governance	190	(45)	<b>145</b>
Finance & IT	35	35	<b>70</b>
Quality and Safeguarding	0	0	<b>0</b>
Capital and Financing	0	6,632	<b>6,632</b>
Contingency	0	0	<b>0</b>
Corporate Costs	2,352	100	<b>2,452</b>
<b>Totals</b>	<b>15,557</b>	<b>16,874</b>	<b>32,432</b>

## COVID-19 Funding and contributions

The Council has been allocated or received £29.953m of direct grant funding and other contributions to support COVID-19 costs in 2020/21. included in this additional funding for local authorities was announced by Government on 2 July, resulting further grant of £2.333m which is reflected in this monitoring report. Detailed guidance in respect of income support is awaited but any additional funding resulting from this announcement will reduce the forecast COVID pressure.

## COVID-19 Costs and Income Losses

The Council is forecasting £15.557m of direct costs as a result of COVID-19, together with a further £16.874m of indirect costs and loss of income attributed to the pandemic. Costs are being captured and reported back to the Ministry of Housing, Communities and Local Government on a monthly basis.

There remains some significant uncertainty around forecasts, which include £3.5m estimated financial support to Active Tameside to offset income losses and £4.2m estimated cost of socially distanced SEN Home to School to Transport from September.

COVID-19 Grant Funding and other Contributions	£000
LA Support Grant	16,213
Council Tax Hardship Grant	2,158
Local Authority Discretionary Grant Fund	2,345
Infection Control Fund Grant	2,131
Local authority test and trace service support grant	1,420
Other COVID-19 contributions	5,686
<b>Total</b>	<b>29,953</b>



## Month 3 CCG Forecasts

The CCG financial position at Month 3 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 3 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.

Last month the CCG reported on the financial regime and governance that was placed upon them once a level 4 incident is declared. This remains in place and is likely to continue throughout the year as control over commissioning and procurement starts to be developed again. The NW regional directors and the GM partnership are working through phase 3 of COVID to determine how services start to operate as normal and to understand what that might look like post the pandemic.

It is the context of this which the CCG has taken to support the approach of preparing our month 3 position in accordance with our original plans before the instigation of extraordinary emergency procedures.

# CCG COVID-19 Spend

Cost Type	March Actual	April Actual	May Actual	June Actual	July Forecast	August Forecast	September Forecast	Forecast Outturn	June Position	Variance
Hospital Discharge Programme	151,222	655,367	1,127,364	1,405,143	1,404,800	0	0	4,743,897	3,619,956	1,123,941
Remote management	175,417	348,381	362,749	241,968	228,443	22,693	22,693	1,402,344	1,402,491	-147
National Procurement Areas	0	204,973	139,509	35,117	235,000	0	0	614,598	644,482	-29,884
PPE	41,922	0	0	0	0	0	0	41,922	41,922	0
Stay at home model	94,860	0	0	0	0	0	0	94,860	94,860	0
Sickness/isolation	7,282	0	0	0	0	0	0	7,282	7,282	0
Bank Holidays	0	39,325	21,975	1,345	0	0	0	62,646	61,300	1,345
Backfill for sickness	0	0	21,985	943	0	0	0	22,928	21,985	943
GP SMS Costs	0	0	0	46,579	0	0	0	46,579	46,579	0
Other action	75,792	0	0	0	0	0	0	75,792	75,792	0
Other Covid-19	0	33,646	12,037	45,743	207,800	7,800	7,800	314,826	492,117	-177,291
<b>Grand Total</b>	<b>546,496</b>	<b>1,281,692</b>	<b>1,685,619</b>	<b>1,776,837</b>	<b>2,076,043</b>	<b>30,493</b>	<b>30,493</b>	<b>7,427,675</b>	<b>6,508,767</b>	<b>918,908</b>

- 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.
- 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.
- Forecasts based on current run rates would result in spend of approximately £7.4m, approximately £1.2m higher than national expectations. This pressure has been reported back to NHSE, but it is currently unclear how this pressure will be funded.
- Forecast COVID spend has increase by £0.9m since last month, This is a £1.1m pressure on the Hospital Discharge Programme as a result of our commitment to guarantee a minimum payment to care homes base on 90% of capacity. Offset by a reduction in Other COVID-19 spend following the determination that Family Intervention is not eligible for inclusion.
- The table spans two financial years. £546k of COVID spend relates to the 19/20 financial year, with £6,681k relating to the current financial year.



## 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. The 2020/21 and future year forecasts are currently estimated as follows:

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
<b>Council Budgets Only</b>	<b>'£000</b>	<b>'£000</b>	<b>'£000</b>	<b>'£000</b>	<b>'£000</b>	<b>'£000</b>
February 2020 Gap	0	19,661	21,249	26,761	31,278	37,278
<b>Covid19 Pressure:</b>						
Best case scenario	(12,501)	34,261	31,749	37,011	36,603	41,178
Worst case scenario	37,175	58,787	45,112	48,511	48,628	48,378
<b>Likely scenario</b>	<b>5,966</b>	<b>48,741</b>	<b>36,228</b>	<b>35,513</b>	<b>38,562</b>	<b>43,194</b>

### 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

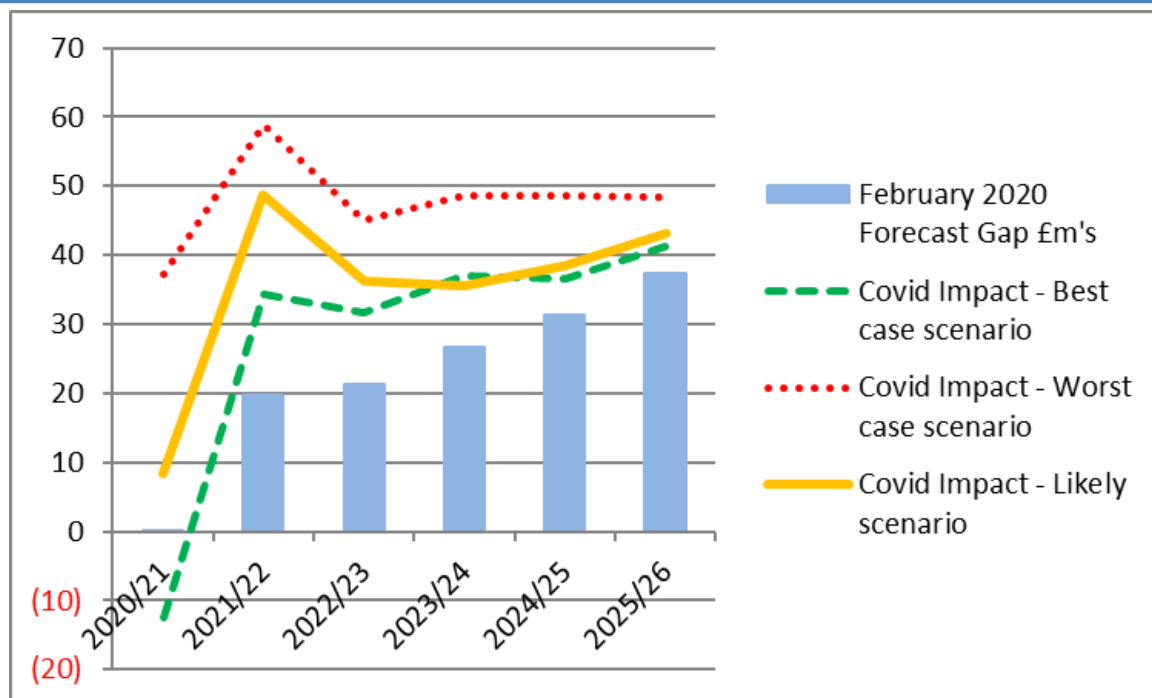
### Likely Scenario assumes:

- 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 income (excluding dividend) continues, no dividend until 2025
- Council Tax and Business Rates Collection continues at current rates (5% down on Council Tax, 13% down on Business rates)
- 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 2020/21 to 2025/26



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.

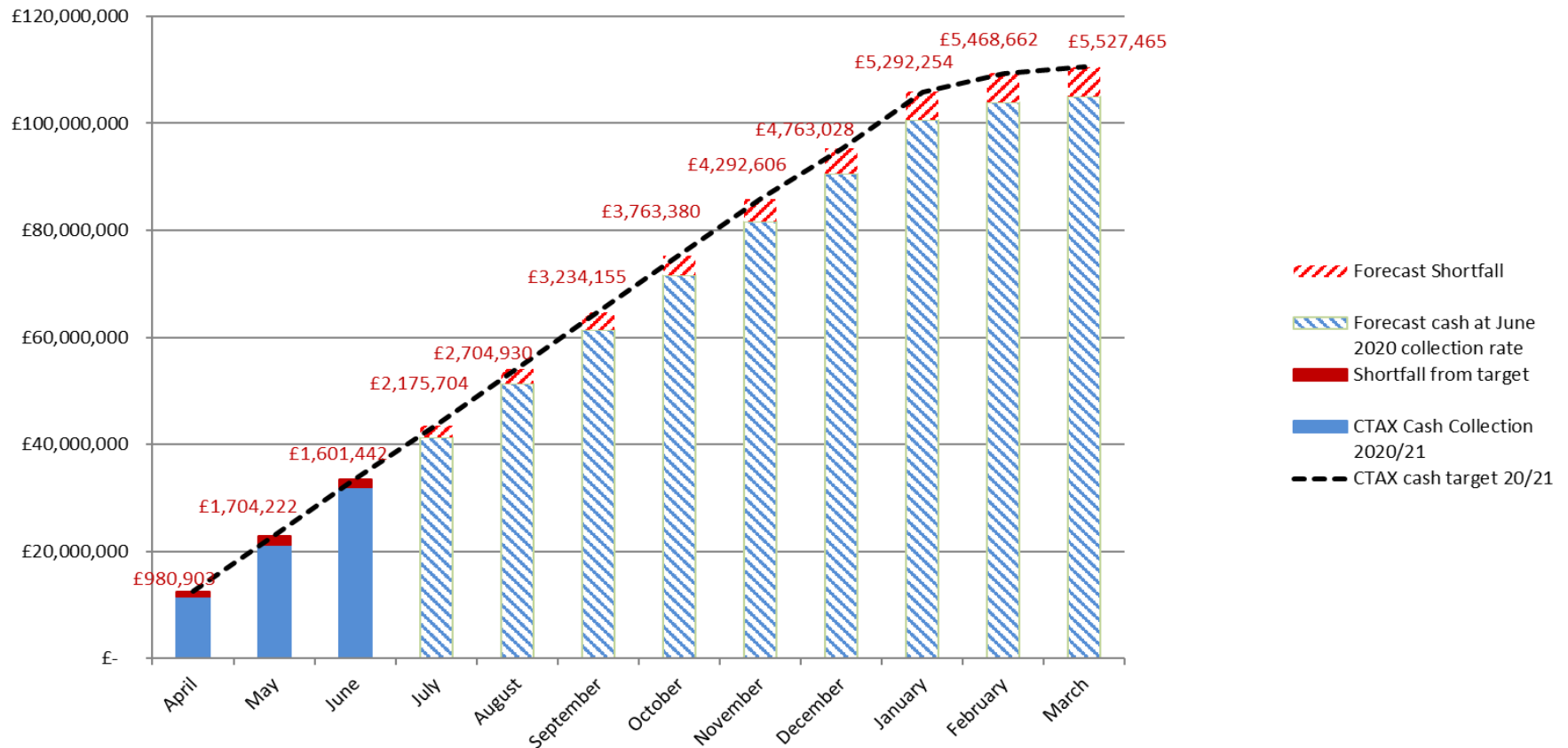
In addition, there are significant financial pressures on Council budgets which are not attributable to Covid-19 and will have financial implications for future years. A one year government funding settlement is expected for 2021/22 but this is unlikely to be published until late 2020, resulting in significant uncertainty over funding levels for 2021/22.

The forecast budget shortfall for 2020/21 does not include any pressures relating to the collection of Council Tax and Business Rates. This is because any deficits on collection are funded retrospectively – so a deficit on collection in 2020/21 will impact on the budget in 2021/22. This is the main reason why the forecast gap spikes significantly in 2021/22. Proposals have been put forward to enable collection fund pressures to be 'smoothed' over three years rather than funded in full in one year, however this will only defer the shortfall in income, it does not remove or reduce it. Further analysis of current collection trends is included on page 10.

## Council Tax and Business Rates Collection

As at the end of June, collection of both Council Tax and Business Rates is below target and prior year trends, and this is attributed to the economic impact of COVID-19.

Council Tax collection rates have slowly improved since April, but remain 5% below target. If this trend continues then the forecast deficit on Council Tax collection by the end of March 2021 is £5.527m of which the Council's share is £4.623m. There has also been an increase in the number of residents eligible for Council Tax Support, with an associated increase in cost. There is a risk that further claims may arise during the year, as the economic impact of the pandemic becomes clearer and furlough payments come to an end in October.



# Collection Fund

Business Rates collection improved between April and May, however this improvement was not sustained in June and overall collection remains significantly below target. If this trend continues then the forecast deficit on Business Rates by the end of March 2021 is £3.953m.

Recovery action has recommenced however Court hearings for non payment cases is not possible at the present time. Officers are working with the Courts to establish a 'new normal' when Courts sessions can be held again. There remains a risk that economic conditions may have a significant negative impact on the sustainability of some businesses, resulting in increased non payment with minimal opportunity for recovery.

