Report To:	**STRATEGIC COMMISSIONING BOARD**
Date:	25 November 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 6**
Report Summary:	This is the month 6 financial monitoring report for the 2020/21 financial year, reflecting actual expenditure to 30 September 2020 and forecasts to 31 March 2021. **APPENDIX 1** summarises the integrated financial position. The ICFT and CCG continue to operate under a 'Command and Control' regime, and CCGs have been advised to assume a break-even financial position in 2020-21. The Council is forecasting an overspend against budget of £3.678m. Whilst this forecast includes some COVID related pressures, £2.830m of pressure is not related to COVID but reflects underlying financial issues that the Council would be facing regardless of the current pandemic. Further detail on budget variances, savings and pressures is included in **APPENDIX 2.** **APPENDIX 3** summarises the latest position on the collection of Council Tax and Business Rates in 2020/21. As at the end of September, collection of both Council Tax and Business Rates income is below target and prior year trends, and this is attributed to the economic impact of COVID-19. These shortfalls in collection will result in a deficit on the Collection Fund at 31 March 2021 which will need to be repaid in future years. **APPENDIX 4** provides a summary of the budget virements that have taken place on Council Budgets since period 3. **APPENDIX 5** provides an update on the Dedicated Schools Grant (DSG). The Council is facing significant pressures on High Needs funding and there is a forecast deficit of £3.638m on the DSG reserve at 31 March 2021. **APPENDIX 6** lists the irrecoverable debts identified for write off during the period July to September 2020. **APPENDIX 7** provides an overview of the current Capital Programme and the required funding, and asks Members to approve a full review and reprioritisation of the existing earmarked schemes and future capital programme.
Recommendations:	Members are recommended to: 1. Note the forecast outturn position and associated risks for 2020/21 as set out in **Appendix 1**. 2. Note the significant pressures facing budgets, and the progress with savings delivery, as set out in **Appendix 2.** 3. **Approve** the reserve transfers set out on page 24 of **Appendix 2.**

4. Note the collection rates for Council Tax and Business Rates as set out in **Appendix 3.**
5. **Approve** the budget virements as set out in **Appendix 4.**
6. Note the forecast position in respect of Dedicated Schools Grant as set out in **Appendix 5.**
7. **Approve** the write-off of irrecoverable debts for the period 1 July to 30 September 2020 as set out in **Appendix 6**
8. Note the funding position of the approved Capital Programme as set out in **Appendix 7.** Members are asked to **approve** the removal of all remaining earmarked schemes and **approve** 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 further surplus assets for disposal.

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.

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…"*

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.

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 :

Tom Wilkinson, Assistant Director of Finance, Tameside Metropolitan Borough Council

Telephone:0161 342 5609

e-mail: tom.wilkinson@tameside.gov.uk

Tracey Simpson, Deputy Chief Finance Officer, Tameside and Glossop Clinical Commissioning Group

Telephone:0161 342 5626

e-mail: tracey.simpson@nhs.net

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**.** 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. .

1.2 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 month 6 financial monitoring report for the 2020/21 financial year, reflecting actual expenditure to 30 September 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 September 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 £3.678m. Whilst this forecast includes some COVID related pressures, £2.830m 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, and in Capital and Financing due to the loss of income from Manchester Airport.

2.4 Further detail on budget variances, savings and pressures is included in **APPENDIX 2.**

3. COLLECTION FUND

3.1 **APPENDIX 3** summarises the latest position on the collection of Council Tax and Business Rates in 2020/21. As at the end of September, collection of both Council Tax and Business Rates income is below target and prior year trends, and this is attributed to the economic impact of COVID-19. These shortfalls in collection will result in a deficit on the Collection Fund at 31 March 2021 which will need to be repaid in future years.

3.2 Council Tax collection rates have slowly improved since April, but remain 1% below target. If this trend continues then the forecast deficit on Council Tax collection by the end of March 2021 is £1.090m of which the Council's share is £0.912m. This is a further improvement on the position reported at the end of August. Since April there has 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 second half of the year, and that collection rates may fall, as the economic impact of the ongoing pandemic and Tier 3 restrictions becomes clearer.

3.3 Business Rates collection improved between April and July, however this improvement was not sustained in August, with a deterioration in September and overall collection is still significantly below target. If this trend continues then the forecast deficit on Business Rates by the end of March 2021 is £3.299m. There remains a risk that economic conditions, and Tier 3 restrictions, may have a significant negative impact on the sustainability of some businesses, resulting in increased non-payment with minimal opportunity for recovery.

4. DEDICATED SCHOOLS GRANT

4.1 **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 £3.543m due to the continuing significant increases in the number of pupils requiring support.

4.2 If the 2020/21 projections materialise, there will be a deficit of £3.638m 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.

5. CAPITAL PROGRAMME

5.1 **APPENDIX 7** provides an overview of the current Capital Programme and the required funding from reserves and capital receipts. Assuming that the planned disposals proceed there is a forecast balance of £8.306m of capital receipts to fund future capital schemes not reflected in the fully approved programme. Earmarked schemes currently included on the capital programme total £44.9m, with a forecast £33.2m of corporate funding needed to finance these schemes compared to a forecast balance of £8.306m surplus capital receipts. Many of the earmarked schemes were identified in 2017/18 and therefore, as reported to Members in the Month 3 finance report, should be the subject of a detailed review and reprioritisation.

5.2 The Growth Directorate is reviewing the estate and developing a further pipeline of surplus sites for disposal. It is proposed that a full refresh of the Capital Programme is undertaken alongside this review of the estate. With the exception of the three earmarked schemes identified on page 2 of Appendix 7, all other earmarked schemes will be removed from the programme and subject review. A refreshed and reprioritised Capital Programme will then be proposed for Member approval in Spring 2021.

6. RECOMMENDATIONS

6.1 As stated on the front cover of the report.