Report To:	**EXECUTIVE CABINET**
Date:	16 December 2020
Executive Member / Reporting Officer:	Councillor Oliver 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** **CONSOLIDATED 2020/21 REVENUE MONITORING STATEMENT AT 31 OCTOBER 2020**
Report Summary:	This report covers the Month 7 2020/21 financial position, reflecting actual expenditure to 31 October 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 subject to change over the course of the year as more information becomes available, the full nature of the pandemic unfolds and there is greater certainty over assumptions. In the first 6 months of this year the NHS was operating under a national command and control financial framework, with CCGs and providers advised to assume a break-even financial position in 2020-21. Changes to the national financial regime from M7 mean that individual organisations financial positions will be monitored within the context of a financial envelope set at an STP (Sustainability and Transformation Partnership) level, which for the CCG means at a Greater Manchester level. The CCG continues to forecast a break even position by year end. **At Month 7, the Council is forecasting an year end overspend of £3.4m,** which is a slight improvement on the position reported at month 6 due mainly to a revised forecast in Children's Social Care. Significant pressures remain across Directorates, most significantly in Children's Social Care where expenditure is forecast to exceed budget by £3.718m, with further cost pressures in Adults and Education, and income loss pressures in the Growth Directorate.
Recommendations:	Members are recommended to note the forecast outturn position and associated risks for 2020/21 as set out in **Appendix 1**. Approve an allocation of £0.135m from the Venture Fund to secure specialist advice through the venture fund to support the demand management required from the cost cutting themes in addressing financial challenges over the medium term.
Policy Implications:	Budget is allocated in accordance with Council/CCG Policy
Financial Implications:	This report provides the 2020/21 consolidated financial position statement at 31 October 2020 for the Strategic Commission and ICFT partner organisations. The Council set a balanced budget for 2020/21 but the budget process in the Council did not produce any

(Authorised by the Section 151 Officer & Chief Finance Officer)	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, only 40% of savings were delivered on a recurrent basis. Therefore the CCG was facing a significant challenge in order to meet the 2020/21 target before the COVID pandemic hit. Under command and control there was no requirement or expectation that the CCG would deliver efficiency savings in the first four months of the year. While this report assumes a year end break even position in line with national guidance, it is unclear what will happen with QIPP in future months or how savings will be achieved in the current climate. 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. In order to accelerate the demand reduction work, it is recommended that a piece of work is commissioned to provide specialist advice into the areas where the organisation can have the biggest impact. This work will cost £0.135m and is an invest to save so will be funded from the £1m venture fund which was established with £0.5m each from the Council and CCG, as the benefits of this work with assist both organisations in delivering significant reductions in demand.
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 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.

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.

Every year there is unlikely to be sufficient money for the council to do everything it wishes to provide due to its budget gap. This situation is compounded by the additional financial pressures currently facing the council. 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 again in light of the current and longer term challenges posed by the covid pandemic.

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 and/or increase in demands on the council, 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**.**

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 £974 million.

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. FINANCIAL SUMMARY (REVENUE BUDGETS)

2.1 At Month 7, the Council is forecasting an year end overspend of £3.4m, which is a slight improvement on the position reported at month 6 due mainly to a revised forecast in Children's Social Care. COVID pressures exceed £40m but with £39m of COVID related grant funding and other income contributions, the net pressure relating to COVID is £0.898m.

2.2 Significant pressures remain across Directorates, most significantly in Children's Social Care where expenditure is forecast to exceed budget by £3.718m, with further cost pressures in Adults and Education, and income loss pressures in the Growth Directorate. These are due to underlying financial pressures that the Council would have faced regardless of the COVID pandemic, with a net pressure after savings in other areas of £2.574m non COVID related.

2.3 In the first 6 months of this year the NHS was operating under a national command and control financial framework, with CCGs and providers advised to assume a break-even financial position in 2020-21. Changes to the national financial regime from M7 mean that individual organisations financial positions will be monitored within the context of a financial envelope set at an STP (Sustainability and Transformation Partnership) level, which for the CCG means at a Greater Manchester level.

2.4 The CCG is showing a year to date pressure of £4,924k, but a break even position by year end. This relates to top up payments which have not yet been received: £4,277k outstanding from command & control in first half of year, plus £647k Hospital Discharge Programme costs in M7. A decision on funding for the first half of the year will be made by NHSE by the end of November.

2.5 Further detail on the financial position can be found in **Appendix 1.**

3. RECOMMENDATIONS

3.1 As stated on the front cover of the report.