

Report To: STRATEGIC COMMISSIONING BOARD

Date: 10 February 2021

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
CONSOLIDATED 2020/21 REVENUE MONITORING STATEMENT AT 31 DECEMBER 2020

Report Summary: This report covers the Month 9 2020/21 financial position, reflecting actual expenditure to 31 December 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.

At Month 9, the Strategic Commission is reporting a net forecast overspend of £3.328m by 31 March 2021. The Council is forecasting a year end overspend of £3.8m due primarily to a significant overspend on Children’s Social Care services. Additional COVID funding has been announced in recent weeks to support testing and vaccination logistical costs, and the overall position may improve once costs and funding for this work is confirmed. On the assumption that the anticipated COVID top up is received in full, a surplus of £512k is projected at year end on CCG budgets. Further details can be found in **appendix 1**.

Recommendations: That the Strategic Commissioning Board and Executive Cabinet be recommended to note the forecast outturn position and associated risks for 2020/21 as set out in **Appendix 1**.

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 December 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 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.

The NHS was operating under a command and control financial regime for the first six months of 2019/20. Under command and control there was no requirement or expectation that the CCG would deliver efficiency savings. Since October the NHS has entered phase 3 of the COVID recovery process. Under phase 3, financial envelopes have been issued on a Sustainability and Transformation Plan (STP) footprint. In T&G this means that a financial envelope exists at a Greater Manchester level. This report shows that local control totals required to deliver against the envelope will be met, however there is risk associated with this. In order to meet the control total QIPP savings of £7,994k are required, against which there is currently a gap of £174k.

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 known 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.
- 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 £980 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 9, the Strategic Commission is forecasting a net overspend of £3.328m by 31 March 2021.
- 2.2 The Council is forecasting a year end overspend of £3.8m, which is a slight deterioration on the position reported at month 8. This is explored in more detail in appendix 1. Significant pressures remain across Directorates, most significantly in Children's Social Care where expenditure is forecast to exceed budget by £4.134m, 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.
- 2.3 On the assumption that the anticipated COVID top up is received in full, a surplus of £512k is projected at year end on CCG budgets.
- 2.4 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.