



**REPORT TO:** East Lothian IJB Audit and Risk Committee

**MEETING DATE:** 22 January 2020

**BY:** Chief Finance Officer

**SUBJECT:** Integration Authorities Financial Performance for 2019-20 after Quarter 1

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## **1 PURPOSE**

- 1.1 This report summarises the quarterly report from the CIPFA IJB CFO Section on the Financial Performance for all the Integration Authorities (IA's) for financial year 2019-20 after Quarter 1. Key messages are summarised below, including East Lothian's (EL) position as a comparison.

## **2 RECOMMENDATIONS**

- 2.1 The Committee is asked to note the key messages contained within the report.

## **3 BACKGROUND**

- 3.1 This is the first summary report which presents an overview of financial performance for all 31 IA's for 2019-20. The report includes forecasted year-end positions for 26 IA's and year to date positions at Quarter 1 for 5 IA's, showing the key factors contributing to these positions.

### **Key Messages**

- 3.2 The total budget for health and social care services in 2019-20 is currently forecast at £9,237m (EL £163.7m).
- 3.3 Total Reserves at 1 April 2019 was £158m, (earmarked £81m, contingency £32m) this has decreased by £45m to £113m as reserves are released. Of the 31 IA's 9 do not have a reserve, 1 has a negative reserve and 4 do not have a Contingency reserve.
- 3.4 EL reserve at 1 April 2019 was £1.722m (earmarked £0.695m, contingency £1.077m). EL has released the earmarked reserves into funding available for 2019-20.

- 3.5 Of the 26 IA's (representing £6,318m of budget), a year end overspend of £84m is projected (EL £459k overspend projected at Quarter 1). The remaining 5 IA's (representing £2,919m) reported a year to date overspend of £2.4m.
- 3.6 These are the positions before any additional financial support from partners, the impact of financial recovery plans or further use of reserves is taken into consideration.
- 3.7 The projected £86.5m overspend will be addressed by anticipated additional funding from NHS Boards (£26.7m), Local Authorities (£6.4m), Financial Recovery Plans (£16.4m), Other (£7m). Leaving £30m to be determined.
- 3.8 Factors contributing to these forecasted positions are largely driven by increased demand and higher costs:
- Increased demand across all services and increasing complexity of needs across older people, adults and children's services.
  - Cost increases in staffing and use of locums, increased cost pressures in prescribing.
  - Difficult in delivering savings from reducing services when demand is increasing, new models of service taking longer than originally anticipated to implement
- 3.9 Variance analysis is summarised below:

<b>Variance Analysis after Q1</b>	<b>26 IAs reporting Forecast</b>	<b>5 IAs reporting Year to date</b>	<b>East Lothian Forecast</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Non Delivery of Savings	40.0	2.9	-
Demographics	15.0	1.8	0.354
Staffing Pressures	9.0	0.9	-
Prescribing	7.0	0.7	(0.05)
Price Increases	2.0	-	-
Other Net Pressures / (Underspends)	11.1	(3.9)	0.152
	84.1	2.4	0.459

## **4 ENGAGEMENT**

- 4.1 The IJB's Audit and Risk committee is held in public and the papers are openly available online.

## **5 POLICY IMPLICATIONS**

- 5.1 There are no policy implications arising from this paper.

## **6 INTEGRATED IMPACT ASSESSMENT**

- 6.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

## **7 RESOURCE IMPLICATIONS**

- 7.1 Financial – none  
7.2 Personnel – none  
7.3 Other – none

## **8 BACKGROUND PAPERS**

- 8.1 None

Appendix - Integration Authorities Financial Performance FY 2019-20 Q1 Report

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<b>DATE</b>	13 January 2020



# Integration Authorities

## Financial Performance

Financial Year 2019/20 (Quarter 1)



### OVERVIEW - BUDGET POSITION 2019/20

This is the first summary report which presents the overview of financial performance for all Integration Authorities (IA's) for quarter 1 of the financial year 2019/20. The position in respect of the NHS Highland Lead Agency arrangement is also included. The total budget for health and social care services in 2019/20 is currently forecast at £9,237m (Set Aside £812m; Non-Set Aside £8,396m; Reserves £29m). 26 IAs are reporting a set aside budget for 2019/20. This is expected to increase to 27 once Perth & Kinross is included.



### FINANCIAL VARIANCES 2019/20 – YEAR-END OUTTURN AND YEAR TO DATE

IAs have different reporting approaches. At this stage of the financial year, 26 IAs report projected outturns for the year-end and 5 IAs report year to date (first quarter) positions.

Of the 26 IAs, representing £6,318m of the total budget, a year end overspend of £84.1m is projected. Projected outturns across these IAs vary as follows:

- 22 IAs are projecting overspends totalling £87m
- 1 IA is projecting a break-even position
- 3 IAs are projecting underspends totalling £3m

This is the position before additional financial support from partners, the impact of financial recovery plans and the further use of reserves is taken into consideration.

#### Year-end Projected Outturn

- £40m non delivery of savings
- £15m demographics
- £9m staffing pressures
- £7m prescribing
- £2m price increases
- £11.1m other net cost pressures

Projected cost pressures - £84.1m

#### Year to Date Position

- £2.9m non delivery of savings
- £1.8m demographics
- £0.9m staffing pressures
- £0.7m prescribing
- £3.9m net underspends

Year to date cost pressures - £2.4m

Of the 5 IAs, representing £2,919m of the total budget, a year to date overspend of £2.4m is reported at the end of quarter 1.

The year to date positions across these IAs vary as follows:

- 3 IAs are projecting overspends totalling £3.6m
- 2 IAs are projecting underspends totalling £1.2m



## SIGNIFICANT FACTORS 2019/20

The factors contributing to the variances reported by IAs are detailed on the schedule which accompanies this covering report.

The key highlights are summarised as follows:

- the challenge to deliver savings, in particular planned reductions in services not materialising due to increased demand being experienced
- increased activity of acute services
- additional demand for services and the increasing complexity of health and social care needs across older people, adult and children's services
- the timeline to implement new models of service delivery taking longer than originally anticipated
- ongoing challenges associated with identifying further cost reduction and savings opportunities
- prescribing cost pressures; and
- staffing costs including the cost of locums.

As part of their financial strategies, 14 IAs are relying on the planned use of reserves totalling £29m at this stage of the financial year. The increase in costs is partly offset by underspends as a result of staff vacancies and slippage in the implementation of new funding, both of these provide non-recurring financial relief.

Work continues to be progressed to develop the set-aside monitoring arrangements.



## IMPACT ON FUNDING 2019/20

It is currently estimated that the projected overspend totalling £86.5m will be addressed as follows:-

▪ Anticipated additional funding from NHS Boards	£26.7m
▪ Anticipated additional funding from Local Authorities	£6.4m
▪ Agreed financial recovery plan with no impact for partners	£16.4m
▪ Other	£7.0m

The funding impact of £30m remains 'not yet determined' or has still to be publicly reported in respect of 13 IAs.

A total of 4 IAs are in repayment arrangements with partners (£12.1m).

### Repayment of Funding Advances

- £2.5m in 19/20
- £9.6m due 20/21 or later



## UPDATE ON RESERVES

The net movement on IA's reserves is a decrease of £45m from 1<sup>st</sup> April 2019 of £158m to £113m (Earmarked £81m; Contingency £32m. The contingency reserve represents 0.4% of the total financial envelope of £9,237m. 9 IAs do not have a reserve. 4 do not have a contingency reserve. 1 IA has a negative reserve. For 17 IAs, the contingency reserves range from 0.03% to 1.2% of their available funding.



## FUTURE REPORTS

IA's will continue to standardise presentation.