



REPORT TO: East Lothian IJB Audit and Risk Committee

MEETING DATE: 10 March 2020

BY: Chief Finance Officer

SUBJECT: Integration Authorities Financial Performance for 2019-20 after Quarter 2

1 PURPOSE

- 1.1 This report summarises the quarterly publication from the CIPFA IJB CFO Section on the Financial Performance for all the Integration Authorities (IA's) for financial year 2019-20 after Quarter 2. Key messages are summarised below, including East Lothian's (EL) position as a comparison.

2 RECOMMENDATIONS

- 2.1 The Committee is asked to:
- i. Note the key messages contained in the report.

3 BACKGROUND

- 3.1 This is the second summary produced which presents an overview of financial performance for all 31 IA's for 2019-20. IAs have different reporting approaches; at this stage of the financial year, 28 IAs report projected outturns for the year end and 3 IAs report year to date (first 6 months of the financial year) positions. East Lothian reports on a projected outturn basis.

Key Messages:

- 3.2 The total budget for health and social care services in 2019-20 is currently forecast at £9,349m, an increase of £112m (1%) since Quarter 1 (Q1). EL increased by £1.832m since Q1 (1.1%).
- 3.3 Total forecast Reserves for 2019-20 after Q2 is £110m (£77.31 contingent, £33.2m earmarked), a decrease from Q1 of £3.2m. Of the 31 IA's 8 do not have a Reserve, 1 has a negative Reserve and 6 do

not have a contingency Reserve. The contingent Reserve equals 0.4% of the £9,349m overall funding envelope.

- 3.4 EL Reserve at 1 April 2019 was £1.772m (earmarked £0.695m, contingency £1.077m). At Q2 EL is forecasting a potential contingent Reserve of £1.077m (representing 0.65% of total funding) and no earmarked Reserve. Earmarked Reserves have been released into operational budgets for 2019-20.
- 3.5 Of the 28 IA's (representing £8,116m of budget), a year end overspend of £66.4m is projected. (EL is forecasting £34K overspend at Q2). The remaining 3 IA's (representing £1,233m of budget) reported a year to date overspend of £2.8m.
- 3.6 Variance analysis is summarised below of the 28 IA's that show a year end forecast. For completeness the total budget for the remaining 3 IA's is also shown below.

Variance Analysis after Q2	28 IAs reporting Year End Forecast	East Lothian Year End Forecast at Q2
	£m	£m
Non Delivery of Savings	41.00	0.47
Demographics	15.00	0.68
Staffing Pressures	10.00	
Prescribing	7.00	(0.16)
Price Increases	3.00	
Other Net Pressures / (Underspends)	6.90	(0.95)
Overspend (23 IA's)	82.90	0.03
Under spend (4 IA's)	(16.50)	
Breakeven (1 IA)		
Overall Net Projection	66.40	
Overall Budget	8,116.00	165.53
Budget of 3 IA's reporting YTD position	1,233.00	
Total Budget for 31 IA's	9,349.00	

- 3.7 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.
- 3.8 The projected £69.2m overspend will be addressed by anticipated additional funding from NHS Boards (£28.8m), Local Authorities (£6.8m), and Financial Recovery Plans (£12.8m). Leaving £20.8m to be determined.
- 3.9 The key factors contributing to these forecasted positions which were highlighted in the last report remain relevant 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

4 ENGAGEMENT

- 4.1 The IJB's Audit and Risk committee is held in public and the papers are available on the Council's website.

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

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Integration Authorities

Financial Performance

Financial Year 2019/20 (Quarter 2)



OVERVIEW - BUDGET POSITION 2019/20

This is the second summary report which presents the overview of financial performance for all Integration Authorities (IA's) for quarter 2 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 at quarter 2 is £9,349m. This is an increase of £112m (1%) from £9,237m at quarter 1 as follows:

- 26 IAs reported an increase of £3.8m in the set-aside budget which now totals £816m.
- The NHS non-set aside budget increased by £99m to £5,708m.
- The local authority budget increased by £2.5m to £2,789m.
- The use of reserves increased by £7m to £36m.



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

IAs have different reporting approaches. At this stage of the financial year, 28 IAs report projected outturns for the year-end and 3 IAs report year to date (second quarter) positions.

Of the 28 IAs, representing £8,116m of the total budget, a year end overspend of £66.4m is projected. Projected outturns across these IAs vary as follows:

- 23 IAs are projecting overspends totalling £82.9m
- 1 IA is projecting a break-even position
- 4 IAs are projecting underspends totalling £16.5m

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 Outturns

- £41m non delivery of savings
- £15m demographics
- £10m staffing pressures
- £7m prescribing
- £3m price increases
- £6.9m other net cost pressures

Projected cost pressures - £82.9m

Year to Date Cost Pressures - £2.8m

- Demographics (£2.8m), staffing pressures (£2.2m) and non delivery of savings (£0.6m)
- Net underspends (£2.8m)

Of the 3 IAs, representing £1,233m of the total budget, a year to date overspend of £2.8m is reported at the end of quarter 2. The year to date positions across these IAs vary as follows:

- 2 IAs are reporting overspends totalling £3.4m
- 1 IA is reporting an underspend of £0.6m



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, which were reported at quarter 1, remain relevant and 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 £36m at this stage of the financial year. As reported previously, 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 £69.2m will be addressed as follows:-

- | | |
|--|--------|
| ▪ Anticipated additional funding from NHS Boards | £28.8m |
| ▪ Anticipated additional funding from Local Authorities | £6.8m |
| ▪ Agreed financial recovery plan with no impact for partners | £12.8m |

The funding impact of £20.8m remains 'not yet determined' or has still to be publicly reported in respect of 12 IAs.

A total of 4 IAs remain in repayment arrangements with partners (£14.7m).

Repayment of Funding Advances

- £2.7m in 19/20
- £12m due 20/21 or later



UPDATE ON RESERVES

The IA's reserves have reduced by £3.2m at quarter 2 to £110m (Earmarked £77m; Contingency £33m). The contingency reserve continues to represent 0.4% of the total financial envelope of £9,349m. 8 IAs do not have a reserve. 6 IAs do not have a contingency reserve. 1 IA has a negative reserve. For 16 IAs, the contingency reserves range from 0.03% to 3.8% of their available funding.



FUTURE REPORTS

IA's will continue to standardise presentation.