

AGENDA ITEM

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Title/Subject: 2018/19 Financial Position Update
Meeting: Integration Joint Board
Date: 5 April 2019
Submitted By: Chief Finance Officer
Action: For Noting

1. INTRODUCTION

- 1.1 The purpose of this report is to provide a brief update on the financial projection for 2018/19 and to request approval for the application of reserves. This report is a truncated version of the standard financial projection report, recognising that the year end figures will not be available until early May. These figures will be incorporated into the IJB draft annual accounts which will be presented to the IJB in June 2019.

2. RECOMMENDATION

The IJB is asked to:

- 2.1 note the financial projection
- 2.2 note that a final position for 2018/19 will not be available until early May
- 2.3 agree the use of reserves set out in section 5.
- 2.4 approve the reserves policy as set out in section 5.

3. BACKGROUND

- 3.1. The February finance report to the IJB for 2018/19 highlighted that an overspend of £2.692m was projected for the year, including £1.314m in relation to Set Aside budgets.
- 3.2. An overspend of £0.188m was projected for the housing adaptation budgets. The IJB approved the application of £0.100m of integration funding reserves to offset this overspend, with the remaining £0.088m coming from a ring fenced reserves for housing adaptations.
- 3.3. The remaining overspend of £2.504m was within the budgets delegated to NHS Forth Valley. There is an agreement in principle to adopt a similar risk sharing arrangement to that agreed in 2017/18, namely that each Partner will absorb the overspend in their arm of the budget.

4. FINANCIAL PROJECTION

- 4.1. The financial projection in this report takes into account the year to date position for the first ten months of the financial year. The projection for the Partnership is an overspend of £3.056m. This is an overall worsening position of £0.364m. The projection includes £1.484m which relates to the Set Aside budget. The risk for the Set Aside budget remains with the NHS Board at this time and this position assumes that the NHS Board will address pressures in this element of the budget. The forecast position is summarised in the table below:

	Overspend £m
Budgets delegated to Falkirk Council (non HRA)	-
Budgets delegated to NHS Forth Valley (non Set Aside)	1.384
Overspend on Base Budget	1.384
Budgets Delegated to Falkirk Council (HRA)	-
Budgets Delegated to Falkirk Council (Capital)	0.188
Set Aside Budget	1.484
Total Outturn	3.056

- 4.2 The reasons for the overspend noted above are consistent with those highlighted in previous financial projection reports. A summary of the projected outturn is shown at appendix 1.

5. APPLICATION OF RESERVES

- 5.1. A summary of the projected position in respect of reserves is included at appendix 2.
- 5.2. The IJB has previously approved the application of £0.188m of reserves to offset the projected housing adaptations overspend. In the event that the overspend is less than anticipated, the reserves won't be applied. It is considered very unlikely at this stage that the overspend will be more than previously reported with some expectation that the position will improve.
- 5.3. There are two minor NHS related reserves carried forward from 2017/18 – Pharmacy First (£0.002m) and GP Cluster Model (£0.058m). It has now been confirmed that there are no plans in place to use this money. As such it is recommended that these reserves are used to offset the projected overspend on the health arm of the budget.
- 5.4. A further sum of £0.112m was carried forward in 2017/18 from the Mental Health Innovation Fund. There has been no confirmation of plans in place to use this money and it is therefore proposed that this funding is also applied to the projected overspend on the health arm of the budget.

- 5.5. As noted in section 4.1, it is anticipated that the Adult Social Work arm of the budget will break even, albeit risks around this budget have been highlighted in previous reports. Where an overspend is identified, it is recommended that some of the Integration Funding, ring fenced by the Scottish Government is used to offset. Whilst this is not anticipated, given the timing of future IJB meetings, this report seeks agreement in the unlikely event that application of the reserve is required.
- 5.6. The budget report presented to the IJB on 28 March 2019, set out the proposed use of the remainder of the reserves for 2019/20.
- 5.7. The current reserves policy was approved by the IJB at its meeting on 6 April 2018. The current policy recommends a target level of general reserves of £0.250m. The projected position is a reserve of £0.297m, slightly over the target. This represents 0.137% of the net budget and it is recommended that the reserve is carried forward in full to 2019/20.
- 5.8. The reserves policy has been reviewed as part of the annual review of financial governance arrangements. No changes to the current policy are proposed. The current policy is attached as appendix 3 to this report. It should be stressed however that in a time of constrained resources, the IJB need to be assured that reserves are being used appropriately. The 2019/20 budget report presented to the IJB on 28 March 2019 sets out the proposed use of reserves. The IJB will receive regular updates on progress.

6. CONCLUSIONS

- 6.1. This report provides a projected outturn for the Falkirk Partnership for 2018/19. It is likely that the Partnership will overspend by c£3.1m, the majority of which relates to the health arm of the budget.
- 6.2. The final year end position will not be known until early May. The outturn position set out is before the application of reserves as set out in section 4.1. Partners have indicated that they will provide additional non-recurring funding to cover their share of the final year end overspend.
- 6.3. The final outturn figure will be included in the draft IJB annual accounts which will be presented to the Audit Committee in June.
- 6.4. The IJB reserves policy has been reviewed and no changes are proposed. However, the appropriate use of reserves will be closely monitored during 2019/20.

Resource Implications

The resource implications are considered in the body of the report.

Impact on IJB Outcomes and Priorities

The budget sets out the overall resources available to the Partnership to support delivery of the Strategic Plan.

Legal & Risk Implications

The main financial risks facing the Partnership are considered in the body of the report.

The IJB has been informed of a projected overspend for 2018/19 from an early stage in the financial year. However, it has been unable to make an impact on that projection. This highlights risks around both financial sustainability and financial governance.

Consultation

The Chief Officer of the IJB, Chief Finance Officer of Falkirk Council and Director of Finance of NHS Forth Valley have been consulted on this report.

Equalities Assessment

The budget may include savings proposals which involve service change. These should all be subject to an Equality Assessment.

Approved for Submission by: Patricia Cassidy, Chief Officer

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Date: 11 March 2019

List of Background Papers: n/a

**BUDGET MONITORING STATEMENT 2018/19
FOR PERIOD TO 31/01/19**

SUMMARY STATEMENT

	<u>Budget</u>	<u>Projected</u>	<u>(Fav)/ Adv</u>
	<u>£m</u>	<u>Outturn</u>	<u>Variance</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>
Adult Social Work Services	72.898	73.086	0.188
Falkirk Council Spend to Save	0.325	0.325	-
NHS Forth Valley - Set Aside	25.837	27.321	1.484
NHS Forth Valley - Operational & Universal	117.299	118.683	1.384
Sub - Total	216.359	219.415	3.056
Use of Earmarked Reserves	(0.700)	(0.800)	(0.100)
NET EXPENDITURE	215.659	218.615	2.956
<u>Funded By :</u>			
Falkirk Council Contribution	62.146	62.146	-
Falkirk Council Spend to Save Contribution	0.325	0.325	-
NHS Forth Valley Contribution	143.136	143.136	-
Integration Funding (via Health Boards)	10.052	10.052	-
Leadership Funding	-	-	-
NET INCOME	215.659	215.659	-
SURPLUS/(DEFICIT)	-	(2.956)	(2.956)
Transfer from HRA Reserves		-	
Transfer from Capital Reserves		0.088	
Projected Outturn		(2.868)	

Above figures do not include £3.744m of Partnership Funding.

FALKIRK HEALTH AND SOCIAL CARE PARTNERSHIP

PROJECTED RESERVES POSITION FOR 2018/19 AS AT 31/01/19

	OPENING BALANCE 01/04/2018 £m	TRANSFERS IN £m	PROJECTED TRANSFERS OUT/SPEND £m	PROJECTED CLOSING BALANCE 31/03/2019 £m
General Reserve	0.297	-	-	0.297
Housing Revenue Account	0.237	-	-	0.237
Capital Grant	0.088	-	(0.088)	-
Sensory Strategy	0.052	-	(0.002)	0.050
British Sign Language Plan	-	0.011	-	0.011
Services for Survivors	0.090	0.035	-	0.125
Dementia Innovation Fund	0.100	0.100	-	0.200
	-			-
Integration Funding	1.430	-	(0.800)	0.630
Partnership Funding	2.408	2.744	(3.516)	1.636
Leadership Funding	0.617	1.000	(0.544)	1.073
PC & MH Transformation Funds	0.607	-	(0.204)	0.403
Primary Care Improvement Fund	-	0.383	-	0.383
Transforming Urgent Care	0.392	-	(0.206)	0.186
Pharmacy First	0.002	-	0.002	- *
Mental Health Innovation Fund	0.112	-	0.112	- *
GP Cluster Model	0.058	-	0.058	- *
	6.490	4.273	- 5.532	5.231

* Assumes agreement of recommendations by IJB on 6 April 2019 - part of the Financial Projection Report