

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 1st 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.