

CIPFA IJB CFO Section

Integration Authorities

Financial Performance

Financial Year 2019/20 (Quarter 3)



OVERVIEW - BUDGET POSITION 2019/20

This is the third summary report which presents the overview of financial performance for all Integration Authorities (IA's) for quarter 3 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 3 is £9,424m. This is an increase of £75m (1%) from £9,349m at quarter 2 as follows:

- 26 IAs reported a set-aside budget which now totals £821m, an increase of £5m across 10 IAs.
- The NHS non-set aside budget increased by £59m to £5,767m.
- The local authority budget increased by £2m to £2,791m.
- The use of reserves increased by £9m to £45m.



FINANCIAL VARIANCES 2019/20 – FORECAST OUTTURN

At quarter 3, all 31 IAs have provided a forecast outturn to 31 March 2020. The projected net overspend for all IAs is £54.3m.

Projected outturns across the 31 IAs vary as follows:

- 22 IAs are projecting net overspends totalling £78.0m ranging from £0.2m to £15.6m
- 9 IAs are projecting net underspends totalling £23.7m ranging from £0.4m to £9.4m

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

Forecast Outturns At 31 March 2020

Projected Cost Pressures

- | | |
|---------------------------|--------|
| • Non delivery of savings | £43.0m |
| • Demographics | £20.8m |
| • Prescribing | £11.3m |
| • Staffing pressures | £10.4m |
| • Price increases | £2.6m |

Total Cost Pressures	£88.1m
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Projected Net Underspends	£33.8m
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Projected Net Cost Pressures	£54.3m
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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 ongoing challenge of delivering 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.

16 IAs are relying on the planned use of reserves totalling £45m. The increase in costs is also partly offset by underspends as a result of staff vacancies and slippage in the implementation of new funding. These options provide only non-recurring financial relief and recurring financially sustainable strategies need to be identified across IAs.

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 £54.3m will be addressed as follows:-

▪ Anticipated additional funding from NHS Boards	£26.3m
▪ Anticipated additional funding from Local Authorities	£5.8m
▪ Agreed financial recovery plan with no impact for partners	£8.7m
▪ Other funding solutions	£10.3m

Additional funding contributions from partner bodies have been required for those IA's who hold no contingency reserves or have fully utilised the contingency reserves which they hold.

The balance of cost pressures is projected to be offset by the net impact of 'further actions still to be determined or publicly reported' (£18m) and planned transfers to IJB reserves (£14.8m).

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

Reserves is a key component of the IA's funding strategy. It is important for the long term financial stability and the sustainability of the IA that sufficient contingency funds are held in reserve to manage unanticipated pressures from year to year. Similarly, it is also important that in-year funding available for specific projects and Government priorities are able to be earmarked and carried forward into the following financial year, either in whole or in part, to allow for the spend to be committed and managed in a way that represents best value for the IA in its achievement of the national outcomes. This includes Mental Health, Primary Care and Alcohol and Drugs services. The IJBs have also agreed to a flexible funding approach with some IAs whereby these reserves are accessed first before any further funding is released in order to afford flexibility for the Scottish Government in passing new funding to IJBs.

The requirement for financial reserves is acknowledged in statute and is part of a range of measures in place to ensure that s106 bodies do not over-commit themselves financially. The Ministerial Strategic Group also recognised the need for reserves and the need for IAs to have a prudent and transparent reserve policy. IAs face a number of financial risks including demand, inflation and the scale and pace of transformation, which can require IA's to access reserves.

General practice advises that contingency reserves should be held at 2% of the funding available. In the absence of a contingency reserve, reliance will require to be placed on each IA's Integration Scheme and additional contributions from partners to address unfunded cost pressures.

The IA's reserves have reduced by £0.5m at quarter 3 to £110m (Earmarked £83m; Contingency £27m). The contingency reserve represents only 0.3% of the total financial envelope of £9,424m. 7 IAs do not have any reserves. 9 IAs do not have a contingency reserve. 1 IA has a negative reserve. For 14 IAs, the contingency reserves range from 0.004% to 1.9% of their available funding.