

CIPFA IJB CFO Section

Integration Authorities

Financial Performance

Financial Year 2020/21 (Quarter 4)



OVERVIEW - BUDGET POSITION 2020/21

This summary report presents the overview of financial performance for all Integration Authorities (IAs) as at quarter 4 of the financial year 2020/21. The position in respect of the NHS Highland Lead Agency arrangement is also included.

The total budget for health and social care services in 2020/21 is £10,584m (Set Aside £1,093m; Non-Set Aside £9,476m; Reserves £15m). 28 IAs are reporting a set aside budget for 2020/21. This is an increase of £667m (6.7%) from £9,917m at quarter 3 as follows:

- 20 IAs reported an increase of NHS set aside budget while 5 experienced decreases, resulting in a net £59m increase to £1,093m,
- The NHS non-set aside budget increased by £561m to £6,624m.
- The local authority budget decreased by £54m to £2,852m.
- The use of reserves decreased by £7m.

The planning and delivery of health and social care services continues to adapt to meet the significant public health challenge presented by the Covid-19 pandemic. IAs across Scotland have moved quickly and decisively to deal with the significant disruption to how health and social care services are being delivered as well as introduce new services to support the national response to the pandemic.

Covid 19 and the response required is the most significant factor in the variances detailed within this paper. Additional information on the ways in which the pandemic has impacted IAs is included within the Significant Factor section.

FINANCIAL VARIANCES 2020/21 – OUTTURN

Due to the impact of Covid 19 on year end processes and the timing of this report it should be noted that some IAs are in the position of providing provisional year end positions as they have not yet been presented to the relevant committees and boards. It is not anticipated figures will change materially.

The outturn position is an underspend of £306.6m, this relates primarily to income received in quarter 4. This income relates to costs associated with Covid 19, Primary Care Improvement Funds, Mental Health Action 15 and other key priorities.

In line with normal accounting arrangements for Integration Authorities, and the expectation of the Scottish Government, committed values not yet spent from the allocated funding will be carried into earmarked reserves for the purposes agreed with the Scottish Government policy teams.

Projected outturns across the IAs vary as follows:

- 28 IAs are projecting net underspends totalling £307.2m ranging from £0.3m to £55.2m
- 1 IA is projecting a net overspend of £0.6m
- 2 IAs are projecting a breakeven position

Outturns At 31 March 2021

Cost Pressures

- Non delivery of savings £23m
- Demographics £6m
- Other overspends £13m

Total Cost Pressures £42m

Projected Underspend £348.6m

Projected Net Underspend £306.6m

SIGNIFICANT FACTORS 2020/21

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

Covid 19 and the response required is the most significant factor in the variances reported:

- anticipated savings have been delayed due to the focus of capacity shifting to the Covid response
- the timeline to implement new models of service delivery taking longer than originally anticipated
- temporary reductions in services and delays in responding to case logs due to the impact of the pandemic
- prescribing cost pressures; and the global market on prices being seen in some IAs
- increased recruitment timescales given the current circumstances

The impact of the above alongside financial allocations made in quarter 4 relating to largely non-recurring funding to support specific policy priorities has resulted in the detailed underspend. Recurring financially sustainable strategies need to be identified across IAs.



IMPACT ON FUNDING 2020/21

The underspend totalling £306.6m will be addressed as follows:-

- | | |
|--|--------|
| ▪ Additional funding from NHS Boards | £3m |
| ▪ A reduction in Local Authority funding | £18.7m |

Remaining material underspends have been taken to reserves.

2 IAs remain in a repayment arrangement with partners totalling £8.8m



UPDATE ON RESERVES

Reserves is a key component of the IAs 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 IAs.

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 IAs 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 need to be placed on each IAs Integration Scheme and additional contributions from partners to address unfunded cost pressures.

Due to late in year allocations the reserve balance has increased from £139m as at 31st March 2020 to £558m at 31st March 2021 (Earmarked £464m; Contingency £94m). The contingency reserve represents only 0.9% of the total financial envelope of £10,584m. One IA does not have any reserves.

The increase in reserves experienced this year is directly related to Covid 19, the impact that this has had on committed areas of work and the funding required to respond to the pandemic. It should be noted access to additional funding to support the ongoing pandemic response will be unavailable until any earmarked Covid reserves have been utilised. The accompanying 'Reserve Letter' provides further context for the 2021 reserve position.

5 IAs do not have a contingency reserve. For 26 IAs, the contingency reserves range from 0.12% to 2.94% of their available funding.