

CIPFA IJB CFO Section

Integration Authorities

Financial Performance

Financial Year 2020/21 (Quarter 1)



OVERVIEW - BUDGET POSITION 2020/21

This summary report presents the overview of financial performance for all Integration Authorities (IA's) for quarter 1 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 £9,455m (Set Aside £979m; Non-Set Aside £8,460m; Reserves £16m). 25 IAs are reporting a set aside budget for 2020/21.

The planning and delivery of health and social care services has had to adapt to meet the significant public health challenge presented by the Covid-19 pandemic. IA's 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.

Discussions with Scottish Government continue in relation to this funding. Some interim funding has been allocated to support the additional costs for social care services delegated to IA's, which are responding to this pandemic. To date no funding has been allocated for health services delegated to IAs.

IA's are providing the Scottish Government with regular updates in relation to forecasted spend for all services and the cost of responding to the pandemic and this will be used by the Scottish Government in assessing funding needs.

As a result IA's have taken various approaches to accounting for costs and funding related to Covid. Approaches taken include:

- Excluding all Covid costs (5 IAs)
- Including Covid costs and a full assumption of funding (8 IAs)
- Including Covid costs offset with funding received to date (12 IAs)
- Including Covid costs only, with no funding assumption (3 IAs)
- Costs and funding included for LA delegated services with costs only included in Health delegated services. (2 IAs)

A breakdown of assumptions by IA's has been provided alongside this report and accompanying detailed schedule.



FINANCIAL VARIANCES 2020/21 – FORECAST OUTTURN AND YEAR TO DATE

At this stage of the financial year 21 IAs report projected outturns for the year end and 9 IAs report year to date (first quarter) positions.

Of the 21 IAs, representing £5,564m of the total budget, a year end overspend of £126.5m is projected. Projected outturns across these IAs vary as follows:

- 18 IAs are projecting net overspends totalling £128m ranging from £0.03m to £20.5m
- 2 IAs are projecting net underspends totalling £0.02m and £1.7m.
- 1 IA is projecting a breakeven position

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.

Year-end Projected Outturn

Projected Cost Pressures

- Non delivery of savings £47.5m
- Prescribing £5.2m
- Covid related expenditure £71.2m
- Other overspends £26.6m

Total Cost Pressures £150.5m

Projected Underspends £24.0m

Projected Net Cost Pressures £126.5m

Year to Date Position

Projected Cost Pressures

- Non delivery of savings £3.7m
- Demographics £0.5m
- Prescribing £1.7m
- Covid related expenditure £13.7m
- Other Overspends £1.7m

Year to Date Cost Pressures £21.3m

Year to Date Underspends £13.5m

Total Year to Date Cost Pressures £7.8m

Of the 9 IAs, representing £3,891m of the total budget, a year to date overspend of £7.8m is reported at the end of quarter 1.

The year to date position across these IAs vary as follows:

- 2 IAs are reporting an underspend totalling £0.9m
- 7 IAs are reporting overspends totalling £8.7m



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

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- the timeline to implement new models of service delivery taking longer than originally anticipated

Other ongoing challenges contributing to the variances reported include:

- ongoing challenges associated with identifying further cost reduction and savings opportunities
- prescribing cost pressures; and the global market on prices being seen in some IAs

13 IAs are relying on the planned use of reserves totalling £15.7m. The increase in costs is also partly offset by underspends as a result of staff vacancies with increased recruitment timescales given the current circumstances. These options provide only non-recurring financial relief and recurring financially sustainable strategies need to be identified across IAs.



IMPACT ON FUNDING 2020/21

It is currently estimated that the projected overspend totalling £126.5m will be addressed as follows:-

▪ Anticipated additional funding from NHS Boards	£12.7m
▪ Anticipated additional funding from Local Authorities	£2.5m
▪ Agreed financial recovery plan with no impact for partners	£13m
▪ Covid funding anticipated	£67.4m

The balance of cost pressures is projected to be offset by the net impact of 'further actions still to be determined or publicly reported' (£30.5m) and planned transfers to IJB reserves (£0.5m).

2 IAs remain in a repayment arrangement with partners totalling £7.4m



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 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.

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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 are forecasting a reduction of £57.5m from 31st March 2020 of £139m to a forecast position of £81.5 (Earmarked £53.5m; Contingency £28.1m) this position will be subject to change as we move through the year. The contingency reserve represents only 0.30% of the total financial envelope of £9,455m. 13 IAs do not have any reserves. 19 IAs do not have a contingency reserve. 1 IA has a negative reserve. For 11 IAs, the contingency reserves range from 0.11% to 2.6% of their available funding.

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