

Integration Authorities

Financial Performance

Financial Year 2020/21 (Quarter 3)



OVERVIEW - BUDGET POSITION 2020/21

This summary report presents the overview of financial performance for all Integration Authorities (IAs) for quarter 3 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 £9,917m (Set Aside £1,034m; Non-Set Aside £8,861m; Reserves £22m). 28 IAs are reporting a set aside budget for 2020/21. This is an increase of £232m (2.4%) from £9,685m at quarter 2 as follows:

- 11 IAs reported in increase of £10m in NHS set aside budget
- The NHS non-set aside budget increased by £227m to £6,063m
- The local authority budget decreased by £0.5m to £2,798m
- The use of reserves increased by £5m

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.

IAs 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.

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

It should be noted the position reflected may not fully align with that reported in individual areas as these figures include the assumption of covid funding anticipated at quarter 3.

At this stage of the financial year 29 IAs report projected outturns for the year end and 2 IAs report year to date (third quarter) positions.

Of the 28 IAs, representing £8,671m of the total budget, a year end underspend of £0.5m is projected. Projected outturns across these IAs vary as follows:

- 9 IAs are projecting net overspends totalling £25.7m ranging from £0.4m to £10.2m
- 12 IAs are projecting net underspends totalling £26.2m ranging from £0.05m and £10.4m. Underspends in the main relate to; a reduction in cost due to slippage in recruiting to vacancies, a reduction in care packages due to a backlog in cases to be responded to as a result of the pandemic and other non recurring cost reductions due to covid related reductions or delays.
- 10 IAs are 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 | £43m |
| • Prescribing | £1.8m |
| • Covid related costs | £32m |
| • Other overspends | £17.2m |

Total Cost Pressures	£94m
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Projected Underspend	£94.5m
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Projected Net Underspend	£0.5m
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Year to Date Position

Projected Cost Pressures

- | | |
|-----------------------------|-------|
| • Non delivery of savings | £2.8m |
| • Staffing | £3.7m |
| • Covid related expenditure | £6.5m |
| • Other Overspends | £0.7m |

Year to Date Cost Pressures	£13.7m
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Year to Date Underspends	£33.4m
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Total Year to Date Underspend	£19.7m
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Of the 2 IAs, representing £1,246m of the total budget, a year to date underspend of £19.7m is reported at the end of quarter 3.

Both IAs report a year to date overall underspend as a result of Covid funding received and anticipated and recently received allocations relating to the Primary Care Improvement Fund and Adult Social Care Winter Plan Preparedness Funding within this accounting period. Funding received relates to full year spend.



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 responded 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

7 IAs are relying on the planned use of reserves totalling £9.3m. The underspend anticipated is as a result of largely non-recurring financial relief. Recurring financially sustainable strategies need to be identified across IAs.



IMPACT ON FUNDING 2020/21

It is currently estimated that the projected underspend totalling £0.5m will be addressed as follows:-

▪ Anticipated additional funding from NHS Boards	£10m
▪ Anticipated increase in IJB reserves	£13.5m
▪ Agreed financial recovery plan with no impact for partners	£1.7m
▪ Covid funding anticipated	£6.8m

The balance is projected to be resolved by the net impact of 'further actions still to be determined or publicly reported' (£5m reduction).

2 IAs remains in a repayment arrangement with partners totalling £7.1m



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

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

The treatment of Covid expenditure is still to be finalised for the annual accounts, this may significantly effect the year end balances, however at the moment the IAs reserves are forecasting a reduction of £9m from 31st March 2020 of £139m to a forecast position of £130m (Earmarked £96.7m; Contingency £33.3m). The contingency reserve represents only 0.34% of the total financial envelope of £9,917m. 8 IAs do not have any reserves. 15 IAs do not have a contingency reserve. 1 IA has a negative reserve. For 15 IAs, the contingency reserves range from 0.2% to 2.6% of their available funding.