

Integration Authorities

Financial Performance

Financial Year 2021/22 (Quarter 4)



OVERVIEW - BUDGET POSITION 2021/22

This summary report presents the overview of financial performance for all Integration Authorities (IA's) for the financial year 2021/22. The position in respect of the NHS Highland Lead Agency arrangement is also included.

The total budget for health and social care services in 2021/22 is £11,333m (Set Aside £1,125m; Non-Set Aside £10,054m; Reserves £154m). 28 IAs are reporting a set aside budget for 2021/22.



FINANCIAL VARIANCES 2021/22 – ACTUAL OUTTURN

The actual year end position of the 31 IAs is a £566.9m underspend. This is a significant movement from that projected at quarter 3 and is mainly due to the late allocation of Covid-19 funding. The outturns across the IAs vary as follows:

- 26 IAs have reported net underspends ranging from £0.2m to £112.4m
- 2 IAs have reported net overspends ranging from £1.6m and £2.8m.
- 3 IAs have reported a breakeven position

Year-end Actual Outturn	Over / (Under)
• Non delivery of savings	£ 19.8m
• Prices	£ 1.3m
• Other overspends	£ 38.7m
Sub-Total Cost Pressures	£ 59.8m
• Prescribing	(£ 1.3m)
• Demographics	(£ 22.2m)
• Staffing	(£ 24.9m)
• Reserves and Residual Underspend	(£578.3m)
Sub-Total Underspend	(£626.7m)
Total Outturn	£566.9m



SIGNIFICANT FACTORS 2021/22

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

Significant factors in the variances reported include:

- Financial allocations made in quarter 4 relating to largely non-recurring funding to support specific policy priorities, and mainly Covid-19, has resulted in the detailed underspend
- Workforce challenges of recruitment and retention leading to high levels of staffing underspend within non-set aside budgets
- Savings have been delayed due to the focus of capacity shifting to the Covid response
- Ongoing challenges associated with identifying further cost reduction and savings opportunities

Many funding allocations supporting the current year position have been issued on a non recurring basis. Recurring funding is required to support a strategic approach to delivering health and social care while maintaining a balanced financial position.



IMPACT ON FUNDING 2021/22

The final outturn position will be addressed as follows:-

- | | |
|--|-------|
| ▪ Reduced funding from NHS Boards | £0.9m |
| ▪ Reduced funding from Local Authorities | £0.6m |

The balance of funding will be transferred to IJB reserves.



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 IA's to access reserves.

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General practice advises that contingency reserves should be held at 2 to 4% 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.

Late in-year allocations have increased the reserve balance to £1,213m at 31st March 2022 (Earmarked £1,069m; Contingency £144m). The contingency reserve represents only 1.3% of the total financial envelope of £11,333m.