

Integration Authorities

Financial Performance

Financial Year 2022/23 (Quarter 4)

OVERVIEW - BUDGET POSITION 2022/23

This summary report presents the overview of financial performance for all Integration Authorities (IA's) for quarter 4 of the financial year 2022/23. The position in respect of the NHS Highland Lead Agency arrangement is also included.

The total budget for health and social care services in 2022/23 was £11,392m (Set Aside £1,219m; Non-Set Aside £9,685m; Reserves £488m). 28 IAs reported a set aside budget for 2022/23.

FINANCIAL VARIANCES 2022/23 – ACTUAL OUTTURN

The year end position of the 31 IAs is a £112.9m underspend. This reflects an overall operational underspend of £46.1m. It should be noted that this operational underspend reflects the drawdown of £488m in reserves and this will be mask some of the underlying pressures within the system. In addition there is £66.8m of underspends linked to funding which requires to be earmarked to support future year commitments. The outturns across the IAs vary as follows:

- 14 IAs outturned with overspends totalling £113.2m ranging from £0.2m to £24.2m.
- 12 IAs outturned with underspends totalling £126.9m ranging from £0.5m to £35.5m.
- 5 IAs have reported a breakeven position.

Year-end Actual Outturn Over/(Under)

• Demand/Complexity of Need	£ 46.1 m
• Prescribing	£ 37.7m
• Non delivery of savings	£ 13.3m
• Prices	£ 9.6m
• Other overspends	£ 1.5m
Sub-Total Cost Pressures	£108.2m
• Staffing	(£ 94.6m)
• Delays in Demand/Packages	(£ 26.0m)
• Demographics	(£ 10.9m)
• Additional Income	(£ 6.8m)
• Other Underspends	(£ 16.0m)
Sub-Total Underspends	(£154.3m)
Net Operational Underspend	(£ 46.1m)
Underspends to be Earmarked	(£ 66.8m)
Total Underspend	(£112.9m)



SIGNIFICANT FACTORS 2022/23

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:

- Pressures on the Prescribing budget as a result of the increased prices being experienced globally
- Pressures across HSCP systems making identifying further cost reduction and savings opportunities challenging such as the increased cost of service provision and cost of living pressures
- Workforce challenges of recruitment and retention leading to high levels of staffing underspend within non-set aside budgets and impact on packages of care commencing with providers creating short term in year underspends
- LG pay award not passed on by some councils, contributing to the overspends
- Carrying forward underspends for earmarking



IMPACT ON FUNDING 2022/23

The final outturn position will be addressed as follows:

- | | |
|--|-----------|
| ▪ Increased funding from NHS Boards | £5.0m |
| ▪ Reduced funding from Local Authorities | (£4.5m) |
| ▪ Transfer to reserves | (£113.0m) |



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.

OFFICIAL

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.

Reserve balances have reduced from £1,213m at 31st March 2022 to £709.5m at 31st March 2023 (Earmarked £543.1m; Contingency £166.4m). 7 IJBs have no contingency reserves, which equates to 23%. The contingency reserve represents only 1.5% of the total financial envelope of £11,392m, which is below the advisable amount, and will impact on IJBs ability to deal with unbudgeted financial challenges in 2023/24.