

CIPFA IJB CFO Section

Integration Authorities

Financial Performance

Financial Year 2021/22 (Quarter 1)



OVERVIEW - BUDGET POSITION 2021/22

This summary report presents the overview of financial performance for all Integration Authorities (IA's) for quarter 1 of 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 £9,942m (Set Aside £1,069m; Non-Set Aside £8794m; Reserves £79m). 28 IAs are reporting a set aside budget for 2020/21.



FINANCIAL VARIANCES 2021/22 – FORECAST OUTTURN AND YEAR TO DATE

At this stage of the financial year 24 IAs report projected outturns for the year end and 7 IAs report year to date (first quarter) positions.

Of the 24 IAs, representing £6,000m of the total budget, a year end overspend of £58m is projected. Projected outturns across these IAs vary as follows:

- 17 IAs are projecting net overspends totalling £66m ranging from £0.3m to £13.5m
- 5 IAs are projecting net underspends totalling £8.4m ranging from £0.1m and £2.8m.
- 2 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	£33.4m
• Prescribing	£2.5m
• Staffing	£9.8m
• Covid related overspends	£6.3m
• Set Aside	£8.8m
• Other overspends	£22.2m
Total Cost Pressures	£83m
Projected Underspends	£25m
Projected Net Cost Pressures	£58m

Year to Date Position

Projected Cost Pressures

- Non delivery of savings £4.7m
- Demographics £2.7m
- Prescribing £0.4m
- Income related £3m
- Other Overspends £1.8m

Year to Date Cost Pressures £12.6m

Year to Date Underspends £6.4m

Total Year to Date Cost Pressures £6.2m

Of the 7 IAs, representing £3,942m of the total budget, a year to date overspend of £6.2m is reported at the end of quarter 1.

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

- 3 IAs are reporting an underspend totalling £2.2m
- 4 IAs are reporting overpends totalling £8.4m

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:

- Costs associated with increased demand both in the community and hospital settings
- Anticipated 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
- Prescribing cost pressures; and the global market on prices being seen in some IA's

14 IAs are relying on the planned use of reserves totalling £79.1m. This provides only non-recurring financial relief and recurring financially sustainable strategies need to be identified across IAs.

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

It is currently estimated that the projected overspend totalling £58m will be addressed as follows:-

- | | |
|---|--------|
| ▪ Anticipated additional funding from NHS Boards | £37.8m |
| ▪ Anticipated additional funding from Local Authorities | £1.9m |
| ▪ Other financial recovery plan | £0.6m |

The balance of cost pressures is projected to be offset by the net impact of 'further actions still to be determined or publicly reported' (£5.8m) and planned transfers to IJB reserves (£11.9m).



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.

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 are reviewed and updated at year end, at which time a breakdown of this position shall be detailed.