



Advice Note

Annual Financial Statement

This advice note has been prepared to support the Statutory Guidance for Strategic Commissioning Plans and should be read along-side the statutory guidance.

September 2016



Annual Financial Statement

Introduction and Purpose

All Integration Authorities (Partnerships) completed their Strategic Commissioning Plans by 1st April 2016 with varying levels of financial information included. The Public Bodies (Joint Working) (Scotland) Act 2014 (the Act) requires that each Integration Authority (Partnership) must publish an Annual Financial Statement on the resources that it plans to spend in implementing the Strategic Commissioning Plan.

Robust financial planning is essential to successful strategic commissioning. Partnerships must ensure that resources are accounted for and directed to deliver the best possible outcomes for people who use health and social care services. Achieving sustainability is a key requirement associated with the transformational change underway, which will involve making decisions about investment and disinvestment with an increasing focus on prevention and new models of care and support.

The purpose of this note is to provide advice on the information that should be included in the Annual Financial Statement.

Scope of the Annual Financial Statement

The requirement to publish an Annual Financial Statement does not obviate the need to develop a robust financial plan as an integral part of the process of developing the Strategic Commissioning Plan. The Annual Financial Statement should provide a summary of the financial plan that underpins the Strategic Commissioning Plan.

The Annual Financial Statement must cover the total resources included in the Strategic Commissioning Plan by the Partnership. For an Integration Joint Board this means:

- The payments made by the Integration Authority to the Health Board and Local Authority; and
- The sum set aside by the Health Board for large hospital services.

For lead agencies the scope will be:

- The payment made to the host partner by the delegating partner
- The budgets in the host partner for the conjunction functions; and
- The budget for services provided in large hospitals¹.

Frequency of the Annual Financial Statement

The first Annual Financial Statement should be published when the Partnership publishes its first Strategic Commissioning Plan. Subsequent statements should be

¹ Where the host partner is a Local Authority, this will be the sum set aside by the Health Board for services provided in large hospitals.

published once budget planning has been completed for the next financial year. A summary of this should then be produced in the Annual Financial Statement before the end of the financial year for each year of the remaining years of the Strategic Commissioning Plan.

The cycle should be repeated when a new Strategic Commissioning Plan is published.

Time period covered by the Annual Financial Statement

The Annual Financial Statement should include each and all of the remaining years of the published Strategic Commissioning Plan.

Accordingly, for a three year Strategic Commissioning Plan, the Annual Financial Statement published with the Plan will cover each of the three years. The Statement published before the second year of the Plan will cover each of the remaining two years; and that ahead of third year will cover the last year of the Plan.

Content of the Annual Financial Statement

The Annual Financial Statement must set out in the Strategic Commissioning Plan the amount that the Integration Authority intends to spend in implementation of the plan.

The Annual Financial Statement published with the Strategic Commissioning Plan should summarise the financial plan in each year for the period of the Plan. Annual Financial Statements published for subsequent years of the Plan should summarise the financial plan for each year in the remaining period. Statements for subsequent years may be flexed to reflect the effect of actual past performance on planned expenditure in subsequent years.

Under section 42 of the Act, an Integration Authority is required to publish an Annual Performance Report containing information on its performance in the previous year. Regulations² require that the Report includes financial information on the amount spent on achieving the national health and wellbeing outcomes and the amount spent on care groups, localities and service type. The Annual Financial Statement should include information on the amounts that are included in the Strategic Commissioning Plan intended to be spent on the same categories.

As a minimum, the Annual Financial Statement, should include the total amount planned to be spent by the Partnership (and the proportion of the total amount planned to be spent) on:

- a) health care services provided in pursuance of integration functions to hospital inpatients;
- b) health care services provided in pursuance of integration functions other than those provided to hospital inpatients;

² <http://www.legislation.gov.uk/ssi/2014/326/contents/made>

- c) social care services provided in pursuance of integration functions to service users who are provided with a care home service or adult placement service;
- d) social care services provided in pursuance of integration functions to support unpaid carers in relation to needs arising from their caring role;
- e) social care services provided in pursuance of integration functions not mentioned in subparagraphs (c) or (d); and
- f) services provided in pursuance of integration functions to service users within each key care group identified in the Plan.

It is recognised that reporting financial information in this way has been a challenge for Partnerships (and Health Boards and Local Authorities), and approximations may need to be made during the initial planning and reporting cycles while information systems are developed and bedded in.

To assist Partnerships with the preparation of Annual Financial Statements, the Scottish Government will work with COSLA to produce a pro-forma for future Annual Financial Statements. This will be issued to Partnerships by late Autumn of 2016 to support the production of Annual Financial Statements in 2017.

Summary

Partnerships must publish an Annual Financial Statement on the resources that they plan to spend in implementing their Strategic Commissioning Plan. This does not obviate the need to develop a robust financial plan as an integral part of the process of developing the Strategic Commissioning Plan. The Annual Financial Statement should provide a summary of the financial plan that underpins the Strategic Commissioning Plan.



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