

Integration Authorities

Financial Performance

Financial Year 2022/23 (Quarter 3)



OVERVIEW - BUDGET POSITION 2022/23

This summary report presents the overview of financial performance for all Integration Authorities (IA's) for quarter 3 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 is £11,052m (Set Aside £1,156m; Non-Set Aside £9,586m; Reserves £310m). 28 IAs are reporting a set aside budget for 2022/23.



FINANCIAL VARIANCES 2022/23 – FORECAST OUTTURN AND YEAR TO DATE

At this stage of the financial year 28 IAs report projected outturns for the year end and 3 IAs report year to date (third quarter) positions.

Of the 28 IAs, representing £10,535m of the total budget, a year end underspend of £2.8m is projected. Of this, a £19.8m overspend is projected against set aside budgets which is offset by a £22.6m projected underspend against non-set aside.

The projected outturns across these IAs vary as follows:

- 14 IAs are projecting net overspends totalling £52.9m ranging from £0.4m to £15.2m
- 13 IAs are projecting net underspends totalling £55.7m ranging from £0.7m to £12.8m.

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 £ 28.7m
- Other overspends £ 38.4m
- Prescribing £ 27.6m
- Prices £ 8.0m

Total Cost Pressures £102.7m

Projected Underspends £105.5m

Projected Net Underspend £ 2.8m

Year to Date Position

Projected Cost Pressures

• Prescribing	£1.0m
• Non delivery of savings	£1.8m
• Demographics	£3.3m
• Staffing	£2.9m
• Other Overspends	£4.0m
Total Year to Date Cost Pressures	£13.0m

Of the 3 IAs, representing £517m of the total budget, a year to date overspend of £13m is reported at the end of quarter 3.

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:

- Anticipated savings have been delayed due to the focus of capacity shifting to the Covid response
- 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
- LG pay award not passed on by some councils, contributing to the overspends

IMPACT ON FUNDING 2022/23

It is currently estimated that the projected underspend totalling £2.8m will be addressed as follows:-

- | | |
|--|--------|
| ▪ Planned transfers to IJB reserves | £27.6m |
| ▪ Reduced funding from Local Authorities | £ 3.6m |

Partially offset by additional funding from NHS Boards £25.9m and the balance of £2.5m which is other/not yet determined or publicly reported.

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

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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 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.