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**Report To:** Inverclyde Integration Joint Board Audit Committee      **Date:** 25 January 2021

**Report By:** Louise Long, Corporate Director (Chief Officer) Inverclyde Health & Social Care Partnership      **Report No:** IJBA/03/2021/LA

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**Subject:** IJB RESERVES

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## **1.0 PURPOSE**

- 1.1 The purpose of this report is to provide additional information on the nature and purpose of the IJB's Reserves and an update on the potential impact of Covid-19 and the current year financial position on IJB Reserve balances.

## **2.0 SUMMARY**

- 2.1 As at 31 October 2020, the projected balance on IJB reserves at the end of this financial year is expected to be £7.239m (£6.498m Earmarked and £0.741m General Reserves).
- 2.2 Inverclyde's Earmarked Reserves are mainly for multi-year projects which are subcategorised into:
- Scottish Government Funded Ringfenced Projects
  - Existing Projects and Commitments
  - Transformation Project Funding
  - Budget Smoothing

This report provides further information on the purpose of each of these fund types.

- 2.3 The financial impacts of Covid-19 across the UK and within individual HSCPs are still being quantified. It is understood that the Scottish Government will fund all HSCP Covid costs in full in 2020/21. It is anticipated that elements of this funding will continue into 2021/22. However, as a precaution within Inverclyde, funds are being set aside from in year underspends resulting from delays in filling vacancies to provide cover through an Earmarked Reserve for any 2021/22 costs relating to temporary Covid response posts appointed in 2020/21 with costs rolling into 2021/22.

## **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that the IJB Audit Committee notes the report.

**Louise Long**  
Chief Officer

**Lesley Aird**  
Chief Financial Officer

## 4.0 BACKGROUND

4.1 Reserve Funds are established as part of good financial management. The purposes of reserve funds are:

- a) As a working balance to help cushion the impact of uneven cash flows
- b) As a contingency to cushion the impact of unexpected events or emergencies and
- c) As a means of building up funds, often referred to as earmarked reserves, to meet known or predicted liabilities

4.2 The Integration Scheme states:

*“Where an underspend in an element of the operational budget ... this will be retained by the Integration Joint Board to either fund additional capacity in-year in line with its Strategic Plan or be carried forward to fund capacity in subsequent years of the Strategic Plan”.*

4.3 The Audit Scotland Report on Integration published in November 2018 and Ministerial Steering Group Report and Recommendations around Integration published the following year both reinforce that IJBs must have reserves policies which *“ensure that reserves are identified for a purpose and held against planned expenditure with timescales identified for their use, or held as a general reserve as a contingency to cushion the impact of unexpected events or emergencies. Reserves must not be built up unnecessarily.”* The IJB’s Reserves policy was approved in 2016 and all IJB Reserves are held in line with this recommendation and reported in each IJB monitoring report.

4.4 In terms of the level of reserves an IJB should hold, CIPFA recommend that unallocated reserves balances should be between **2 and 4% of revenue expenditure**. At the end of 2019/20 the IJB reserves were £8.450m, 5.4% of revenue expenditure, with £0.741m unallocated 0.5% of revenue expenditure. However, within its earmarked reserves the IJB holds smoothing and transformation project reserves which help address the CIPFA recommendation in a different way.

## 5.0 IJB RESERVES

5.1 The IJB holds 4 specific types of earmarked reserves as well as its general reserves. A summary of what each of these relates to together with the balance on the reserves at 31 March 2020 is below:

- Scottish Government Funding – £0.749m
  - These reserves relate to specific, ring-fenced government funded initiatives.
  - They are created through in-year slippage on the specific project either through delays in filling vacancies funded by the project or delays in procuring services from external providers.
  - As part of the funding arrangement these must be carried forward for use in the following year against the agreed project.
  - Current projects within this category as at 31 March 2020 include: Mental Health Action 15, Alcohol and Drug Partnership, Primary Care Improvement Plans and Covid funding
  - All of these funds will be spent in year but further underspends on in year funding may require to be carried forward at the yearend.
  - Anticipated balance at the end of 2020/21 - £0m
- Existing Projects and Commitments - £3.259m
  - This relates to a number of individual multi-year projects which have already been committed to. This will include posts funded over a number of years or contracts awarded.

- Each of these projects has an anticipated end date. Many finish the following financial year, others go on for a few years.
- Some, such as the Integrated Care Fund and Delayed Discharge are rolling funds i.e. the brought forward balance is spent in full each year but new funds come in during the year which may not be spent in full by the year-end will be carried forward at the year-end.
- During 2020/21, two new funds have been created under this category which are being funded from underspends due to delays in filling vacancies. These funds are:
  - Learning & Development Fund – money to support the future year costs of staff learning and development, including the District Nurse Training programme as agreed by the IJB in June 2020
  - Supplementary Fixed Term Staffing Fund – funding to cover any short-term shortfalls in additional external funding for fixed term posts eg. Covid-related posts in the event that LMP funding is discontinued
- Anticipated balance at the end of 2020/21 - £3.656m
  
- Transformation Projects - £2.853m.  
There are 3 specific funds within this category:
  - IJB Transformation Fund
    - £2.045m at the start of the year but almost all of this is committed to specific projects which will incur costs over the next 3 years.
    - This is a rolling fund. Each year the IJB aims to replenish this fund through in-year underspends when possible to ensure it retains funding to support long-term service redesign and tests of change.
  - Mental Health Transformation Fund
    - £0.610m at the start of the year.
    - This was a new fund created in 2019/20 to support the Mental Health service as it was going through a time of transition.
    - It is anticipated this will be spent in full over the next 3 years.
  - Addictions Review
    - £0.198m at the start of the year
    - This was a new fund created in 2019/20 from underspends in the Addictions and Drug Recovery service (ADRS) due to delays in recruiting staff and delays in spend on commissioned services
    - The purpose of the fund is to support ADRS as it implements change over the next 2-3 years.
    - It is anticipated this will be spent in full over the next 3 years.
  - Anticipated balance at the end of 2020/21 - £2.188m
  
- Budget Smoothing - £0.848m
  - These funds are held against specific, historically volatile budget lines such as Residential Services for Children & Families and Older People and Prescribing.
  - The funds are added to each year if these budget areas underspend and are drawn on in the years these budgets face one-off pressures.
  - Residential services, particularly in Children & Young People services, can be very expensive and costs can fluctuate dramatically year on year.
  - Rather than tying up budget against such volatile budgets smoothing reserves allow budgets to be set based on the norm to ensure resources aren't tied up where they might not be needed while also ensuring the IJB has funding available to cover additional costs that may occur.
  - Anticipated balance at the end of 2020/21 - £0.923m

## 6.0 ANTICIPATED IMPACT OF COVID 19 ON IJB RESERVES

6.1 Indications suggest that in-year Covid costs will be funded in full by the Scottish

Government, meaning that there should be no Covid impact on IJB reserves in 2020/21.

- 6.2 However, as a precautionary measure earlier in the year the Senior Management Team reviewed the current reserves in detail to identify which of any could be released or redirected to cover any unfunded Covid-19 costs in 2020/21 or the following year. A few projects were identified where contracts are not yet in place for elements of the spend which could potentially be used. In addition new reserves are being set up this year from projected underspends in Health staffing due to delays in filling vacancies which can be used specifically for this purpose.
- 6.3 In the event that the 2020/21 and 2021/22 Covid costs are fully funded the balances put aside to cover any potential gap will be used to cover the future funding gap on key projects on a non-recurring basis. A number of national projects were set up with key parameters and targets around staff numbers but since then the costs for this staffing have increased due to national regradings, pay awards and changes to employer superannuation rates but the annual funding has remained static. This is an issue that is being considered nationally but this funding could support these projects on a non-recurring basis for a period while the matter is resolved.

## 7.0 DIRECTIONS

7.1	<b>Direction Required to Council, Health Board or Both</b>	Direction to:	
		1. No Direction Required	X
		2. Inverclyde Council	
		3. NHS Greater Glasgow & Clyde (GG&C)	
		4. Inverclyde Council and NHS GG&C	

## 8.0 IMPLICATIONS

### 8.1 FINANCE

There are no direct financial implications arising from this report.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

Annually Recurring Costs / (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From	Other Comments
N/A					

### LEGAL

- 8.2 There are no specific legal implications arising from this report.

### HUMAN RESOURCES

- 8.3 There are no specific human resources implications arising from this report.

## EQUALITIES

8.4 There are no equality issues within this report.

Has an Equality Impact Assessment been carried out?

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YES (see attached appendix)

NO – This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required.

8.5 How does this report address our Equality Outcomes

There are no Equalities Outcomes implications within this report.

Equalities Outcome	Implications
People, including individuals from the above protected characteristic groups, can access HSCP services.	None
Discrimination faced by people covered by the protected characteristics across HSCP services is reduced if not eliminated.	None
People with protected characteristics feel safe within their communities.	None
People with protected characteristics feel included in the planning and developing of services.	None
HSCP staff understand the needs of people with different protected characteristic and promote diversity in the work that they do.	None
Opportunities to support Learning Disability service users experiencing gender based violence are maximised.	None
Positive attitudes towards the resettled refugee community in Inverclyde are promoted.	None

8.6 **CLINICAL OR CARE GOVERNANCE IMPLICATIONS**

There are no governance issues within this report.

8.7 **NATIONAL WELLBEING OUTCOMES**

How does this report support delivery of the National Wellbeing Outcomes

There are no National Wellbeing Outcomes implications within this report.

National Wellbeing Outcome	Implications
People are able to look after and improve their own health and wellbeing and live in good health for longer.	None
People, including those with disabilities or long term conditions or who are frail are able to live, as far as reasonably practicable, independently and at home or in a homely setting in their community	None

People who use health and social care services have positive experiences of those services, and have their dignity respected.	None
Health and social care services are centred on helping to maintain or improve the quality of life of people who use those services.	None
Health and social care services contribute to reducing health inequalities.	None
People who provide unpaid care are supported to look after their own health and wellbeing, including reducing any negative impact of their caring role on their own health and wellbeing.	None
People using health and social care services are safe from harm.	None
People who work in health and social care services feel engaged with the work they do and are supported to continuously improve the information, support, care and treatment they provide.	None
Resources are used effectively in the provision of health and social care services.	None

## **9.0 CONSULTATION**

- 9.1 This report was prepared in consultation with the Chief Officer and HSCP Senior Management Team.

## **10.0 BACKGROUND PAPERS**

- 10.1 None.