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<b>Report To:</b>	<b>Inverclyde Integration Joint Board</b>	<b>Date:</b>	<b>26 June 2023</b>
<b>Report By:</b>	<b>Kate Rocks, Chief Officer Inverclyde Health &amp; Social Care Partnership</b>	<b>Report No:</b>	<b>IJB/31/2023/CG</b>
<b>Contact Officer:</b>	<b>Craig Given Chief Financial Officer</b>	<b>Contact No:</b>	<b>01475 715381</b>
<b>Subject:</b>	<b>IJB RESERVES POSITION AND UPDATED RESERVES STRATEGY</b>		

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## **1.0 PURPOSE AND SUMMARY**

1.1  For Decision  For Information/Noting

1.2 The purpose of this report is to provide an updated IJB Reserves Strategy for approval and provide an updated position for the IJB's Reserves and the risks attached.

1.3 As at 31st March 2023 the balance on IJB reserves at the end of this financial year is expected to be £24.262m (£22.627m Earmarked and £1.635m General Reserves).

1.4 Inverclyde's Earmarked Reserves are mainly for multi-year projects which per the Reserves Strategy 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 and the risks in each area.

## **2.0 RECOMMENDATIONS**

2.1 It is recommended that the IJB approve the updated Reserve Strategy and note the current Reserves and the risks attached to each category.

**Kate Rocks**  
**Chief Officer**  
**Inverclyde Health and Social Care Partnership**

### 3.0 BACKGROUND AND CONTEXT

3.1 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) Act as a smoothing mechanism for longer term financial pressures
- c) As a contingency to cushion the impact of unexpected events or emergencies and
- d) As a means of building up funds, often referred to as earmarked reserves, to meet known or predicted liabilities

3.2 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”*

3.3 The Audit Scotland Report on Integration published 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.”*

3.4 In terms of the level of reserves and IJB should hold, CIPFA recommends that unallocated reserves balances should be between **2 and 4% of revenue expenditure**. At the end of 2022/23 the IJB reserves are projected to be £22.627m with £1.635m unallocated 1.00% of revenue expenditure (excluding set aside). However, within its earmarked reserves the IJB holds smoothing and transformation project reserves which help address the CIPFA recommendation in a different way.

### 3.5 IJB RESERVES & RISKS

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 is below:

- Scottish Government Funding – £4.283m
  - 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.
  - Current projects within this category include: Mental Health Action 15, Alcohol and Drug Partnership, Primary Care Improvement Plans, Mental Health Recovery and Renewal, Winter Pressures Money
  - All of these funds will have spend in year but further underspends on in year funding may require to be carried forward at the year end.
  - As per the appendix the IJB should note some of these reserves have been allocated as amber risk factors mainly because in 2022/23 the Scottish Government has reclaimed a number of these reserves or has imposed restrictions during the year. The main examples can be seen as the Covid funding which has been reclaimed during the year and restrictions placed on others such as PCIP and ADP where the Scottish Government have restricted new funding and asked the IJB to use reserves in the first instance.

- Existing Projects and Commitments - £8.161m
  - 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 Refugee Schemes are rolling funds i.e. funds are held in Earmarked reserves with planned spend incurred over a number of financial years.
  - Others are for expenditure of a specific nature where recurring revenue budgets are held and may result in underspends in year such as Delayed Discharge, Integrated Care Fund and Whole Family Wellbeing.
  - As part of in year budget monitoring commitments are identified which require to be funded on a one-off basis for next financial year. For example temporary posts, cost of living funds and wellbeing workstream.
  - As per the Appendix these funds are generally Green risks. This is because they are allocated for specific purposes and are time limited and unlikely to have any reclaims affecting service delivery. Any potential future reclaim would only be in cases when the project has ended and outcomes delivered.
  
- Transformation Projects - £3.623m.

There are 5 specific funds within this category:

  - IJB Transformation Fund
    - £1.975m at the start of the year. £1.486m is committed to specific projects which will incur costs over the next few years. £0.488m remains uncommitted at present.
    - This is a rolling fund. Each year the IJB aims to replenish elements of 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
    - £0.750m at the start of the year.
    - This was a new fund created 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 few years.
  - Addictions Review
    - £0.250m at the start of the year
    - This was a new fund created 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 few years.
  - SWIFT Replacement project
    - £0.504m at the start of the year
    - This reserve was created to support to the replacement of the Social Care Management system. This supports the project team costs
    - This also includes a contingency element for any slippage in the project.
  - IJB Digital Strategy
    - £0.676m at the start of the year
    - This was created to fund primarily the change over to digital community alarms to ensure this cost was not passed over to the service user.
    - It is anticipated this reserve will be utilised over the next 2 years.

- As per the Appendix these are Green risks. This is because these have been set up by the IJB for specific purposes mainly funded from prior year underspends that no other party have any claim upon.
- **Budget Smoothing - £6.592m**
  - These funds are held against specific, historically volatile budget lines such as Residential Services for Children & Families, Older People, Client Commitments and Prescribing.
  - These funds are utilised where required if an overspend arises in these areas. Alternatively, if these revenue budget areas underspend the balance is added to the smoothing reserve.
  - As per the Appendix these are Green risks. Again this is because these have been set up by the IJB for specific areas of business risk and have been funded mainly by prior year underspends that no other party have any claim upon.

#### 4.0 PROPOSALS

It is recommended that the IJB approve the updated Reserve Strategy and note the current Reserves and the risks attached to each category

#### 5.0 IMPLICATIONS

5.1 The table below shows whether risks and implications apply if the recommendation(s) is(are) agreed:

SUBJECT	YES	NO	N/A
Financial	X		
Legal/Risk		X	
Human Resources			X
Strategic Plan Priorities			X
Equalities			X
Clinical or Care Governance			X
National Wellbeing Outcomes			X
Children & Young People's Rights & Wellbeing			X
Environmental & Sustainability			X
Data Protection			x

#### 5.2 Finance

There are no direct financial implications arising from this report.

One off Costs

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

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

5.3 **Legal/Risk**

There are no specific legal implications arising from this report.

5.4 **Human Resources**

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

5.5 **Equalities**

(a) Equalities

This report has been considered under the Corporate Equalities Impact Assessment (EqIA) process with the following outcome:

	YES – Assessed as relevant and an EqIA is required.
√	NO – This report does not introduce a new policy, function or strategy or recommend a substantive change to an existing policy, function or strategy. Therefore, assessed as not relevant and no EqIA is required. Provide any other relevant reasons why an EqIA is not necessary/screening statement.

(b) Equality Outcomes

How does this report address our Equality Outcomes?

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
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## 5.6 Clinical or Care Governance

There are no governance issues within this report.

## 5.7 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

## 5.8 Children and Young People

Has a Children's Rights and Wellbeing Impact Assessment been carried out?

	YES – Assessed as relevant and a CRWIA is required.
X	NO – Assessed as not relevant as this report does not involve a new policy, function or strategy or recommends a substantive change to an existing policy, function or strategy which will have an impact on children's rights.

## 5.9 Environmental/Sustainability

Summarise any environmental / climate change impacts which relate to this report.

Has a Strategic Environmental Assessment been carried out?

	YES – assessed as relevant and a Strategic Environmental Assessment is required.
X	NO – This report does not propose or seek approval for a plan, policy, programme, strategy or document which is like to have significant environmental effects, if implemented.

### 5.10 Data Protection

Has a Data Protection Impact Assessment been carried out?

	YES – This report involves data processing which may result in a high risk to the rights and freedoms of individuals.
X	NO – Assessed as not relevant as this report does not involve data processing which may result in a high risk to the rights and freedoms of individuals.

## 6.0 DIRECTIONS

6.1	<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	

## 7.0 CONSULTATION

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

## 8.0 BACKGROUND PAPERS

8.1 None.

## INVERCLYDE INTEGRATION JOINT BOARD

### RESERVES STRATEGY

<b>1.</b>	<b>Introduction</b>
1.1	<p>Reserve Funds are established as part of good financial management. The purposes of reserve funds are as follows:</p> <ul style="list-style-type: none"> <li>a) As a working balance to help cushion the impact of uneven cash flows</li> <li>b) Act as a smoothing mechanism for longer term financial pressures</li> <li>c) As a contingency to cushion the impact of unexpected events or emergencies and</li> <li>d) As a means of building up funds, often referred to as earmarked reserves, to meet known or predicted liabilities</li> </ul>
1.2	<p>Inverclyde Integration Joint Board (IJB) is a legal entity in its own right created by Parliamentary Order following Ministerial approval of the Integration Scheme and has been formally constituted under a body corporate model. The IJB is expected to operate under public sector best practice governance arrangements. The revenue budget for the day to day running costs of the Partnership is delegated by Inverclyde Council and NHS Greater Glasgow and Clyde (the Parties) and the Partnership subsequently commissions services from these two partner organisations.</p>
1.3	<p>The Inverclyde Integration Scheme was approved by Scottish Ministers to come into force on 27 June 2015. This includes a section on reserves and balances which states that</p> <p><i>“Where an underspend in an element of the operational budget, with the exception of ring fenced budgets, arises from specific management action, 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 subject to the terms of the Integration Joint Board’s Reserves Strategy. Any windfall underspend will be returned to the Parties in the same proportion as individual Parties contribute to joint pressures in that area of spend, as the default position unless otherwise agreed between the Parties.”</i></p>
1.4	<p>This Reserves Strategy should be read in conjunction with the Financial Regulations for the IJB.</p>
<b>2.</b>	<p><b>Categorisation of Reserve Funds</b></p> <p>There are Five categories of reserve fund which are:</p> <ul style="list-style-type: none"> <li>• Scottish Government Funding</li> <li>• Existing Project / Commitments</li> <li>• Transformation Projects</li> <li>• Budget Smoothing</li> <li>• Un-Earmarked / General Reserve</li> </ul>
<b>2.1</b>	<b>Scottish Government Funding</b>



2.1.1	These reserves relate to specific, ring fenced government funded initiatives.
2.1.2	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.
2.1.3	As part of the funding arrangement these must be carried forward for use in the following year against the agreed project
2.1.4	All of these funds will be spent in year but further underspends on in year funding may require to be carried forward at the year end.
2.1.5	If there are unused balances at the end of the specific plan the Scottish Government retain the right to request these funds back. If they are not requested back the IJB reserve the right to allocate any unused funding to other projects.
<b>2.2</b>	<b>Existing Projects / Commitments</b>
2.2.1	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.
2.2.2	Each of these projects has an anticipated end date. Many finish the following financial year, others go on for a few years.
2.2.3	Some Funds 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.
2.2.4	Similar to Scottish Government funds. If these projects have unused balances at the end of each project the relevant funding body retain the right to request these funds back if unspent. If they are not requested back the IJB reserve the right to allocate any unused funding to other projects.
<b>2.3</b>	<b>Transformation Projects</b>
2.3.1	These are reserves created by the IJB aimed specifically at transformation initiatives within the organisation.
2.3.2	Transformation projects include spend to save initiatives, test of change projects and projects which represent a change in the way services are delivered.
2.4.2	The IJB board have the ability to allocate any unused funding to other projects.
<b>2.4</b>	<b>Budget Smoothing</b>
2.4.1	These funds are held against specific, historically volatile budget lines such as Residential Services for Children & Families and Older People, Pay contingency and Prescribing.
2.4.2	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.
2.4.3	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.
<b>3.</b>	<b>Un- Earmarked / General Reserve Level of Balances Held</b>
3.1	CIPFA recommend that unallocated reserves balances should be between 2 and 4% of revenue expenditure. The IJB should, therefore, in total, hold no more than 4% of revenue expenditure as desirable

	balances. Where unallocated balances are significantly in excess of this or not identified for future anticipated liabilities or projects, the IJB may consider transfer of the excess to fund specific projects. In the event that the IJB is unable to identify appropriate projects excess balances may, with IJB approval, transfer to partners in the same proportion as individual parties contribute to joint pressures unless it can be clearly demonstrated that the reserve is directly attributable to an individual party's contribution.
<b>4.</b>	<b>Review of Balances</b>
4.1	Inverclyde IJB's Reserves Strategy requires the Board to review balances on an annual basis as part of the budget setting process to allow board members to examine the level and detail of balances held. The Reserves Strategy will be reviewed annually.
4.2	The budget report will provide details of and the reason for retaining existing balances.
<b>5.</b>	<b>Utilisation of Balances</b>
5.1	Where a balance has been committed for a specific purpose and expenditure has been incurred or grant conditions met a request should be made to the CFO in order that the balance is drawn down and matched against expenditure incurred. The subsequent Financial Management Report to the IJB will note that a budget transfer has taken place.
5.2	Where the balance exceeds the expenditure incurred use of the remaining balance will be considered along with the annual review of Earmarked Reserves.
<b>5.3</b>	<b>Financial Management and Financial Reporting Arrangements</b>
5.3.1	The Integration Scheme outlines that recording of all financial information in respect of the IJB will be in the financial ledger of the Party which is delivering financial services on behalf of the IJB. The two key factors influencing this are: <ul style="list-style-type: none"> <li>• NHS Boards are not permitted to earmark revenue funding allocations for carry-forward as a matter of course</li> <li>• IJBs have been classified as local authority bodies for the purposes of their annual accounts and committed balances and financial planning balances require to be transferred to Inverclyde Council for earmarking as part of the closure of accounts process for the IJB.</li> </ul>
	Date Approved: June 2023
	Review Timeframe: Every year

## IJB Reserves Position - 2022/23

## Summary of Balances and Projected use of reserves

EMR type/source	Balance at 31 March 2022 £000	Net use of/(additions to) reserve 2022/23 £000s	Proposed allocation of projected underspend 2022/23 £000s	Projected balance as at 31 March 2023 £000s	Earmark for future years £000s	RAG status	Comments
<b>SCOTTISH GOVERNMENT FUNDING - SPECIFIC FUNDS</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>		
Mental Health Action 15	236	215		21	21	Green	Fully committed
Alcohol & Drug Partnerships	843	(51)		894	894	Amber	HSCP had to prove all commitments against this funding in 22/23. Full spend anticipated 23/24
Covid - 19	8,130	8,130		0	0	N/A	
Primary Care Improvement Programme	1,527	1,371		156	156	Amber	Scottish Government reduced our allocation by our reserves in 22/23
Community Living Change	320	28		292	292	Green	Unlikely to request any funding back
Covid Shielding Social Care Fund	34	34		0	0	N/A	
District Nursing Redesign	88	88		0	0	N/A	
Winter planning - Multi Disciplinary Teams	217	(36)		253	253	Green	Unlikely to request any funding back. Fully Committed
Winter planning - Health Care Support Worker	206	(125)		331	331	Amber	Spending plans to be confirmed
Winter pressures - Care at Home	712	(347)		1,059	1,059	Amber	Majority of these funds are now committed. Any not committed are at risk of return. Final spending plans being progressed
Winter pressures - Interim Beds	0	(92)		92	92	Green	Fully committed
Care home oversight	115	50		65	65	Green	Unlikely to request any funding back. Fully Committed
Mental Health Recovery & Renewal	877	93		784	784	Green	Fully committed
Carer's	0	(304)		304	304	Green	Specific funding for Carer's earmarked by IJB
Covid projects - funding from Inverclyde Council	49	49		0	0	N/A	
<b>Sub-total</b>	<b>13,354</b>	<b>9,103</b>	<b>0</b>	<b>4,251</b>	<b>4,251</b>		
<b>EXISTING PROJECTS/COMMITMENTS</b>							
Integrated Care Fund	109	1		108	108	Green	Unlikely to request any funding back
Delayed Discharges	102	9		93	93	Green	Unlikely to request any funding back
Welfare	350	9		341	341	Green	Internal reserve for IJB to make decisions on
Primary Care Support	338	(231)		569	569	Green	Unlikely to request any funding back. Fully Committed
Rapid Rehousing Transition Plan (RRTP)	136	(44)		180	180	Green	Unlikely to request any funding back. Fully Committed
Learning Disability Estates	437	(63)		500	500	Green	Internal reserve for IJB to make decisions on
Learning Disability - Health Checks	0	(32)		32	32	Green	Unlikely to request any funding back. Fully Committed
Refugee Schemes	1,077	(1,113)		2,190	2,190	Green	Funding to cover initiatives over a number of years.
Tier 2 Counselling	312	(17)		329	329	Green	Funding committed for next 4 years
CAMHS Tier 2	100	0		100	100	Green	To be added to Transformation fund
Children & Young People Mental Health & Wellbeing	84	84		0	0	N/A	
Whole Family Wellbeing	64	(422)		486	486	Green	Unlikely to request any funding back. Fully Committed
CAMHS Post	68	68		0	0	N/A	
Dementia Friendly Inverclyde	89	80		9	9	Green	Funds will be utilised in 23/24
Contribution to Partner Capital Projects	1,103	4		1,099	1,099	Green	Internal reserve for IJB to make decisions on
Staff Learning & Development Fund	254	50	(200)	404	404	Green	Training Board and Trauma Informed Practice Funding
Fixed Term Staffing	200	200		0	0	N/A	
Homelessness	350	(100)		450	450	Green	Internal reserve for IJB to make decisions on
Autism Friendly	164	7		157	157	Green	Internal reserve for IJB to make decisions on
Temporary Posts	0	(425)	(250)	675	675	Green	IJB approved earmarking for use in future years
ADRS fixed term posts	0	(109)		109	109	Green	IJB approved earmarking for use in future years
National Trauma Training	0	(50)		50	50	Green	Unlikely to request any funding back. Plans being progressed
Cost of Living	0	(265)		265	265	Green	Internal reserve for IJB specific purpose
Wellbeing workstream	0	(15)		15	15	Green	Fully committed
<b>Sub-total</b>	<b>5,337</b>	<b>(2,374)</b>	<b>(450)</b>	<b>8,161</b>	<b>8,161</b>		
<b>TRANSFORMATION PROJECTS</b>							
Transformation Fund	1,975	336	(100)	1,739	1,739	Green	These are our own reserves aimed at transformation projects
Addictions Review	250	(42)		292	292	Green	These are our own reserves aimed at transformation projects
Mental Health Transformation	750	113		637	637	Green	Funds committed
SWIFT Replacement Project	504	132		372	372	Green	Internal reserve for IJB to make decisions on
IJB Digital Strategy	676	93		583	583	Green	These are our own reserves aimed at transformation projects
<b>Sub-total</b>	<b>4,155</b>	<b>632</b>	<b>(100)</b>	<b>3,623</b>	<b>3,623</b>		
<b>BUDGET SMOOTHING</b>							
Adoption/Fostering/Residential Childcare	800	(175)	(525)	1,500	1,500	Green	These are our own reserves for specific risk areas
Prescribing	798	(93)	(200)	1,091	1,091	Green	These are our own reserves for specific risk areas
Residential & Nursing Placements	1,003	(283)		1,286	1,286	Green	These are our own reserves for specific risk areas
LD Client Commitments	600	0		600	600	Green	These are our own reserves for specific risk areas
Client commitments - general	0	(605)		605	605	Green	These are our own reserves for specific risk areas
Continuing Care	425	0		425	425	Green	These are our own reserves for specific risk areas
Pay contingency	891	307	(501)	1,085	1,085	Green	These are our own reserves for specific risk areas.
<b>Sub-total</b>	<b>4,517</b>	<b>(849)</b>	<b>(1,226)</b>	<b>6,592</b>	<b>6,592</b>		£199k committed for payroll in 2023/24 budget
<b>Total Earmarked</b>	<b>27,363</b>	<b>6,512</b>	<b>(1,776)</b>	<b>22,627</b>	<b>22,627</b>		
<b>UN-EARMARKED RESERVES</b>							
General	962		(673)	1,635	1,635	Amber	These are unallocated reserves so would have a higher risk. £603k committed to balance 2023/24 budget
<b>Un-Earmarked Reserves</b>	<b>962</b>	<b>0</b>	<b>(673)</b>	<b>1,635</b>	<b>1,635</b>		
<b>TOTAL Reserves</b>	<b>28,325</b>	<b>6,512</b>	<b>(2,449)</b>	<b>24,262</b>	<b>24,262</b>		