



Item No: 8

Meeting Date: Wednesday 26th June 2019

Glasgow City Integration Joint Board

Report By: Sharon Wearing, Chief Officer, Finance and Resources

Contact: Sharon Wearing

Tel: 0141 287 8838

OUTTURN REPORT 2018/19

Purpose of Report:	To provide a high level overview of the Integration Joint Board's draft outturn position for 2018/19, and to seek approval for the transfer of funds to reserves to allow completion of the Integration Joint Board's accounts by the statutory deadline of 30 September 2019.
---------------------------	--

Background/Engagement:	The financial position of the Glasgow City Integration Joint Board is monitored on an ongoing basis throughout the financial year and reported to each meeting of the Board.
-------------------------------	--

Recommendations:	The Integration Joint Board is asked to: <ul style="list-style-type: none">a) note the contents of this report;b) approve the transfer to earmarked and general reserves of £19.912m as outlined in paragraph 6.2 and 6.3 and as recommended by the Chief Finance Officer; andc) approve redistribution of reserves as outlined in paragraph 6.6.
-------------------------	--

Relevance to Integration Joint Board Strategic Plan:

It is important for the long term financial stability of both the Integration Joint Board and of the parent bodies that sufficient usable funds are held in reserve to manage unanticipated pressures from year to year.

Implications for Health and Social Care Partnership:

Reference to National Health & Wellbeing Outcome:	None
--	------

Personnel:	None	
Carers:	None	
Provider Organisations:	None	
Equalities:	None	
Fairer Scotland Compliance:	Not applicable	
Financial:	In accordance with the Integration Joint Board's Reserves Policy, approved in December 2016, it is recommended that the IJB holds sufficient funds in reserve to manage unanticipated pressures from year to year. Reserves must be reviewed on an annual basis to support budget planning and delivery of the service plan strategy. Longer term the IJB Reserve Policy recommends holding general reserves which equates to 2% of net expenditure. The Medium Term Financial Outlook set a target of 1% to be achieved over the medium term.	
Legal:	None	
Economic Impact:	None	
Sustainability:	None	
Sustainable Procurement and Article 19:	None	
Risk Implications:	It is important that sufficient usable funds are held in reserve to manage unanticipated pressures from year to year.	
Implications for Glasgow City Council:	None	
Implications for NHS Greater Glasgow & Clyde:	None	
Direction Required to Council, Health Board or Both	Direction to:	
	1. No Direction Required	
	2. Glasgow City Council	✓
	3. NHS Greater Glasgow & Clyde	
	4. Glasgow City Council and NHS Greater Glasgow & Clyde	

1. Purpose

- 1.1 To provide a high level overview of Glasgow City Integration Joint Board's (IJB) draft outturn position for 2018/19, and to seek approval for the transfer of funds to reserves to allow completion of the IJB's accounts by the statutory deadline of 30 September 2019.

2. Background

- 2.1 The 2018/19 budget was approved by the IJB on 9 May 2018. In order to monitor financial performance accurately, budgets have been updated each period to reflect new monies, operational changes and any additional approvals. There have also been adjustments to income and expenditure budgets, and budget realignments between and within care groups, to reflect service reconfigurations.

- 2.2 The significant budget changes since Month 12/Period 13 are as follows;

Explanation	Changes to Expenditure Budget	Changes to Income Budget	Net Expenditure Budget Change
Consultant Distinction Awards	£198,224		£198,224
Breast Feeding Pump Scheme & Peer Support	£70,000		£70,000
Integrated Grant Funding Parenting 18.19	£180,000	-£180,000	£0
GMS recurring cross-charge HSCPs 18.19	-£113,702		-£113,702
Non discount charge to HSCPs - Noncash limited (general dental services)	-£158,832	-£238,507	-£397,339
Non discount charge to HSCPs - Noncash limited (general ophthalmic services)	£70,654		£70,654
Non discount charge to HSCPs - Noncash limited (general pharmacy services)	-£77,926		-£77,926
Cordia Harmonisation 1819 to SW	£570,000		£570,000
Pay Award Budget 18-19	£2,139,349		£2,139,349
Housing First	£415,049	£415,951	£831,000
Anniesland 1660 Gt West back to SW	£86,000		£86,000
Gorbals and Health Care Centre from SW to Corporate Landlord	-£112,861		-£112,861
Transfer Care Experience Funding 18/19 to SWS	£930,360	-£930,360	£0
Budget adjustment EquipU Partnership	£140,000		£140,000
Other Minor Adjustments	£201,832	-£120,823	£81,009
Total	£4,538,148	-£1,053,740	£3,484,408

- 2.3 The table above includes funding to meet Housing First in 2018/19. Indications are that moving forward this will be funded through Scottish Government funding allocated to Corra for distribution to Housing First projects.
- 2.4 Work continues to be progressed in relation to the sum set aside for hospital services, however arrangements under the control of Integration Authorities are not yet operating as required by the legislation and statutory guidance.

2.5 In the meantime, IJBs and Health Boards are required to agree a figure for the sum set aside to be included in their respective 2018/19 annual accounts. Where the required arrangements are not yet in place, Integration Authorities should use the sum identified by the Health Board and made available to the Integration Authority when the budget was agreed for 2018/19. We recognise that this means that the sum set aside recorded in annual accounts will not reflect actual hospital use in 2018/19. This is a transitional arrangement for 2018/19.

2.6 The set aside figure for 2018/19 has been confirmed as £129.294m. The figure is based on the average of 2014/15, 2015/16 and 2016/17 activity and costs.

3. Reserves and Risk

3.1 Reserves is a key component of the IJB's funding strategy. It is important for the long term financial stability and the sustainability of the IJB that sufficient usable 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 IJB in its achievement of the national outcomes.

3.2 CIPFA LAAP Bulletin 99 provides s106 bodies with guidance in relation to Reserves and Balances. 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. Within the existing statutory and regulatory framework, it is the responsibility of the chief finance officer to advise s106 bodies about the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use. Reserves should not be held without a clear purpose. CIPFA and the Local Authority Accounting Panel consider that s106 bodies should establish reserves including the level of those reserves based on the advice of their chief finance officer. External auditors also have a role to confirm that there are no material uncertainties in relation to going concern and the IJB's reserve position would form part of this opinion.

3.3 The LAAP Bulletin recognises three main purposes for holding reserves:-

- as a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing (general);
- a contingency to cushion the impact of unexpected events or emergencies (general);
- earmarking to meet known or predicted requirements (earmarked)

3.4 In order to assess the adequacy of general reserves, chief finance officers should take account of strategic, operational and financial risks facing the s106 body. This assessment of risk should include external risk as well as internal risks. The financial risks should be assessed in the context of the s106 bodies overall approach to risk management and will include:-

- the treatment of demand led pressures and the bodies capacity to manage in-year budget pressures, and its strategy for managing demand and service delivery in the longer term

- the treatment of planned efficiency savings and the need for bodies to be in a position to activate contingency plans should the reporting arrangements identify that planned savings or gains will either not be achieved or be delayed
- an assessment of the general financial climate to which the body is subject and should include external factors such as future funding levels, although any plans for using reserves will need to consider the need and ability of the body to replenish these reserves, and the risks to which the body will be exposed whilst replenishing reserves.

3.5 The IJB faces a number of financial risks. The Medium Term Financial Outlook considered a number of areas of risk and the potential financial implications for the IJB if these increased.

Risk	Change in Assumption	2019-20 £millions
Inflation : Pay	Increase of 1%	£3.783m
Inflation and Contractual Commitments : Non Pay	Increase of 1%	£3.692m
Demographics, Deprivation and Health	Increase of 1%	£1.545m

3.6 The 2019/20 budget makes a number of assumptions in relation to pressures and if these deviate from these assumptions then general reserves may be required to mitigate the risks. In 2019/20 there are already known risks and these include:-

- the full year impact of demographic and demand pressures within Adult and Older People Services (£6m). Work will continue on the Transformation Programmes established in these areas to secure delivery of services within the budget available, however this represents a risk to the IJB.
- employer superannuation costs for health employees are the subject of an increase from 14.9% to 20.9%. Indications are that Scottish Government funding will be made available, however at this stage this has not been confirmed or if any funding provided will be sufficient to meet costs. (£8m)
- the risk of price fluctuations within prescribing continues and has the potential to continue to be volatile both as a result of global markets but also the uncertainty within the UK in relation to Brexit. A 1% increase equates to a risk of £1.3m for the IJB. This will continue to be closely monitored however previous experience has shown that there can be large fluctuations in price with Greater Glasgow and Clyde experiencing a 2.5% average increase in price since April 2018 which equates to a financial risk of £6m, approx. £3m of which lies with Glasgow City.

3.7 In 2018/19 there was a requirement to access General Reserves to meet an unforeseen cost pressure, highlighting the importance of holding general balances.

4. Reserves Policy

4.1 The LAAP Bulletin recommends that the level of reserves held should be based on the advice of chief finance officers and this can be expressed either as a level of balance in cash or percentage terms. Each chief finance officer should make their own judgement on such matters taking into account all the relevant local circumstances, with a level of general reserves being set which is appropriate to the level of risk which the organisation is exposed over the medium term. The guidance

also warns that it is not prudent for reserves to be deployed to finance recurrent expenditure.

4.2 At its meeting of 9 December 2016, the IJB approved the Reserves Policy, which recommended creation of reserves of up to 2% of net expenditure. Based on 2018/19 net expenditure this amounts to £23.9m. This amount refers to general reserves only, and excludes any earmarked reserves which are held for specific purposes.

4.3 The IJB held reserves of £31.374m at the 31st March 2018, of which £23.945m was earmarked to support the delivery of projects which span financial years and is required to enable the IJB to deliver on national outcomes. The remaining balance of £7.429m is general reserves which are not held to meet any specific liability and offer the IJB some flexibility to deal with unforeseen events or emergencies. This equates to 0.6% of the IJB's net expenditure, and last year, Audit Scotland recognised that the IJB was continuing to progress against its longer-term target of 2%.

5. **Outturn Position**

5.1 Budget Monitoring throughout 2018-19 has forecast an underspend of £2.046m. The final position secured was an underspend of £6.999m. The increase is mainly as a result of contingency budget for Prescribing not being required and an increase in the number of vacancies experienced within the service. The main broad themes are:-

- An underspend within Children Services, mainly as a result of early delivery of future year savings (£3.560m)
- Budgeted contingency in Prescribing not required to be utilised in 2018/19 mainly as a result of the delay to Brexit and the risk associated with global prices. (£3.213m)
- An underspend across a range of services due to vacancies as a result of staff turnover and delays in recruitment, and maternity leave and equates to 2.1% of the annual budget. This was partially offset by overspends in overtime and agency costs (£8.667m). A number of factors have contributed to this underspend and include services experiencing an average wait of 7 months from starting recruitment to securing people in posts, skill shortages in some service areas and high turnover levels within existing employees. A number of actions are being progressed including streamlining the recruitment process, aligning recruitment timescales with the availability of newly qualified professionals and developing programmes of targeted recruitment.
- An underspend in traditional Supported Living and Older People Purchased Day Care Services (£2.045m), which is as a consequence of the introduction of personalisation and partially off-sets the overspend being experienced in this area.

5.2 This has been off-set by overspends, the main areas being attributable to unachieved savings from 2018/19 (£3.069m) and demand within Adult Services and Older People Services (£6.588m) both of which are linked to the demand being experienced for care homes and care packages. The Transformation Programme Board continues to monitor these savings to ensure these are secured moving forward.

6. Reserves Position

- 6.1 During 2018-19, £4.409m of IJB Reserves has been drawn down to match the commitments for which they were earmarked. This includes the use of £2.484m of General Reserves to meet the IJB's 50% share of the overspend on Homecare Services.
- 6.2 There has been a number of commitments made in 2018/19 in relation to local and national priorities (£12.913m) which will not complete until future years and require to be earmarked to ensure funding is in place to deliver on these commitments. The majority of this relates to ring-fenced funding which has been received to meet specific commitments and must be carried forward to meet the conditions attached to the receipt of this funding. Full details of these are shown below:-

Scottish Government Funding	£ millions
Primary Care Transitional Funding - PC Support	0.080
Psychological Therapies	0.666
GP Recruitment & Retention	0.375
GP Improvement Fund (Backscanning)	0.421
Breastfeeding	0.050
IT TEC Enabled Care	0.070
Alcohol and Drug Partnerships	2.002
Action 15 - Mental Health	1.207
Primary Care Improvement Plans	2.025
GP Sub Committee	0.061
TEC Enabled Care	0.471
Carers Act Funding	0.564
Care Experienced Young People	0.739
Sub Total	8.731
Other External Funding	
GEP Funding - Leverndale Greenspace	0.130
NES - Diabetes Teaching Module	0.010
Syrian Replacement Programme Monies (SRP)	0.827
Sub Total	0.967
Commitments for 18/19 Expenditure Delayed Until 19/20	
Support of Capital Investment Programme - Woodside/Gorbals Change Controls	0.029
LD Agile Working	0.065
	£ millions
Consultant Support at Fourhills	0.074
Minor Works	0.304
Parenting Programme	0.020
Orchard Grove Furniture	0.065
Generator Run Indicator Alarms	0.031
Herion Assisted Treatment Centre	1.300

Leithland Pitches	0.078
Housing First	0.283
Refurbishments - Various Sites	0.854
Care Services Uniforms	0.112
Sub Total	3.215
Total Earmarked Funds	12.913

- 6.3 The IJB is required to decide how it wishes to treat the in-year underspend of £6.999m identified at 5.1. Taking into account the IJB's aim of securing general reserves of 1% over the medium term, it is the recommendation of the Chief Finance Officer to transfer the majority of this underspend to general reserves, which takes into account the risks faced by the IJB, and impact of current and new demand, projected reductions in future funding and the need for saving plans. The proposed use of this underspend is shown below:-

Commitment to Fund Non Recurringly	£ millions
South Locality HQ Moves	0.193
Community Nursing Equipment	0.108
Sub Total	0.301
Proposed Transfer to General Reserves	6.698
Total	6.999

- 6.4 The Ministerial Strategic Group's Review of Integration identified the need for each IJB to develop a transparent and prudent reserves policy. This policy is required to ensure that reserves are identified for a purpose and held against planned expenditure or held as a general reserve as a contingency to cushion the impact of unexpected events or emergencies. Reserves of IJB's should not be built up unnecessarily. Glasgow City IJB's current reserve policy complies with all of these requirements.
- 6.5 To support this further a review of all reserve balances have been undertaken and £8.273m of reserves from previous financial years have been identified for re-classification as there are no longer commitments or planned expenditure due as liable. This is being done to support:-
- the increase of General Reserves in line with the IJB Reserves Policy
 - the need for continued investment in support of service delivery
 - the budget commitments identified as part of the 2019-20 revenue budget

6.6 Full details are shown below:-

	£ millions
Reserves Available for Distribution	8.273
Refurbishments - Various Sites	0.945
2019-20 Budget - Homelessness Savings - Phasing of Delivery	1.300
2019-20 Budget - Care Home Budget	2.900
2019-20 Budget - Assisted Garden Maintenance	0.520
Transfer to General Reserves	2.608
Total	8.273

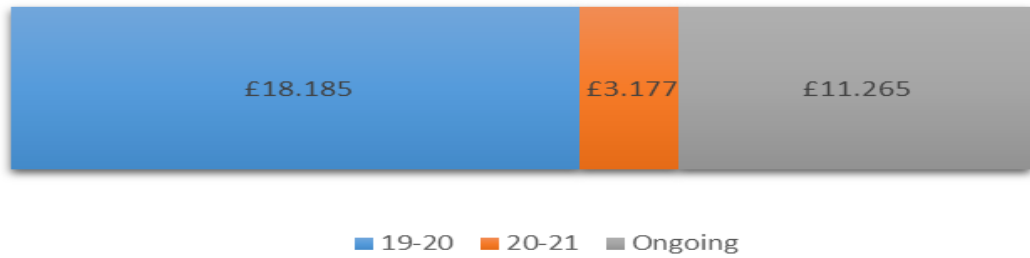
6.7 If approved, this will result in the following position on the IJB Reserves at 31 March 2019. This will result in a general reserve of £14.251m, which equates to 1.2% of net expenditure of £1.2bn and is in line with the reserve target approved by the IJB as part of the Medium Term Financial Outlook. This represent progress towards the 2% target set by the IJB's Reserve Policy and will assist the IJB in meeting unplanned expenditure and manage the financial risks which were explored in Section 3.

	Earmarked Reserves £ millions	General Reserves £ millions	Total Reserves £ millions
Balance at 31 March 2018	23.946	7.429	31.375
Reserves Drawn Down in 18/19 (Section 5.1)	-1.925	-2.484	-4.409
Proposed Earmarking of Reserves (Section 5.2)	13.214	6.698	19.912
Proposed Redistribution of Reserves (Section 5.5)	-2.608	2.608	0.000
Total	32.627	14.251	46.878

6.8 The assessment of risk by the Chief Finance Officer confirms that there is a requirement to continue to move towards a 2% reserve balance, with the current position recognising that this will require time to secure and can only be done when it is prudent to do so and will be dependent on financial performance of the IJB and the availability of in year funds which can support the increase of these reserves.

6.9 The Ministerial Strategic Group requested that timescales for the use of reserves are identified. The graph below illustrates the expected timescale for the use of earmarked reserves with £18.185m (56%) expected to be drawn down in 2019-20. £11.265m (34%) are for projects which will span more than one financial year and there is no definitive end date, however monies will begin to be drawn down in 2019-20. The remaining £3.177m (10%) will be drawn down in 2020-21.

Timescale for Use of Earmarked Reserves



7. Recommendations

7.1 The Integration Joint Board is asked to:

- a) note the contents of this report;
- b) approve the transfer to earmarked and general reserves of £19.912m as outlined in paragraph 6.2 and 6.3 and as recommended by the Chief Finance Officer; and
- c) redistribution of reserves as outlined in paragraph 6.6.

DIRECTION FROM THE GLASGOW CITY INTEGRATION JOINT BOARD

1	Reference number	260619-8-a
2	Date direction issued by Integration Joint Board	26 June 2019
3	Date from which direction takes effect	26 June 2019
4	Direction to:	Glasgow City Council only
5	Does this direction supersede, amend or cancel a previous direction – if yes, include the reference number(s)	No
6	Functions covered by direction	All functions delegated to the IJB from Glasgow City Council and NHS Greater Glasgow and Clyde
7	Full text of direction	Glasgow City Council is directed to carry forward reserves totalling £19.912m on behalf of the IJB as outlined in section 5 of the report.
8	Budget allocated by Integration Joint Board to carry out direction	As outlined in section 5 of the report £19.912m in reserves carried forward.
9	Performance monitoring arrangements	In line with the agreed Performance Management Framework of the Glasgow City Integration Joint Board and the Glasgow City Health and Social Care Partnership.
10	Date direction will be reviewed	June 2020.