Item No: 7

Meeting Date: **Wednesday 28th June 2023**

Glasgow City Integration Joint Board

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

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Outturn Report 2022/23

Purpose of Report:	To provide a high level overview of the Integration Joint Board's draft outturn position for 2022/23, 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 2023.

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 the Board or Finance, Audit and Scrutiny Committee.

Governance Route:	The matters contained within this paper have been previously considered by the following group(s) as part of its development. HSCP Senior Management Team ☐ Council Corporate Management Team ☐ Health Board Corporate Management Team ☐ Council Committee ☐ Update requested by IJB ☐ Other ☐ Not Applicable ☒

Recommendations:	The Integration Joint Board is asked to: a) note the contents of this report;

	b) approve the transfer of £5.100m from general reserves to meet the operational overspend for consideration by the IJB; c) approve the transfer of £12.912m to earmarked reserves as outlined in paragraph 5.3 for consideration by the IJB; and d) approve the redistribution of reserves as outlined in paragraph 5.5 for consideration by the IJB.

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(s):	None.
Personnel:	None.
Carers:	None.
Provider Organisations:	None.
Equalities:	None.
Fairer Scotland Compliance:	None.
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. The IJB Reserve Policy recommends holding general reserves which equates to 2% of net expenditure. The Medium Term Financial Outlook also recommends a target of 2% to be achieved over the medium term.
Legal:	None.
Economic Impact:	None.
Sustainability:	Holding General Reserves significantly below the 2% target level represents a significant risk to the IJB. Reserves is a key component of the IJB's funding

	strategy. General Reserves are not held to meet any specific liability and offer the IJB some flexibility to deal with unforeseen events or emergencies. It is also important for the long-term financial stability and the sustainability of the IJB that sufficient General Reserves are held in reserve to manage unanticipated pressures from year to year. This report recommends the re-distribution of earmarked reserves to General Reserves to increase the provision available to support the IJB over the medium term.

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. Holding General Reserves significantly below the 2% target level represents a significant risk to the IJB. However, it is recognised that this will not always be possible to secure and is subject to the financial position of the IJB each year. The IJB will continue to work towards the target of 2% where this can be delivered within the financial position.

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 2022/23, 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 2023.

1.2. The Annual Accounts provide an overview of financial performance in 2022/23 for the IJB. This report was considered by the IJB Finance, Audit and Scrutiny Committee on 14th June 2023.

2. Background

2.1. The 2023/24 budget was approved by the IJB on 22 March 2023. 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 9/Period 10 are as follows:

Explanation	Changes to Expenditure Budget	Changes to Income Budget	Net Expenditure Budget Change
Pay Award Funding 22/23 - Health Services	£12,940,924	£0	£12,940,924
Primary Care Improvement Fund - Tranche 2	£6,095,913	£0	£6,095,913
General Medical Services (GMS) Recurring Funding Uplift	£5,248,959	£0	£5,248,959
Multi Disciplinary Teams Funding	£4,428,000	£0	£4,428,000
Funding Bands 2-4 Additional Staff	£3,581,580	£0	£3,581,580
Non-Cash Limited Funding	£3,014,140	£280,100	£3,294,240
Action 15 Mental Health Funding	£3,003,625	£0	£3,003,625
School Nursing Development Funding	£1,242,000	£0	£1,242,000
GP Sustainability Payment	£1,234,714	£0	£1,234,714
District Nurse Funding	£1,166,968	£0	£1,166,968
Alcohol Drugs Programme - Tranche 2	£665,600	£0	£665,600
General Medical Services (GMS) 17c uplift recurring	£587,387	£0	£587,387
Community Perinatal funding	£454,763	£0	£454,763
Mental Health SLA income uplift to 6.7%	£453,570	(£453,570)	£0
Mental Health After Covid Hospitalisation Funding	£410,517	£0	£410,517
Dementia Post Diagnostic Support	£314,712	£0	£314,712
Hospital at Home Funding	£279,000	£0	£279,000
Ukraine funding	£270,197	(£270,197)	£0
Secondments & other external income	£257,878	(£257,878)	£0
Care Homes Oversight Funding	£255,474	£0	£255,474
Learning Disability Physical Health Check Funding	£239,780	£0	£239,780

Explanation	Changes to Expenditure Budget	Changes to Income Budget	Net Expenditure Budget Change
Psychological Support Anchor Service	£200,000	£0	£200,000
NHS Education for Scotland Income: Trainee Psychology program	£197,247	(£197,247)	£0
NHS Education for Scotland Income: Trainee Doctors Program	£177,000	(£177,000)	£0
Specialist Children Services Funding Uplift	£111,828	(£111,828)	£0
Distinction Award Funding	£101,919	£0	£101,919
Revenue to Capital Budget Transfer	(£167,780)	£0	(£167,780)
Contribution to Global Sum	(£573,119)	£0	(£573,119)
MH Outcomes Framework Specialist Children's Services	(£746,334)	£0	(£746,334)
HSCP Non Cash Limited final adjustments	(£3,156,735)	£191,547	(£2,965,188)
Transfer Capital Funding To Health Board	(£6,337,836)	£0	(£6,337,836)
Return of COVID funding	(£44,861,000)	£0	(£44,861,000)
Grossing Up - Social Work Client Budgets	£25,078,336	(£25,078,336)	£0
Insurance Budget Increase	£241,622	£0	£241,622
Scottish Government Mental Health Income	£433,406	(£433,406)	£0
Property Management Charges Glasgow City Council	£1,149,949	£0	£1,149,949
Transfer Capital Funding to Council	(£566,529)	£0	(£566,529)
Adult Disability Funding	£535,000	£0	£535,000
Other Miscellaneous Adjustments	£751,628	(£245,270)	£506,358
Total	**£18,714,304**	**-£26,753,085**	**-£8,038,782**

2.3. IJBs and Health Boards are required to agree a figure for the sum set aside to be included in their respective 2022/23 annual accounts. Similar to last year the set aside figures will be based on actual expenditure. The set aside figure for 2022/23 has been confirmed as £240.703m.

3. Reserves Policy

3.1 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.

3.2 Reserves is a key component of the IJB's funding strategy. The IJB held reserves of £175.372m at 31st March 2022, of which £146.791m 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 £28.581m 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 equated to 1.95% of the IJB's net expenditure in 2021/22.

3.3 Based on 2022/23 net expenditure (excluding COVID expenditure) the target of 2% would represent a target general reserve of £31.9m. This amount refers to general reserves only and excludes any earmarked reserves which are held for specific purposes.

3.4 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 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.

4. Outturn Position

4.1 The IJB is operating in an increasingly challenging environment with funding not keeping pace with increasing demand for service and increasing costs linked to delivery. This requires the IJB to have robust financial management arrangements in place to deliver services within the funding available.

4.2 The IJB closed with an operational overspend of £5.1m and is shown in the table below.

	Note	£ millions
Operational Service Delivery - Pressures/Investments		
Shortfall in funding provided to meet the Council pay settlement for 2022-23	1	9.9
Increased demand for Homelessness Services	2	3.7
Personalisation and Direct Assistance in Children and Families	3	3.6
£400 Winter payments to families across the City	4	2.3
Increase in transport costs due to fuel prices and age of fleet	5	1.4
One-off Investment in Infrastructure Costs	6	1.5
Increase in demand and price of incontinence products	7	0.9
Non delivery of savings	8	0.5
Increase in prescribing costs and volumes	9	6.5
Total Pressures/Investments in Operational Service Delivery		**30.3**

Operational Service Delivery - Underspends		
Underspend as a result of vacancies and staff turnover	10	-16.0
Underspend as a result of additional income recoveries	11	-6.3
Underspend as a result of reduction to employer national insurance rates	12	-1.5
Underspend in implementation of the Carers Act investment	13	-1.2
Underspend in purchased care home places	14	-0.2
Total Underspends in Operational Service Delivery		**-25.2**
Net Overspend in Operational Service Delivery		**5.1**

Notes

Impact on Operational Service Delivery

1. The Local Government Pay Settlement agreed for Council employees was much higher than our planning assumptions and represents an additional cost to the IJB of £9.9m. The Scottish Government has provided £140m of additional funding to Local Government nationally to assist in the meeting these costs. This funded was intended to support all staff directly employed by local government, including those currently delegated to Integration Joint Boards (IJBs). Glasgow City Council received a share of this funding and did not pass any of this funding on to the IJB, which has resulted in a cost pressure of £9.9m.

2. The Homelessness Service continues to experience an increase in presentations due to the impact on the economy of both the pandemic and the cost of living crisis. In addition, the service is responding to the resettlement of Ukrainian refugees. The HSCP will continue to work with RSL's to secure the provision of accommodation, however at this stage demand is outstripping local supply requiring us to seek more expensive alternatives in the short term. Actions are being taken to reduce spend in this service area however the scale of the challenge means that this will take time to implement. This service has benefited from COVID funding in 2022-23. This is the last year that this funding will be available.

3. This overspend is reflective of an increase in the number of service users accessing self directed support. The increase in direct assistance is due to an increase in section 22 payments linked to the cost of living crisis and an increase in Section 29 payments linked to accommodation costs for care leavers including student accommodation.

4. The current cost of living crisis continues to have a detrimental impact on the City and especially the children and families who are supported by our services. In recognition of the current cost of living crisis the IJB agreed to replicate the winter payment of £400 to looked after children

and people in continuing care/aftercare and children on the child protection register and other vulnerable children. This benefited 6,500 children.

5. Increases in transport costs have been experienced linked to fuel increases and increases in vehicle hire and taxi charges and repairs due to ageing fleets.

6. One-off investment in infrastructure to support service delivery.

7. This overspend reflects both an increase in demand for these services as well as an increase in the price for these products. This service has been experiencing an increase in the cost of these products following the exit of the UK from the EU. The additional costs of supply as a result of BREXIT has been passed on from suppliers to ourselves as purchasers.

8. These are occurring mainly within the programmes for Transport Review and Linguistics. Plans are being progressed to implement.

9. Prescribing has experienced high levels of volatility in 2022-23. Volumes have increased by 2.3% on previous years. Pricing has also been significantly impacted by global prices in this sector which has seen a 10.2% increase in prices for the IJB in 2022-23. The IJB had an earmarked reserve which helped to manage these fluctuations however the level of volatility has exceeded this reserve.

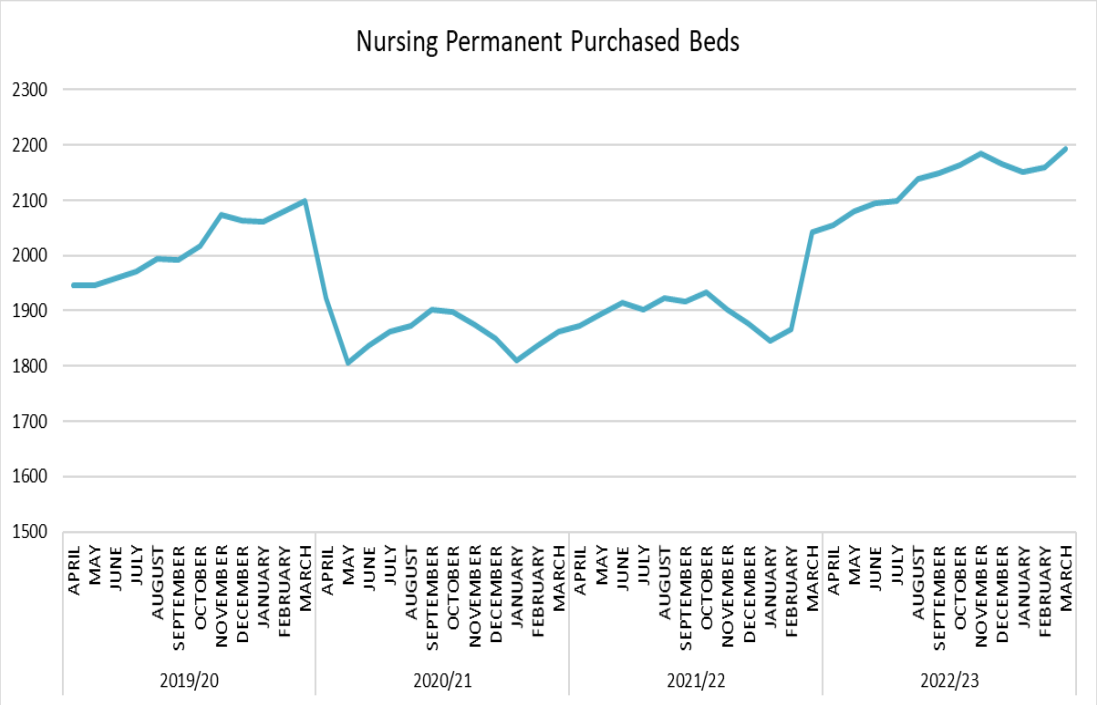
10. Staffing pressures continue to be experienced across all services due to high turnover levels, high sickness levels and challenges in recruitment. This is not unique to Glasgow and is being experienced UK wide. These challenges are not new to the IJB however the scale of them is increasing with the underspend 1.9 times higher than the level experienced in 2021/22. We continue to focus on the recruitment of staff utilising a range of measures such as advertising campaigns both at a local and national level, align recruitment timescales with the availability of newly qualified professionals, undertake targeted recruitment and training strategies to develop existing and new staff to meet the skills requirements of our services.

11. Additional income has been recovered mainly from three sources, firstly through recovery of financially assessed client contributions which generated an additional £1.5m, secondly from £2m recoveries of Direct Payments and lastly £2.8m from additional income linked to Unaccompanied Asylum Seeking Children based on cases accepted to date by the Home Office.

12. The UK Government has reversed the 1.25% increase to National Insurance effective from the 6 November.

13. The ability to fully implement the additional work planned for 22/23 in support of the Carers Act has been impacted by the ability of providers to commence service delivery mainly as a result of challenges in terms of staff recruitment. There has also been delays in start dates for programmes which has resulted in part-year underspends.

14. Older People Purchased Care Homes is showing a small underspend. This is reflective of demand in respite and residential which is still recovering from the impact of COVID. It should be noted however that demand for nursing homes is on the increase and is at a level higher than those seen pre-covid. The majority of this increase has been seen in the last six months of the year and therefore this has only had a partial impact on spend in 2022-23. The full year impact of this increase will be seen in 2023-24.



4.3 In addition to this there are local and national priorities which will not complete until future years (£12.9m). These include funding for expenditure linked to local investment priorities which will not complete until 2022/23 and national priorities funded by Scottish Government such as Mental Health, Dementia and Gender Identity Services. This relates to ring-fenced funding which has been received or allocated to meet specific commitments and must be carried forward to meet the conditions attached to the receipt of this funding.

5. Reserves Position

5.1 Each year an element of expenditure is planned to be met from earmarked reserves and is funded from the balances we hold in reserves. In 2022/23 £100.8m of earmarked reserves have been drawn down to meet this

expenditure. This includes the return of £48.7m COVID funding which was not required to Scottish Government.

5.2 In closing the accounts, the IJB is required to decide how it wishes to treat the overspend within the accounts. It is recommended that this is funded from General Reserves and is consistent with the assumptions which were made when the 2023/24 IJB budget was approved in March.

5.3 This report also recommends the earmarking of £12.9m referred to in section 4.3 to enable these local and national priorities to be delivered in future financial years. The full detail is shown in the table below.

Local and National Priorities Which Will Not Be Completed Until Future Years	**£000's**
Scottish Government: National Trauma Training	50
Scottish Government: Winter Planning Funding	1,955
Scottish Government: Gender Funding	496
Scottish Government: Mental Health Support After COVID Hospitalisation	410
Scottish Government: Lilias Custody Unit	130
Scottish Government: STI Testing	35
Scottish Government: Human Trafficking	22
Scottish Government: Naloxone for Police Scotland	35
Scottish Government: Associate Cost of Teaching Session	23
Scottish Government: Learning Disability Annual Health Checks	240
Scottish Government: Long COVID	414
Scottish Government: Mental Health in Children and Families	405
Scottish Government: Family Nurse Partnership	410
Scottish Government: Shields Centre Cabin	60
Scottish Government: Dementia Post Diagnostic Support	314
Scottish Government: Child Healthy Weight	144
Other Funding: CORRA Funding Martha Mammies	57
Other Funding: Health and Social Care Scotland	83
Other Funding: Home Office Funding - Asylum Seekers	1,851
Other Funding: Board Partnership Projects – Health Improvement	64
Other Funding: NES Clinical Psychology Education Infrastructure	306
Other Funding: Inspiring Scotland Sexual Health Services My Body Back	13
Other Funding: Homeless Alliance	592
Investment in Infrastructure: Property and Infrastructure	2,435
Investment in Infrastructure: Primary Care	1,200
Investment in Service: Housing First for Youth	500
Investment in Service: Public Protection and Learning Disability Posts to Support Service Development	363
Investment in Service: AWI Legal Costs	100

Investment in Service: Care Services Uniforms	205
Total Earmarking for Specific Purposes	12,912

5.4 It was agreed, when the budget was approved in March, that a full review of reserves would be undertaken to determine if any can be re-allocated to General Reserves to increase the provision available to support the IJB over the medium term.

5.5 This review has concluded and it is proposed to re-classify £3.449m as there are no longer commitments or planned expenditure as due as liable. This will be used to increase the level of general reserves available to support the IJB over the medium term. These are detailed in the table below.

Earmarked Reserve	**£000's**
Maximising Independence	2,000
Wellbeing Funding	369
Assisted Living Waiting List	325
Mental Health Officer Capacity	313
Primary Medical Services Support	178
Hospice Transition Funding	137
CAMHS Waiting List	61
Support Practice Learning	36
Analogue to Digital Staffing Support	30
Total	**3,449**

5.6 If approved this will result in a general reserve of £26.930m, which is 1.69% of net expenditure and is below the target set of 2%, and earmarked reserves of £55.482m. In March the IJB committed to using £17.2m of general reserves if required as part of the budget strategy for 2023-24. If this is required this would result in an estimated closing balance of £9.7m in 2024 which would equate to 0.6%.

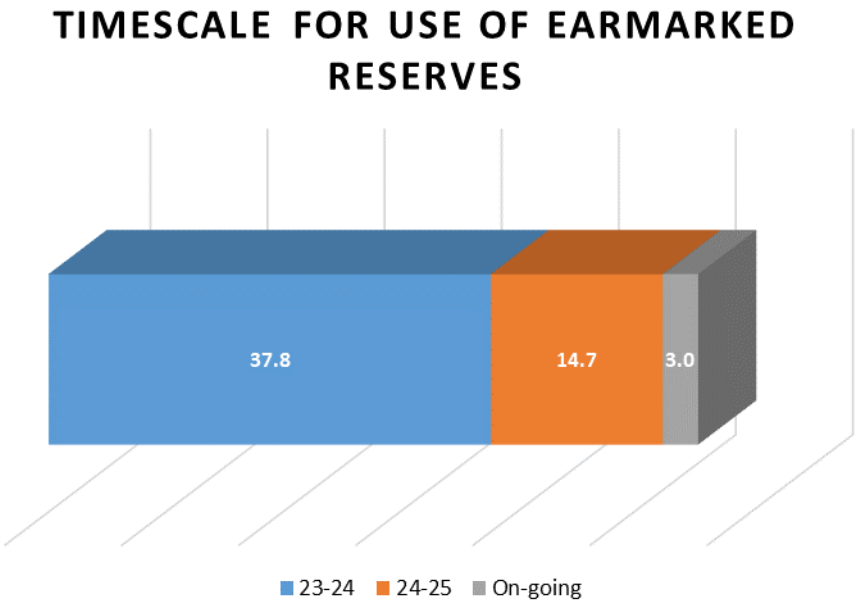
Balance at 31 March 2022 £000		Transfers Out £000	Transfers In £000	Redistribution of Reserves £000	Balance at 31 March 2023 £000
146,791	Earmarked	(100,772)	12,912	(3,449)	**55,482**
28,581	Contingency	(5,100)	-	3,449	**26,930**
175,372	**General Fund**	(105,872)	12,912	-	**82,412**

5.7 The IJB aims to hold uncommitted reserves equating to 2% of net expenditure, however it is recognised that this will not always be possible to secure and is subject to the financial position of the IJB each year. Holding

general reserves is recognised as best practice and provides the IJB with the financial capacity to manage financial risks from year to year.

5.8 The IJB needs to have 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.

5.9 The graph below illustrates the expected timescale for the use of earmarked reserves with £37.8m (68%) expected to be drawn down in 2023-24. £14.7m (26%) will be drawn down in 2024-25. The remaining £3m (6%) 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 2023-24.



6. Risks and Budget Pressures

6.1 As described at section 3, it is important that sufficient usable funds are held in reserve to manage unanticipated pressures from year to year. The Medium Term Financial Outlook considered a number of areas of risk and the potential financial implications for the IJB.

6.2 The 2023/24 budget strategy has identified risks of £17.2m which will require to be funded from general reserves, if assumptions hold. This would result in an estimated closing balance of £9.7m in 2024 which would equate to 0.6%. The 2023/24 budget makes a number of assumptions in relation to pressures and if these deviate from these assumptions then further use of general reserves may be required to mitigate the risks.

6.3 All of these risks require the IJB to hold a contingency which is sufficient to enable the IJB to respond and also continue to remain financially viable. As result, this report recommends the holding of 1.69% in general reserves, whilst we continue to work towards the target set of 2%.

7. Recommendations

7.1. The Integration Joint Board is asked to:

a) note the contents of this report;
b) approve the transfer of £5.100m from general reserves to meet the operational overspend for consideration by the IJB;
c) approve the transfer of £12.912m to earmarked reserves as outlined in paragraph 5.3 for consideration by the IJB; and
d) approve the redistribution of reserves as outlined in paragraph 5.5 for consideration by the IJB.

Direction from the Glasgow City Integration Joint Board

1	**Reference number**	280623-7
2	**Report Title**	Outturn Report 2022-23
3	**Date direction issued by Integration Joint Board**	28 June 2023
4	**Date from which direction takes effect**	28 June 2023
5	**Direction to:**	Glasgow City Council only
6	**Does this direction supersede, revise or revoke a previous direction – if yes, include the reference number(s)**	No
7	**Functions covered by direction**	All functions delegated to the IJB from Glasgow City Council and NHS Greater Glasgow and Clyde.
8	**Full text of direction**	Glasgow City Council is directed to carry forward reserves totaling £12.912m on behalf of the IJB as outlines in section 5 of the report.
9	**Budget allocated by Integration Joint Board to carry out direction**	£12.912m in reserves carried forward
10	**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.
11	**Date direction will be reviewed**	June 2024