



**REPORT TO: HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD –  
14 DECEMBER 2022**

**REPORT ON: DUNDEE IJB RESERVES INVESTMENT STRATEGY**

**REPORT BY: CHIEF FINANCE OFFICER**

**REPORT NO: DIJB90-2022**

**1.0 PURPOSE OF REPORT**

1.1 The purpose of this report is to propose a Reserves Investment Strategy for Dundee Integration Joint Board to adopt to ensure the IJB is in a position to utilise all available resources it has to maximum effect to support the delivery of the strategic priorities set out within the Strategic and Commissioning Plan.

**2.0 RECOMMENDATIONS**

It is recommended that the Integration Joint Board (IJB):

- 2.1 Notes and approves the proposed IJB Reserves Investment Strategy as set out in section 4.1.8 to this report.
- 2.2 Instructs the Chief Finance Officer to report the impact of the utilisation of the IJB's reserves as part of the regular financial monitoring reporting and annual budget setting process.

**3.0 FINANCIAL IMPLICATIONS**

3.1 The financial implications of this strategy are set out within the main body of the report.

**4.0 MAIN TEXT**

**4.1 Background**

4.1.1 The IJB approved its reserves strategy back in 2017 (Article VIII of the minute of the 25<sup>th</sup> April 2017 refers) as part of the early governance framework being put in place and prior to any real understanding of how reserves would be generated and utilised given the infancy of health and social care integration at that time. The reserves strategy states that the IJB should aspire to hold reserves to the value of around 2% of its annual operating budget to provide flexibility and support financial sustainability. Since then, the IJB has been in a position of holding reserves at around the 2% value in the early years of integration before seeing reserves depleted due to various financial challenges prior to the Covid19 pandemic.

4.1.2 As with almost all IJB's in Scotland, over the course of the last two financial years, the IJB's reserves position has increased significantly to £38.988m with the majority of these being earmarked reserves. In the main these relate to ring fenced Scottish Government funded initiatives such as Primary Care Improvement funding, Action 15 Mental Health funding, Alcohol and Drug Partnership funding and COVID19 funding. This position is after significant investment has been made in community based health and social care services following additional Scottish Government funding during 2021/22 and 2022/23 such as through winter pressures and the unscheduled care pathway. The current position with regards to reserves balances is noted in the table below.

Reserve Purpose	Reserves Balance @ 31/3/22	Revised Reserves Balance
	£k	£k
Mental Health	1,825	1,825
Primary Care	4,995	4,995
Service specific	1,947	1,947
Community Living Change Fund	613	613
NHST - shifting balance of care	1,600	1,600
ADP	1,220	1,220
Covid-19	15,595	15,595
Analogue to Digital Provision	876	876
Other Staffing	394	394
Additional GP Capacity*		132
GP Premises Programme Manager**		150
Total Committed Reserves	29,065	29,347
General Reserves (Uncommitted)	9,933	9,651
<b>TOTAL RESERVES</b>	<b>38,998</b>	<b>38,998</b>

\* Per DIJB62-2022

\*\*Per DIJB76-2022

- 4.1.3 Given the level of reserves held by IJB's for specific government initiatives, the Scottish Government has taken an approach in the current financial year to ensure these are utilised by IJB's before drawing down the full in-year funding allocations for these purposes. This will have the effect of the majority of the Scottish Government element of reserves for Mental Health, Primary Care and ADP being reduced significantly by the end of the 2022/23 financial year. In addition, as noted in the IJB's Financial Monitoring Reports, the Scottish Government has written to IJB Chief Officers and Chief Finance Officers to intimate their intention to reclaim surplus Covid19 reserves to be redistributed across the wider health and social care sector to meet unfunded Covid19 priorities. Therefore, the value of earmarked reserves will be further reduced at the year end.
- 4.1.4 The IJB has already made decisions to earmark reserves for particular purposes such as a provision to support the switch from Analogue to Digital telephony, critical to support community alarms, additional GP Capacity around substance use services and investment in programme management for the GP Premises/Property strategy.
- 4.1.5 The recent External Auditors Annual Report presented to the Performance and Audit Committee on the 23<sup>rd</sup> November 2022 (Article V of the minute refers) set out a recommendation under Financial Management and Sustainability as follows:
- Recommendation 1:*  
*Management should ensure that appropriate arrangements are in place to monitor and report the Joint Board on the achievement and impact of transformational changes to service delivery models, and future savings plans. This should be undertaken alongside developing a reserves strategy which sets out how and when monies will be spent, taking cognisance of any Scottish Government clawback arrangements if clarified.*
- 4.1.6 The Integration Board's Integration Scheme has recently been revised and approved by Scottish Ministers. The scheme outlines the financial arrangements agreed by Dundee City Council and

NHS Tayside should the occasion arise that an overspend is projected within the IJB's delegated budget during the financial year. The arrangements are as follows:

*9.18 Where an unplanned year end overspend in the Integration Joint Board's budget is projected in respect of the Integrated Services for which the Chief Officer has Operational Management responsibility, the Chief Officer and the Chief Finance Officer must present a recovery plan to the Integration Joint Board and the Parties to address in year overspends and any recurring overspends for future financial years. If a projected overspend relates to Integrated Services operationally managed by the Chief Officer Acute Services or the Executive Lead for Mental Health and Learning Disability then they must present a recovery plan to the Integration Joint Board to address in year overspends and any recurring overspends in future years.*

*9.19 In the event that the recovery plan is unsuccessful, and an overspend is evident at the year end, uncommitted reserves held by the Integration Joint Board would firstly be used to address any overspend. If, after the application of reserves, there remains a forecast overspend, a revised Strategic Plan must be developed to enable the overspend to be managed in subsequent years.*

*9.20 In the event that an overspend is evident following the application of a recovery plan, use of reserves or where the Strategic Plan cannot be adjusted, the overspend will be shared in proportion to the spending Direction for each Party for that financial year, adjusting these spending directions to ensure the Parties budgets are on a like for like basis. Where the parties make additional payments to cover an overspend then the Parties will discuss whether recovery of those additional payments in future years from the Integration Joint Board should be pursued. In the event that the Parties agree that the recovery of additional payments is to be pursued this will be over a maximum period of 3 years on a basis and repayment profile to be agreed between the Parties, in consultation with the Integration Joint Board. Consideration of whether to recover additional payments made by the Parties will be informed by an assessment of the reasons for these payments and the implications for the Parties and Integration Joint Board of doing so.*

The inclusion of a potential recovery of additional payments made by the partner bodies to the Integration Joint Board is a new provision in the revised scheme. It is therefore imperative that the IJB ensures it has a sustainable level of reserves to reduce the risk of this potential payback option being invoked.

4.1.7 As set out in report DIJB89-2022, Integration Joint Board Budget Development 2023/24, the IJB's delegated budget will be faced with unprecedented cost pressures during the financial year. As the budget develops further and the net financial gap is identified, a range of options will be put to the IJB for consideration as to how that gap will be managed. The application of reserves to support the financial position on a non-recurring basis is likely to be required given the scale of the challenge. This will provide some time for the IJB to develop and implement the range of transformation initiatives required to ensure longer term financial sustainability.

4.1.8 Given the importance of the use of reserves as set out in the External Auditors report, the Scottish Governments approach to ring fenced reserves, the provisions of the Integration Scheme, the forthcoming budget considerations and the challenges of the overall financial position while meeting increasing demand for services, the following is proposed in terms of the use of reserves:

- a) **Scottish Government Funding Earmarked Reserves:** Ensure that all these reserves are fully utilised in line with Scottish Government funding parameters for the funds while maximising the permissible draw down of in year grant funding for those funding streams. The IJB will also be formally asked by the Scottish Government to return unspent Covid19 reserves given the restricted nature of what these can be used for.
- b) **Interim Care Funding:** Additional Scottish Government funding of £1.153m was provided by the Scottish Government during winter 2021/22 to increase the capacity of Interim Care beds. Given the late announcement of the funding, £260k was spent leaving an unspent value of £893k which was not earmarked in the IJB's reserves position. Further funding of £577k has been provided by the Scottish Government in 2022/23 with no additional funding to be provided for future years. The current years projected spend for interim care is approximately £1.4m which is not reflected in the IJB's financial monitoring position therefore it is requested that the IJB earmarks the balance from 2021/22 of £893k within its reserves for interim care.

- c) **Winter Pressures:** With no additional funding available through the Unscheduled Care Board for 2022/23 to provide for additional winter capacity, it is proposed that the IJB earmarks funding to the value of £1m to support any additional capacity to meet increased demand over the winter period. It is further proposed that any remaining balances continue to be ring fenced to support future years winter pressures.
- d) **Transformation Funding:** Given the significant financial challenges the IJB will be facing over 2023/24 and beyond, transformation programme funding will be required to support services to identify, develop and implement transformational change. As with other organisations such as Dundee City Council, it is proposed that £1m of reserves are earmarked as a Transformation Fund with proposals for the use of this funding to be put forward to the IJB for consideration.
- e) **Infrastructure Support:** With increased demand for service provision, an increase in support infrastructure is required to ensure services are supported effectively. Furthermore, additional demands from the Scottish Government and partner bodies around governance, scrutiny and performance information in addition to an expected increase in activity to prepare for the introduction of a National Care Service means that the existing support infrastructure is not sufficient to meet these demands. It is proposed that £500k is earmarked in the reserves for infrastructure support.
- f) **Non-Recurring Budget Support:** With the anticipated financial pressures in 2023/24 and beyond it is proposed that the IJB utilises some of its non-earmarked reserves as a contribution to closing any financial gap identified in the preparation of the 2023/24 Revenue Budget. While the exact amount will be determined in the budget process, it is prudent to assume a value of at least £2.5m of reserves will be required.
- g) **Additional Proposals:** A range of initiatives continue to be developed by officers where service risks or service developments have been identified which may require short term funding to be identified from non-earmarked reserves. These will continue to be put forward to the IJB on a case by case basis.

The implications of the above would see at least a further £5.893m of currently non-earmarked reserves becoming earmarked, reducing the non-earmarked reserves to £3.758m. While this is less than the current reserves policy target of 2% (approximately £5.6m), the current years projected financial surplus should add to that value at the year end and the proposals above will ensure the IJB is utilising its available funding effectively and is investing for the future.

## 5.0 POLICY IMPLICATIONS

- 5.1 This report has been subject to the Pre-11A Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

## 6.0 RISK ASSESSMENT

<b>Risk 1 Description</b>	There is a risk that the IJB is unable to utilise its reserves effectively and for the full benefit of meeting the IJB's Strategic Priorities.
<b>Risk Category</b>	Financial
<b>Inherent Risk Level</b>	Likelihood 4 x Impact 4 = 16 (Extreme)
<b>Mitigating Actions</b> (including timescales and resources)	Development of reserve strategy Development of transformation programmes to ensure future financial sustainability of the IJB
<b>Residual Risk Level</b>	Likelihood 2 x Impact 4 = 8 (High)
<b>Planned Risk Level</b>	Likelihood 2 x Impact 4 = 8 (High)
<b>Approval recommendation</b>	Although the risk levels remain high, given the range of interventions identified the risk is manageable

## 7.0 CONSULTATIONS

7.1 The Chief Officer and the Clerk were consulted in the preparation of this report.

## 8.0 DIRECTIONS

8.1 The Integration Joint Board requires a mechanism to action its strategic commissioning plans and this is provided for in sections 26 to 28 of the Public Bodies (Joint Working) (Scotland) Act 2014. This mechanism takes the form of binding directions from the Integration Joint Board to one or both of Dundee City Council and NHS Tayside.

Direction Required to Dundee City Council, NHS Tayside or Both	Direction to:	
	1. No Direction Required	✓
	2. Dundee City Council	
	3. NHS Tayside	
	4. Dundee City Council and NHS Tayside	

## 9.0 BACKGROUND PAPERS

9.1 None.

Dave Berry  
Chief Finance Officer

**DATE:** 29 November 2022

