

## **Agenda Item 6**

# **Financial Position 2018/19**

**Title/Subject:** Financial Position 2018/19

**Meeting:** Integration Joint Board

**Date:** 7 June 2019

**Submitted By:** Chief Finance Officer

**Action:** For Decision

## **1. INTRODUCTION**

- 1.1. The purpose of this report is to inform the IJB of the projected financial outturn for 2018/19.

## **2. RECOMMENDATIONS**

The IJB is invited to:

- 2.1. note the contents of this report
- 2.2. approve the transfer of £0.019m into general reserves
- 2.3. approve the issue of Final Directions to the Partners for 2018/19
- 2.4. approve the Reserves Policy as set out in appendix 4.
- 2.5. note that work will be undertaken with NHS colleagues to better understand the budgets for service transferring to the Partnership, to ensure underlying risks are identified and mitigated.

## **3. BACKGROUND**

- 3.1. The financial reports to the IJB during 2018/19 have highlighted financial risks across the Partnership and more acutely on the in-scope NHS budget. These projections have been based on the best information made available by partners and are subject to fluctuation due to a wide range of factors including drug pricing issues, pressures on beds, home care demand, staffing issues and other demands.

## **4. PROJECTED OUTTURN FOR 2018/19 (UNAUDITED)**

- 4.1. The accounts for Falkirk IJB for 2018/19 will go to the Audit Committee for consideration on 27 June 2019 before submission to the external auditors, Ernst & Young. Whilst the draft accounts are being finalised prior to the Audit Committee some revision to the provision outturn in this report may be necessary. However, this is not anticipated at this time. In addition, further

revision may be required as a result of the audit process. The final outturn for 2018/19 will be reported back to the IJB following completion of the accounts and audit process.

#### 4.2. **Partnership Outturn (excluding Set Aside)**

The projected outturn for 2018/19 is as follows:

	<b>Falkirk Council £m</b>	<b>NHS Forth Valley £m</b>	<b>Total £m</b>
Expenditure	73.241	122.101	195.342
Transfer of Ringfenced Funds not Spent	0.156	1.504	1.660
<b>Total Expenditure</b>	<b>73.397</b>	<b>123.605</b>	<b>197.002</b>
Income	62.517	121.958	184.475
Integration Funding (via Health Boards)	10.052	-	10.052
Transfer from Ringfenced Funds	0.847	0.383	1.230
<b>Total Income</b>	<b>73.416</b>	<b>122.341</b>	<b>195.757</b>
<b>Overspend/(Underspend)</b>	<b>(0.019)</b>	<b>1.264</b>	<b>1.245</b>
<b>Amount to be met from Risk Sharing Agreement</b>	<b>-</b>	<b>1.264</b>	<b>-</b>

4.3 Further detail of the outturn is included at Appendix 1. The final overspend position is expected to be £1.264m on the NHS arm of the budget. This will be funded through additional non-recurring funds from NHS Forth Valley, as per the risk sharing agreement previously reported to the IJB. This is the third year that additional non recurring funding has been required. The pattern of meeting recurring overspends from non recurring funding is unsustainable. £2.4m of recurring pressures has been added to the 2019/20 budget at this point. This presents a significant financial risk to the Partnership and it's Partners. A detailed breakdown of on the outturn is provided at Appendix 2.

4.4 An explanation of the main movements from previous projections is noted below:

#### 4.5 **Adult Social Care**

The outturn for Adult Social Work was a small underspend of £0.019m on the general fund. There were also transfers to and from ringfenced reserves. These movements are set out in Appendix 3 and include a transfer into capital grants of £0.078m to fund future housing adaptations and a transfer of £0.100m to reserves for the dementia innovation fund. As previously reported, this fund will be used to support production of a community based dementia model, co-produced by Partners, service users, carers and their families.

4.6 Throughout the year, Adult Social Work faced sustained pressure on the costs of home care provision. This financial pressure was alleviated with various non-

recurring savings available to the IJB. A working group was tasked with reviewing the home care service to improve efficiency in order to meet rising demand. This work is anticipated to improve the financial pressures in 2019/20, albeit demand remains a challenge.

- 4.7 The spend in residential care for both older and younger adults people was significantly overspent in the year (£0.971m). This was in part due to non delivery of savings. However, the work started in 2018/19 to improve performance in this area has continued in 2019/20 and is expected to deliver significant savings. This work is being supported through the recruitment of temporary resource to focus on reviews of significant care packages, particularly for younger adults, where it is felt that the outcomes for that person could be improved.

4.8 **Health Services**

The final outturn for operational and universal NHS services was an overspend of £1.264m. Appendix 1 shows a net outturn for health services of £0.144m overspent. However, this figure is made up of two key elements – an overspend on operational and universal services of £1.264m and an underspend against earmarked funds (such as Primary Care Transformation) of £1.120m. As a result the underspend cannot be used to offset the overspend and the full amount of £1.264m requires additional funding by NHS Forth Valley.

- 4.9 The Community Hospitals budget was overspent by £0.681m, a slight improvement on that previously forecast. This overspend includes £0.244m in respect of Falkirk Unit 5 winter contingency and £0.082m in respect of winter contingency beds in other community wards. The balance of the community ward overspend is associated with acuity of care, sickness and other absence cover, some of which is contributing to high levels of bank nursing usage.

- 4.10 The GP Out of Hours Service recorded an underspend of £0.052m. Historically this service has experienced significant pay pressures due to short term supply issues, however the recent increase in advanced nurse practitioners and multi disciplinary team working has enhanced service stability and reduced requirement for premium rate staff cover.

- 4.12 Substance Misuse, including the Community Addiction Service has underspent, and whilst this reflects good non-recurrent non-pay management, it also reflects the significant vacancies, which is contributing to staff capacity challenges and difficulties in meeting activity demands.

- 4.13 An overspend of £0.152m is reported against Primary Medical Services. The overspend is largely due to pressures within 2C GP Practices (GP Practices run by the Health Board), particularly Kersiebank, due to the ongoing use of locums and agency staff to cover GP vacancies. It also reflects increased costs of special leave claims from independent Practices to reimburse locum cover for sickness absence. This is due to a rise in the volume of sick leave claims received (key themes are workplace stress and burn out) together with an increase in the rates paid as per the GMS contract settlement. Note that a number of golden hello payments were also processed towards the latter

months of 2018-19. Whilst this resulted in a non-recurring pressure in year, it suggests that GP vacancies are starting to be filled across the Falkirk Health and Social Care Partnership area which is an encouraging development.

- 4.14 An overspend of £1.536m is reported against Primary Care Prescribing at 31st March 2019. This is broadly in line with the forecast position reported throughout the year. Key pressure areas include increasing uptake of new drugs and devices (specifically in relation to direct oral anticoagulant drugs and the new Freestyle Libre diabetes device used to monitor blood glucose levels) and concession price increases relating to drugs in short supply. Delays in the delivery of efficiencies savings are another factor resulting in a shortfall of £0.553m against the 2018/19 savings target.

4.15 **Set Aside Outturn**

The risk for the set aside budget remains with NHS Forth Valley at this time and the financial update reports for the IJB focus on the operational and universal services elements of the budget. Any overspend on the set aside budget is therefore met by NHS Forth Valley. The projected outturn on the set aside budget is as follows:

	£m
Budget	26.026
Projected Outturn	27.442
<b>Projected Overspend</b>	<b>(1.416)</b>

- 4.16 Within the Set Aside budget, A&E remains a pressure although there are indications of improvement in recent months. Geriatric medicine and Learning Disability are also consistent pressures. This can be a volatile area where one patient with very complex needs can have a significant impact on the budget. The Mental Health Services In-patient Unit remains a financial challenge, mainly due to staff recruitment and retention issues, but also as a result of the increasing complexity and co-morbidity of patients being admitted. Plans are in place to relieve some of the staff capacity pressures, and this is expected to make some improvement to the financial challenges, although some underlying challenge remains.

## 5. **RISK SHARING AGREEMENT**

- 5.1 The financial report presented to the IJB in April 2019 set out the risk sharing agreement that had been reached between the IJB, Falkirk Council and NHS Forth Valley. The risk sharing agreement was for one year only, recognising that the Partnership is in a transitional phase and significant structural change is anticipated in 2019/20 and beyond.
- 5.2 The agreement for 2018/19 sets out that each Partner will take responsibility for their overspend if applicable. This effectively means that NHS Forth Valley have agreed to fund the projected overspend, totalling £1.264m.

## 6. KEY ISSUES TO CONSIDER FROM 2018/19 OUTTURN

- 6.1 A breakdown of the outturn for the IJB is include at Appendix 2. Some points to note are set out in the following paragraphs.
- 6.2 The areas of overspend across the Partnership are in more traditional type service models – acute and community hospitals and residential care. These overspends are offset to some degree by underspends in community based services, such as community based AHP services, community learning disability services, community mental health services, public health promotion and day care services. It is arguable that we are not changing our service delivery models to support the vision of the Strategic Plan – *“to enable people in Falkirk HSCP area to live full and positive lives within supportive and inclusive communities”*.
- 6.3 The financial outturn for 2018/19 does not suggest that the goal (both nationally and locally) to shift resources from the acute sector to the community is being realised. If there remains a commitment to this goal, as there must be, action to deliver this shift must be taken as a matter of urgency. The IJB and the partners need to be in agreement as to how this shift can be achieved and what success will look like.
- 6.4 There is an underspend in key services, including addiction services and community mental health, at a time when the Strategic Joint Needs Assessment is highlighting these issues as areas of concern and the IJB has agreed that these areas should be priorities. Again, it is arguable that resources are not being utilised in line with IJB priorities.
- 6.5 In June 2018 the IJB received a budget report for 2018/19 that stated that savings had been identified to bridge the anticipated financial gap. The total savings requirement for the Partnership was £4.341m. A summary of delivery is set out below:

<b>Budget Area</b>	<b>Target £m</b>	<b>Actual £m</b>	<b>Variance £m</b>
Adult Social Work	2.615	1.915	0.700
Health Services	1.726	0.733	0.993
	<b>4.341</b>	<b>2.648</b>	<b>1.693</b>

- 6.6 The under delivery of savings within Adult Social Work has been met through non-recurring means in 2018/19. The Partnership has incurred an overspend of £1.264m on the health arm of the budget for 2018/19, excluding set aside. A further overspend of £1.416m has been incurred on set aside budgets. This has been offset by non recurring additional funding from NHS Forth Valley.
- 6.7 To ensure the financial sustainability of the Partnership (and the Partners), it is essential that there is a robust approach to budgetary control and savings delivery. Moving forward, a strong message must come from the IJB and all Partners to emphasise the need for robust financial management, that includes identifying realistic savings and delivering them.

- 6.8 On the health arm of the budget, the proposed savings delivery would not have been sufficient to bring the budget into balance for 2018/19. This can be the result of a range of factors, not least increase in demand, as well as recurring year on year pressures that have not been mitigated through delivery of savings in previous years for example. It will be necessary to better understand the issues and risks around that budget prior to the transfer of operational services to the Partnership.

## **7. RESERVES**

- 7.1 The outturn figures include a number of transfers to and from earmarked reserves. Transfers to reserves represent monies for specific purposes that have not been spent in 2018/19. The funds will be ring-fenced for use in 2019/20. The spending plans against the reserves will be updated during 2019/20. A summary of the reserves position is included in Appendix 3.
- 7.2 The year end estimate for the total reserves being carried forward into 2019/20 is £6.938m. This represents an increase in reserves of £0.448m from the 2018/19 opening balance of £6.490m. This is higher than anticipated in April 2019, in part due to additional, unexpected transfers to reserves for items such as unscheduled care. The monitoring arrangements for the use of reserves will be reviewed in 2019/20.
- 7.3 The projected underspend for Adult Social Care, after transfers to earmarked reserves, is £0.019m. Given the pressures facing the Partnership going forward, it is considered prudent to transfer this sum into general reserves.
- 7.4 The financial report presented to the April 2019 meeting of the IJB highlighted the need to review the reserves strategy. The reserves strategy has now been reviewed as part of the annual review of financial governance arrangements.
- 7.5 The basis of calculating a reserve floor has been updated to reflect the 2019/20 budget. Following the 2018/19 outturn, the general reserves balance would be £0.316m. This would be over the £0.250m level previously set. It is recommended that the target level be increased to £0.440m (0.2% of budget). Whilst 0.2% is relatively modest, this increase recognises the significant financial risks facing the partnership. It may be worth noting that Falkirk Council use 2% to calculate the reserve floor.
- 7.6 The current policy is attached as appendix 4 to this report. It should be stressed however that in a time of constrained resources, the IJB need to be assured that the reserves are being used appropriately. The 2019/20 budget report presented to the IJB on 28 March 2019 sets out the proposed use of reserves. The IJB will receive regular updates on progress.

## 8. PARTNERSHIP FUNDING

- 8.1 Partnership Funding covers two areas – Integrated Care Fund and Delayed Discharge monies, both received from the Scottish Government. Partnership Funding is included as a separate report on this agenda. However, a breakdown of the outturn position for 2018/19 is shown below:

	£m
Balance in Reserves	2.408
New Allocations from SG	2.744
<b>Total Available</b>	<b>5.152</b>
Less Funds Drawn Down	(2.804)
<b>Balance to be Carried Forward</b>	<b>2.348</b>

- 8.2 The above figures do not include Leadership Funding which is covered in section 9 of this report.

## 9. LEADERSHIP FUNDING

- 9.1 The IJB agreed to remit £1m of annual Partnership Funding to the Leadership Group to enable effective and timeous allocation of resources to respond to need, effect action, increase pace of change and improvement within key priority areas aligned with the Strategic Plan. Once funding proposals have been considered by the Leadership Group and approved by the Chief Officer, they are presented to the Chair and Vice Chair for agreement.
- 9.2 The final position for Leadership Funding is as follows:

	£m
Balance in Reserves	0.617
New Allocation in 2018/19	1.000
<b>Total Available</b>	<b>1.617</b>
Less Funds Drawn Down	0.227
<b>Balance to be Carried Forward</b>	<b>1.390</b>

- 9.3 Previous reports to the IJB have highlighted proposed future uses for the Leadership Fund. This includes the use of the fund to support the transfer of operational health services to the Partnership as well as improving the infrastructure of the Partnership to be able to deliver the transformation expected and required. The IJB has already approved the use of this fund to finance the new Head of Integration post and associated support.

## 10. DIRECTIONS

- 10.1 Final Directions for Falkirk Council and NHS Forth Valley for the financial year 2018/19 are included at Appendix 5 and 6. The IJB are asked to approve these



Directions. The Directions follow the same format used for the initial 2018/19 Directions and reflect the additional funding received from NHS Forth Valley at the year end.

## **11. CONCLUSIONS**

- 11.1 The Partnership (excluding set aside budget) is projected to overspend in 2018/19 by £1.264m. As part of the risk sharing agreement NHS Forth Valley have agreed to provide additional funding of £1.264m for 2018/19. The set aside budget is expected to overspend by £1.416m in 2018/19. Financial risk for set aside budgets remains with NHS Forth Valley.
- 11.2 An overspend on health services has been reported for the third consecutive year. Non delivery of savings has been an issue across the Partnership. To ensure the financial sustainability of the Partnership (and the Partners), it is essential that there is a robust approach to budgetary control and savings delivery. Moving forward, a strong message must come from the IJB and all Partners to emphasise the need for robust financial management, that includes identifying realistic savings and delivering them.
- 11.3 The projected outturn, including overspends in building based services and underspends in other community services, suggests that resources are not being utilised to effectively deliver the outcomes of the Strategic Plan.
- 11.4 The reserves balance at the year end is £6.938m, made up of £0.316m of general reserves and £6.622m of earmarked reserves. Future reports to the IJB will monitor reserve levels against proposed spending plans for these funds.
- 11.5 The accounts for Falkirk IJB for 2018/19 will be considered by the IJB Audit Committee on 27 June 2019 before submission to Ernst & Young for audit.

### **Resource Implications**

The resource implications are considered in the body of the report.

### **Impact on IJB Outcomes and Priorities**

The budget sets out the overall resources available to the Partnership to support delivery of the Strategic Plan.

### **Legal & Risk Implications**

The main financial risks facing the Partnership are considered in the body of the report.

There is a risk that resources are not being utilised to effectively deliver the vision, outcomes and priorities of the Strategic Plan.

An overspend has been reported for the Partnership, specifically on the health side. This is the third year an overspend has been reported. Savings delivery has been an issue across the Partnership. The financial risk profile for the IJB is high.

**Consultation**

The Chief Officer of the IJB, Chief Finance Officer of Falkirk Council and Assistant Directors of Finance of NHS Forth Valley have been consulted on this report.

**Equalities Assessment**

The budget may include savings proposals which involve service change. These should all be subject to an Equality Assessment.

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Approved for Submission by: Patricia Cassidy, Chief Officer, Falkirk IJB

**Author: Amanda Templeman**

**Date:** 14 May 2018

**List of Background Papers:** The papers that may be referred to within the report or previous papers on the same or related subjects.

# FALKIRK HEALTH AND SOCIAL CARE PARTNERSHIP

## PROJECTED OUTTURN STATEMENT 2018/19 AS AT 31/03/2019

	<u>Budget</u>	<u>Projected</u> <u>Outturn</u>	<u>(Fav)/ Adv</u> <u>Variance</u>	
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>%</u>
Adult Social Work Services	73.044	72.916	(0.128)	(0.2)
Falkirk Council Spend to Save	0.325	0.325	-	-
NHS Forth Valley Set Aside	26.026	27.442	1.416	
NHS Forth Valley Operational & Universal	121.957	122.101	0.144	0.1
<b>Sub - Total</b>	<u>221.352</u>	<u>222.784</u>	<u>1.432</u>	<u>0.6</u>
Use of Earmarked Reserves	(0.800)	(0.800)	-	-
<b>NET EXPENDITURE</b>	<u>220.552</u>	<u>221.984</u>	<u>1.432</u>	<u>-</u>
<b><u>Funded By :</u></b>				
Falkirk Council Contribution	62.192	62.192	-	-
Falkirk Council Spend to Save Contribution	0.325	0.325	-	-
NHS Forth Valley Contribution	147.983	147.983	-	-
Integration Funding (via Health Boards)	10.052	10.052	-	-
Leadership Funding	-	-	-	-
<b>NET INCOME</b>	<u>220.552</u>	<u>220.552</u>	<u>-</u>	<u>-</u>
<b>SURPLUS/(DEFICIT)</b>	<u>-</u>	<u>(1.432)</u>	<u>(1.432)</u>	<u>-</u>
Additional Funding from NHS - Set Aside		1.416		
Additional Funding from NHS - Op & Universal		1.264		
Transfer to Reserves - PCTF		(0.419)		
Transfer to Reserves - GP Out of Hours Fund		(0.143)		
Transfer to Reserves - GP Sub Committees		(0.024)		
Transfer to Reserves - Unscheduled Care		(0.140)		
Transfer to Reserves - ADP		(0.063)		
Transfer to Reserves - Partnership Funding		(0.715)		
Transfer from Reserves - Transforming Urgent Care		0.147		
Transfer from Reserves - PC & MH Transformation Funds		0.129		
Transfer from Reserves - Pharmacy First		0.002		
Transfer from Reserves - MH Innovation Fund		0.048		
Transfer from Reserves - GP Cluster Model		0.058		
Transfer from HRA Reserves		0.035		
Transfer from Capital Reserves		0.010		
Transfer from Reserves - Sensory Strategy		0.002		
Transfer to Reserves - Dementia Innovation Fund		(0.100)		
Transfer to Reserves - Services for Survivors		(0.022)		
Transfer to Reserves - British Sign Language Plan		(0.011)		
Transfer to Reserves - Choose Life		(0.023)		
<b>Projected Outturn</b>		<b>0.019</b>		

**BUDGET MONITORING STATEMENT 2018/19  
FOR PERIOD TO 31/03/2019**

	Falkirk Council			NHS Forth Valley			Total Partnership		
	<u>Budget</u>	<u>Projected</u>	<u>(Fav)/ Adv</u>	<u>Budget</u>	<u>Projected</u>	<u>(Fav)/ Adv</u>	<u>Budget</u>	<u>Projected</u>	<u>(Fav)/ Adv</u>
	<u>£m</u>	<u>Outturn</u>	<u>Variance</u>	<u>£m</u>	<u>Outturn</u>	<u>Variance</u>	<u>£m</u>	<u>Outturn</u>	<u>Variance</u>
		<u>£m</u>	<u>£m</u>		<u>£m</u>	<u>£m</u>		<u>£m</u>	<u>£m</u>
<b>Care at Home Services</b>									
Care at Home	32.931	33.171	0.240	-	-	-	32.931	33.171	0.240
MECS/Telecare/Telehealth	0.593	0.493	(0.100)	-	-	-	0.593	0.493	(0.100)
Equipment & Adaptations	0.406	0.353	(0.053)	-	-	-	0.406	0.353	(0.053)
Housing Aids & Adaptations	1.200	1.251	0.051	-	-	-	1.200	1.251	0.051
Improvement Grants	0.427	0.436	0.009	-	-	-	0.427	0.436	0.009
Garden Aid	0.489	0.453	(0.036)	-	-	-	0.489	0.453	(0.036)
Community Based AHP Services	-	-	-	6.523	6.352	(0.171)	6.523	6.352	(0.171)
Care of Elderly Provided Outwith a Hospital	-	-	-	1.136	1.015	(0.121)	1.136	1.015	(0.121)
District Nursing	-	-	-	4.341	4.362	0.021	4.341	4.362	0.021
Community Nursing Services	-	-	-	0.126	0.126	-	0.126	0.126	-
Palliative Care	-	-	-	0.082	0.077	(0.005)	0.082	0.077	(0.005)
	<b>36.046</b>	<b>36.157</b>	<b>0.111</b>	<b>12.208</b>	<b>11.932</b>	<b>(0.276)</b>	<b>48.254</b>	<b>48.089</b>	<b>(0.165)</b>
<b>Residential/Building Based Services</b>									
Community Hospitals	-	-	-	5.811	6.492	0.681	5.811	6.492	0.681
Residential Care	21.254	22.225	0.971	-	-	-	21.254	22.225	0.971
Housing with Care/Sheltered Accommodation	1.204	1.319	0.115	-	-	-	1.204	1.319	0.115
	<b>22.458</b>	<b>23.544</b>	<b>1.086</b>	<b>5.811</b>	<b>6.492</b>	<b>0.681</b>	<b>28.269</b>	<b>30.036</b>	<b>1.767</b>
<b>Mental Health Services</b>									
Mental Health Inpatient Services	-	-	-	6.564	6.999	0.435	6.564	6.999	0.435
Community Mental Health	1.226	0.933	(0.293)	5.795	5.536	(0.259)	7.021	6.469	(0.552)
Addiction Services	-	-	-	2.986	2.830	(0.156)	2.986	2.830	(0.156)
	<b>1.226</b>	<b>0.933</b>	<b>(0.293)</b>	<b>15.345</b>	<b>15.365</b>	<b>0.020</b>	<b>16.571</b>	<b>16.298</b>	<b>(0.273)</b>
<b>Respite &amp; Carers Support</b>									
Respite Care	1.292	1.108	(0.184)	-	-	-	1.292	1.108	(0.184)
Carers	0.464	0.068	(0.396)	-	-	-	0.464	0.068	(0.396)
	<b>1.756</b>	<b>1.176</b>	<b>(0.580)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.756</b>	<b>1.176</b>	<b>(0.580)</b>
<b>Other Care Services</b>									
Assessment & Care Planning	4.092	4.097	0.005	-	-	-	4.092	4.097	0.005
Day Care Services	4.608	4.448	(0.160)	-	-	-	4.608	4.448	(0.160)
Community Learning Disability	0.942	0.854	(0.088)	0.842	0.637	(0.205)	1.784	1.491	(0.293)
Adult Support & Protection	0.101	0.083	(0.018)	-	-	-	0.101	0.083	(0.018)
Sensory Team & Resource Centre	0.469	0.396	(0.073)	-	-	-	0.469	0.396	(0.073)
Voluntary Organisations	0.679	0.640	(0.039)	-	-	-	0.679	0.640	(0.039)
Public Health Promotion	-	-	-	1.335	1.192	(0.143)	1.335	1.192	(0.143)
Continence Services	-	-	-	0.197	0.174	(0.023)	0.197	0.174	(0.023)
Public Dental Service	-	-	-	1.059	1.116	0.057	1.059	1.116	0.057
	<b>10.891</b>	<b>10.518</b>	<b>(0.373)</b>	<b>3.433</b>	<b>3.119</b>	<b>(0.314)</b>	<b>14.324</b>	<b>13.637</b>	<b>(0.687)</b>
<b>Joint Partnership</b>									
Advocacy	0.096	0.088	(0.008)	-	-	-	0.096	0.088	(0.008)
Joint Loan Equipment Store	0.370	0.295	(0.075)	-	-	-	0.370	0.295	(0.075)
Joint Partnership Agreements	-	-	-	1.828	1.987	0.159	1.828	1.987	0.159
Resource Transfer	-	-	-	11.325	11.325	-	11.325	11.325	-
	<b>0.466</b>	<b>0.383</b>	<b>(0.083)</b>	<b>13.153</b>	<b>13.312</b>	<b>0.159</b>	<b>13.619</b>	<b>13.695</b>	<b>0.076</b>
<b>Universal Services</b>									
Prescribing	-	-	-	36.916	38.452	1.536	36.916	38.452	1.536
Primary Care	-	-	-	37.297	37.363	0.066	37.297	37.363	0.066
	<b>-</b>	<b>-</b>	<b>-</b>	<b>74.213</b>	<b>75.815</b>	<b>1.602</b>	<b>74.213</b>	<b>75.815</b>	<b>1.602</b>
Set Aside (excluding Mental Health)	-	-	-	19.462	20.443	0.981	19.462	20.443	0.981
Management & Support Costs	0.201	0.205	0.004	0.204	0.204	-	0.405	0.409	0.004
Falkirk Council Spend to Save	0.325	0.325	-	-	-	-	0.325	0.325	-
Use of Partnership Funding	-	-	-	2.865	2.865	-	2.865	2.865	-
Technical Adjustment - Treatment of Reserves	-	-	-	0.489	(0.804)	(1.293)	0.489	(0.804)	(1.293)
<b>TOTAL</b>	<b>73.369</b>	<b>73.241</b>	<b>(0.128)</b>	<b>147.183</b>	<b>148.743</b>	<b>1.560</b>	<b>220.552</b>	<b>221.984</b>	<b>1.432</b>

<b>FALKIRK HEALTH AND SOCIAL CARE PARTNERSHIP</b>
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<b>PROJECTED RESERVES POSITION FOR 2018/19 AS AT 31/03/19</b>
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	OPENING BALANCE	TRANSFERS IN	TRANSFERS OUT/SPEND	CLOSING BALANCE
General Reserve	0.297	0.019	-	0.316
Housing Revenue Account	0.237	-	(0.035)	0.202
Capital Grant	0.088	0.078	(0.088)	0.078
 Sensory Strategy	0.052	-	(0.002)	0.050
Services for Survivors	0.090	0.022	-	0.112
Dementia Innovation Fund	0.100	0.100	-	0.200
British Sign Language Plan	-	0.011	-	0.011
Choose Life	-	0.023	-	0.023
	-			-
Integration Funding	1.430	-	(0.800)	0.630
Partnership Funding	2.408	-	(0.058)	2.350
Leadership Funding	0.617	0.773	-	1.390
 Alcohol & Drugs Partnership	-	0.063	-	0.063
 PC & MH Transformation Funds	0.607	-	(0.129)	0.478
Transforming Urgent Care	0.392	-	(0.147)	0.245
Pharmacy First	0.002		(0.002)	-
Mental Health Innovation Fund	0.112	0.064	(0.112)	0.064
GP Cluster Model	0.058		(0.058)	-
GP Out of Hours Fund	-	0.143	-	0.143
GP Sub Committees	-	0.024	-	0.024
Unscheduled Care	-	0.140	-	0.140
Primary Care Improvement Fund	-	0.419	-	0.419
	<b>6.490</b>	<b>1.879</b>	<b>- 1.431</b>	<b>6.938</b>

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## **Falkirk Integration Joint Board Reserves Strategy**

### **1. INTRODUCTION**

- 1.1 This document outlines the Falkirk Integration Joint Board's (IJB) strategy for developing and holding financial reserves.
- 1.2 The strategy is linked to the IJB's Strategic Plan objectives and financial plan which highlights the financial risks and challenges facing the IJB and its constituent partners. As medium term financial planning is developed, the strategy will need to be revised to ensure alignment.
- 1.3 The strategy will be reviewed annually to ensure all financial changes and challenges facing the IJB and its constituent partners are taken into account in determining the appropriate level of reserves to hold for the future.

### **2. LEGISLATIVE/REGULATORY FRAMEWORK**

- 2.1. The Public Bodies (Joint Working) (Scotland) Act 2014 establishes the framework for the integration of health and social care in Scotland. The Act empowers an IJB to hold reserves subject to an agreed reserves strategy.
- 2.2. As the IJB is considered a Local Authority body under section 106 of the Local Government (Scotland) Act 1973, all relevant legislative and regulatory principles as applied to local authorities have been deemed equally applicable to the IJB.
- 2.3. In Scotland, explicit statutory powers under Schedule 3 of the Local Government (Scotland) Act 1975 permit local authorities to establish a Capital Fund, alongside a requirement to maintain a General Fund Reserve. Within the General Fund Reserve, local authorities are allowed to earmark elements for specific intended purposes.
- 2.4. Local Authority Accounting Practice Bulletin 99 published in July 2014 provides advice from the Chartered Institute of Public Finance and Accountancy in respect of local authority reserves and balances. The principles and good practice examples contained within the Local Authority Accounting Practice bulletin have been applied in developing the proposed reserves strategy for the IJB.
- 2.5. Legislation also places a range of safeguards that help to prevent local authorities over-committing themselves financially as follows:

- The balanced budget requirement, for Scotland this is derived from Section 93 of the Local Government Finance Act 1992 and there is ongoing discussion on whether this is also a requirement for IJBs, albeit it is a prudent approach;
- The Chief Finance Officer's duty to report on robustness of estimates and adequacy of reserves when considering the annual budget requirement;
- The Chief Finance Officer's duty to make arrangements, in addition to having responsibility for the proper administration of the IJB's financial affairs; and
- In line with the "Prudential Code" published by the Chartered Institute of Public Finance and Accountancy, the Chief Finance Officer's duty to have full regard to affordability when making recommendations about future capital programs, including giving due consideration to the level of long term revenue commitments.

### **3. TYPES OF RESERVE**

#### **3.1. Earmarked Reserves**

The purpose of an Earmarked Reserve is to set aside amounts for initiatives that extend beyond one year or as a contingency for a specific situation.

- 3.2. Once an Earmarked Reserve has been established by the IJB, it is the responsibility of the Chief Finance Officer to ensure funds are spent in line with their purpose. The purpose of each Earmarked Reserve should be reviewed annually to ensure that it is still relevant.

#### **3.3. General Reserves**

General Reserves represent non-earmarked elements of the General Fund Reserve. The main purposes of General Reserves in the context of the IJB is to provide a contingency to cushion the impact of emerging or unforeseen events or genuine emergencies.

- 3.4. Given the pressures on public finances now and over the medium term, constituent partners do not currently have the capacity to provide extra resources to provide for General Reserves. When setting an appropriate level of reserves, the IJB must take this into account along with other local factors. Decisions on reserve levels should ultimately be linked to the medium term financial strategy.

#### **3.5. Capital Reserves**

Capital reserves represent monies set aside to meet expenditure of a capital nature, as opposed to day to day expenditure on operational activities. It is unlikely that the IJB will operate such reserves initially.

## **4. PRINCIPLES OF A RISK BASED APPROACH TO RESERVES**

- 4.1. In order to assess the level of reserves, the Chief Finance Officer should take account of the financial and operational risks facing the IJB both in the short and medium to long term. The estimate of these risks should include (but is not limited to):
- The reasonableness of underlying budget assumptions.
  - Inflationary pressures.
  - Realisation of income targets.
  - Trends and current spending patterns.
  - Known future legislative or other regulatory changes.
  - Ability to achieve Strategic Plan objectives.
  - Estimates of likely demand for demand-led budgets.
  - A review of any major risks associated with future years' budgets, including savings delivery.
  - The availability of any revenue contingency budget.
  - Discussions and contributions from constituent partners.
- 4.2. The Chief Finance Officer should develop and implement proper arrangements to manage these risks, including adequate and effective systems of internal control. Decisions on reserves should reflect the short term, medium and long term needs of the IJB.
- 4.3. Part of the risk management process involves taking appropriate action to mitigate or remove risks where this is possible, which in turn may lead to a lower level of reserves being required. A balance will need to be found between maintaining adequate levels of reserves and investing in risk reduction measures. The use of a Risk Sharing Agreement mitigates some of the financial risks for the Partnership, meaning a lower level of reserves is more appropriate for the time being.
- 4.4. Whilst it will primarily be the responsibility of the IJB and its Chief Finance Officer to maintain a sound financial position, external auditors will regularly express their views on the adequacy of the reserves of the IJB for which they carry out the audit function. However, it will not be the responsibility of external auditors to prescribe the optimum or minimum level of reserves to be held.

## **5. MANAGEMENT OF RESERVES**

### **5.1. Overview**

The required levels of Earmarked and General Reserves and their purpose will be agreed as part of the annual budget setting process and reflected in the Strategic Plan agreed by the IJB. The constituent partners will be able to review the levels of reserves held by the IJB as part of this process.

- 5.2. The level of Earmarked and General Reserves to be maintained may change from year to year depending on any changes to the financial risks facing the IJB, and/or resources needed for investment to meet Strategic Plan objectives and budgetary control.



5.3. Any in-year call on General Reserves will generally only be approved to meet the cost of unexpected and unforeseen expenditure, or where an opportunity has arisen which is time limited and/or meets an objective within the Strategic Plan.

5.4. The IJB will allocate resources it receives from the constituent partners in line with the Strategic Plan. In doing this it will be able to use its power to hold Earmarked and General Reserves, so that in some years it may plan for an underspend to build up reserves, and in others to breakeven, or to use a contribution from reserves in line with the Reserve Policy and Strategy.

5.5. **Use of Reserves**

Decisions on the use of General Reserves should take account of the financial and operational risks that could impact on the IJB's position, and should be made in a coordinated and planned way to ensure that best use is made of these resources.

5.6. For this reason it is important that any approval to use General Reserves complies with the IJB's Reserves Strategy and a formal procedure facilitates this process. The application to use General Reserves should be submitted to the IJB for approval.

5.7. With reference to section 8 of the Falkirk Integration Scheme, the following in- year scenarios could impact on any General Reserves held by the IJB:

- **In-Year Overspend on the Operational Integrated Budget** - Where there is a projected overspend against an element of the operational budget, the IJB may decide to increase the payment to the affected body by utilising the balance of the General Reserve of the IJB (if available).
- **In-Year Underspend on the Operational Integrated Budget** - Underspends on either arm of the operational integrated budget should be returned from the relevant constituent partner to the IJB and carried forward through General Reserves (with the exception of underspends that arise due to material differences between assumptions used in setting the payments to the IJB and actual events).

5.8. **Reporting Arrangements for Reserves**

In terms of reporting on Earmarked and General Reserves, all budget reports to the IJB should include from the Chief Finance Officer (where applicable):

- A position statement on Earmarked Reserves. This should include a list of the various Earmarked Reserves and the purposes for which they are held. It should also show the estimated opening balances for the year, planned additions/withdrawals and the estimated closing balances.
- A statement showing the estimated opening General Reserve balance for the year ahead, the addition to/withdrawal from the reserve, and the estimated end of year balance.
- A statement on the adequacy of Earmarked and General Reserves.

## 6. LEVEL OF RESERVES

### 6.1. Earmarked Reserves

Earmarked reserves provide a means of accumulating funds for use in a later financial year to meet known or planned initiatives. As such, the level of any required Earmarked Reserve is likely to be known with reasonable certainty. Given the nature of Earmarked Reserves, it would not be appropriate to set a target or maximum level of reserves. However, the purpose of each Earmarked Reserve should be reviewed annually to ensure that it is still relevant.

### 6.2. General Reserves

There is generally no prescriptive basis for the level of General Reserves that should be held. The level of General Reserves will depend on the financial risks and challenges facing the IJB and its constituent partners, but ideally as a minimum, should be capable of covering all estimated financial risks including contingent liabilities.

6.3. However the pressures on public finances now and over the medium term are intense with the result that the constituent partners do not currently have the capacity to provide extra resources to provide for General Reserves. Therefore, the ability to build up and retain General Reserves for unforeseen events and circumstances will be continue to be difficult.

6.4. Although there is no requirement or expectation placed on the IJB to build up General Reserves, it is still appropriate to at least consider a prudent “target” level of reserves that may be achievable.

6.5. Setting a suitable target level of General Reserves provides its own difficulties. Many of the financial risks impacting on the IJB will be difficult to estimate, and the ability to benchmark other IJB reserve policies and strategies is currently not yet available. Options for reserves on a percentage of budget basis could be as follows:

	£m
2019/20 Budget	221.015
0.125%	0.276
0.20%	0.442
0.25%	0.553
0.50%	1.105
0.75%	1.658
1.00%	2.210

6.6. It is recommended that a target for reserves of £0.440m be set for the IJB. This level of reserves recognises the pressures on the Partners but also the need for the IJB to be able to respond to financial pressures and risks. It also recognizes that the risk sharing agreement mechanism per the Integration Schemes provides some risk mitigation.

6.7. Any change to the target level of reserves should only be made following agreement with the Partners. Any such agreement will be reported to the IJB for approval.

**6.8. Capital Reserves**

It is not anticipated that the IJB will hold a Capital Reserve in the near future.

6.9. The IJB will identify the specific asset requirements to support the Strategic Plan. Where the Chief Officer of the IJB identifies as part of the Strategic Plan new capital investment requirements, a business case should be developed and submitted to all constituent partners to consider.

6.10. Options may include one or more of the constituent partners approving the project from its own capital budget or where appropriate, using the hub initiative. The existing procedures in the constituent partners should be used to consider capital bids and business cases.

**7. CONCLUSIONS**

7.1. Robust financial management and control requires the IJB to give consideration to the holding of General Reserves to provide protection against unforeseen and/or unavoidable costs arising.

7.2. Given the pressures however on the finances of the constituent partners currently and over the medium term, the level of General Reserves must be proportionate and prudent.

7.3. It is recommended that a target level of reserves of £0.440m is set for the IJB. This target will be subject to review as part of future annual budget setting processes and would be expected to increase as integration evolves.

7.4. Where appropriate, Earmarked Reserves will be held to plan for major expenditure or one-off significant payments.

7.5. It is currently not anticipated that the IJB will require to hold a Capital Reserve.

**PUBLIC BODIES (JOINT WORKING) (SCOTLAND) ACT 2014**

**DIRECTION TO FALKIRK COUNCIL**

Direction for Financial Year 2018/19

1. The Integration Joint Board has the authority to make decisions in respect of services commissioned from Falkirk Council ("the Council"). The Integration Joint Board directs the Council in terms of section 26 of the Public Bodies (Joint Working) (Scotland) Act 2014 to carry out each of the functions listed in Annex 2 of the Integration Scheme ("the functions"), subject to the following conditions:-
  - (a) the functions will be carried out consistent with the existing policies of the Council and any relevant decisions of the Council in relation to its revenue budget;
  - (b) the functions will be carried out in a manner consistent with the strategic plan; and
  - (c) no material change will be made to policies (for example eligibility criteria) or service provision (for example Discharge to Assess services) within the functions (with the exception of the function under section 24 of the Local Government and Planning (Scotland) Act 1982) unless agreed by the IJB.
  - (d) any material change to policies or service provision as outlined in (c) must be initiated and discussed through the Leadership Group (agreed by the IJB on 7 October 2016)
2. The IJB will make a payment to the Council of £73.369m to carry out the functions. This includes the agreed use of £0.800m of Integration Funding from IJB reserves.
3. A further £0.123m of reserves will be made available to the Council for Housing Adaptations work.
4. This direction will remain in force until revoked in full or part by the IJB.

Falkirk Integration Joint Board  
7 June 2019

**PUBLIC BODIES (JOINT WORKING) (SCOTLAND) ACT 2014**

**DIRECTION TO FORTH VALLEY HEALTH BOARD**

Direction for Financial Year 2018/19

1. The Integration Joint Board has the authority to make decisions in respect of services commissioned from Forth Valley Health Board ("the Health Board"). The Integration Joint Board directs the Health Board in terms of section 26 of the Public Bodies (Joint Working) (Scotland) Act 2014 to carry out each of the functions listed in Annex 2 of the Integration Scheme ("the functions"), subject to the following conditions:-
  - (a) the functions will be carried out consistent with the existing policies of the Health Board and any relevant decisions of the Health Board in relation to its revenue budget;
  - (b) the functions will be carried out in a manner consistent with the strategic plan; and
  - (c) no material change will be made to policies (for example reablement strategies) or service provision (for example patient pathways) within the functions unless agreed by the IJB.
  - (d) any material change to policies or service provision as outlined in (c) must be initiated and discussed through the Leadership Group (agreed by the IJB on 7 October 2016)
2. The IJB will make a payment to the Health Board of £121.957m to carry out the functions. The Health Board will make use of the sum of £26.026m set aside in relation to Large Hospital Services.
3. The Health Board will pass through £10.852m of Integration Funding to Falkirk Council in line with Scottish Government allocations. £3.744m of funding for the Integrated Care Fund and Delayed Discharge will be allocated in line with the agreed Partnership Funding governance process.
4. This direction will remain in force until revoked in full or part by the IJB.