



REPORT TO: East Lothian Integration Joint Board

MEETING DATE: 27 February 2020

BY: Chief Finance Officer

SUBJECT: Update on the IJB Reserves Position

1 PURPOSE

- 1.1 This report provides an update to the IJB on Reserves held and a reminder of the Reserves Policy. It also looks for support from the IJB to reinvest delegated funding recently disaggregated from a Medicine of the Elderly ward closure on the Western General site into local services to support unscheduled care.

2 RECOMMENDATIONS

- 2.1 The IJB is asked to:
- i. note the contents of this report; and
 - ii. approve the release of East Lothian's share of the NHS Lothian ward 71 budget, to be reinvested locally supporting unscheduled care.

3 BACKGROUND

- 3.1 The Reserves Policy of the IJB was approved by the board in March 2017. Reserves normally comprise funds that are for specific purposes; and funds which are not earmarked for specific purposes but are set aside to deal with unexpected events or emergencies. Reserves are generally held to do three things:
- i. create a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of **general reserves**;
 - ii. create a contingency to cushion the impact of unexpected events or emergencies – this also forms part of **general reserves**;
 - iii. create a means of building up funds, often referred to as **earmarked reserves**, to meet known or predicted liabilities.

- 3.2 There is no guidance on the minimum level of reserves that should be held. The Chartered Institute of Public Finance & Accountancy (CIPFA) guidelines advises that there are many factors when considering appropriate levels of Reserves and that these can only be assessed at a local level. A considerable degree of professional judgement is required, looking at the strategic, operational and financial risk facing the IJB. East Lothian IJB's Reserves Policy sets a prudent level of General Reserves would represent 2% of net expenditure. As net expenditure in 2018/19 was £159,817k, 2% would equate to £3,196k.
- 3.3 In 2018/19 the IJB incurred a surplus of £1,772k and now have a Useable Reserve comprised of General and Earmarked Reserves. The Reserves at 31 March 2019 are split below, £1,077k General Reserves equates to 0.67% of net expenditure in 2018/19.

	£k
Specific	695
General	1,077
Reserves at 31 March 2019	1,772

Table 1: Summary of Reserves

- 3.4 The detailed Reserves breakdown and year to date movement at December 2019/20 is shown below.

Reserves	2019/20	2019/20	2019/20	2019/20
	Opening	Transfers Out	Transfers in	Closing
	£k	£k	£k	£k
Earmarked Reserves				
Primary Care Improvement Fund	219	-219		0
Action 15	164	-164		0
Alcohol and Drugs	312	-312		0
Committed Project Funds	695	-695	0	0
General Reserves	1,077	0	28	1,105
Total	1,772	-695	28	1,105

Table 2: Reserves Breakdown

- 3.5 Within 2019/20 the Earmarked Reserves have been released into operational budgets to deliver committed investments plans. The IJB also has some earmarked funding sitting with Scottish Government which are not anticipated to be used in 2019/20 and remain with Scottish Government for these specific investment plans for draw down by East Lothian in future years.

3.6 Within General Reserves an additional £28k has been added in year, £28k relates to the closure of Ward 71 at the Western General Hospital (£67k full year effect). This was a Medicine of the Elderly ward which is a delegated function of the Integration Authorities; therefore the budget attached to the closure of the ward is released back to the IJBs. East Lothian IJB have this funding in their Reserve and have sought through this paper that this can be utilised locally to ensure that East Lothian can work within this reduced bed footprint for Medicine of the Elderly. If this is agreed the funding will be released from reserves into operational budgets with the HSCP. It's worth noting the funding is recurrent.

4 ENGAGEMENT

4.1 The IJB holds its meetings in public and makes its papers and report available on the internet.

5 POLICY IMPLICATIONS

5.1 There are no new policies arising from this paper.

6 INTEGRATED IMPACT ASSESSMENT

6.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy

7 RESOURCE IMPLICATIONS

7.1 Financial – none

7.2 Personnel – none

7.3 Other – none

8 BACKGROUND PAPERS

8.1 Paper on Reserves Policy to IJB - 30th March 2017

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