

REPORT

Item No:

SUBJECT:	Review of IJB Reserves
TO:	Performance, Finance and Audit Committee
Lead Officer for Report:	Chief Officer
Author(s) of Report	Chief Financial Officer
DATE:	27 August 2019

1. PURPOSE OF REPORT

1.1 This paper is coming to the Performance, Finance and Audit Committee (PFA):

For approval	<input type="checkbox"/>	For endorsement	<input checked="" type="checkbox"/>	For noting	<input type="checkbox"/>
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1.2 This report provides an update on the review of the North Lanarkshire Integration Joint Board (IJB) reserves.

2. ROUTE TO THE PERFORMANCE, FINANCE AND AUDIT COMMITTEE

2.1 This paper has been:

Prepared By; Chief Financial Officer	Reviewed By; Interim Chief Officer
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3. RECOMMENDATIONS

3.1 The PFA is asked to agree the following recommendations:

- (1) Note the contents of the report;
- (2) Endorse the outcome of the review of the IJB reserves to date; and
- (3) Note that the proposed changes to reserves will be submitted to the IJB on 24 September 2019 for approval.

4. VARIATIONS TO DIRECTIONS

Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>	N/A	<input type="checkbox"/>
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Subject to the decisions of the IJB, the directions to each of the partners will be updated.

5. BACKGROUND/SUMMARY OF KEY ISSUES

5.1. Following the IJB on 12th June 2019, a review of all reserves has been undertaken. This report provides an update on the progress to date and summarises the proposed changes at this stage which will be submitted to the IJB on 24th September 2019 for formal approval.

5.2 The Head of Financial Solutions of NLC and the Director of Finance of NHSL will both be consulted on the proposals for the realignment of the IJB reserves to contingency reserves and on the implications of the update to the financial planning assumptions for the IJB Financial Plan 2019/2020.

6. CONCLUSIONS

- 6.1 The allocation of funding to reserves was reviewed by the Chief Financial Officer in consultation with both partners. The proposed realignment of IJB reserves to contingency reserves totalling £0.884m will be presented to the IJB on 24 September 2019 for approval.

7. REVIEW OF RESERVES PROPOSALS 2018/2019

- 7.1 The reserves balances at 31 March 2019 are detailed on the attached appendix and were originally allocated as follows:

Ring-fenced reserves	£2.421m	15%
Ear-marked reserves	£5.022m	31%
Risk-based reserves	£8.487m	53%
Contingency reserves	£0.053m	0%
Total	£15.983m	100%

- 7.2 The IJB reserves as at 31 March 2019 are represented by debtors balances as follows:

Amount held by NHSL	£9.823m
Amount held by NLC	£6.160m
Total	£15.893m

- 7.3 On conclusion of the allocation of the 2019/2020 inflationary uplift funding for health care services, the NHSL Depute Director of Finance has advised that recurring budgets can be established for the planned IT commitments, the Winter Plan Fund, the contribution to the Decontamination Post for Nursing Services and the Nurse Leadership Professional Capacity.

7.3.1 The IJB Financial Plan for 2019/2020 recognised projected cost pressures in respect of planned IT developments totalling £0.429m (2019/2020 – £0.168m; 2020/2021 - £0.168m and 2021/2022 - £0.093m). A recurring budget can be established for £0.168m in order to address this planned cost commitment. The establishment of the non-recurring reserve was required initially to ensure the IJB's contribution to the planned IT developments could be met however it was recognised that a recurring funding solution had to be identified to support recurring cost commitments beyond year 3. The ability to establish the recurring budget earlier allows the IJB to realign the original three earmarked reserves.

It is therefore proposed that £0.429m is realigned to the contingency reserve.

7.3.2 The IJB Financial Plan for 2019/2020 recognised projected social care and health care cost pressures in respect of the winter planning arrangements totalling £0.367m. As above, a recurring budget can be established for £0.367m in order to address this planned cost commitment. The establishment of the non-recurring reserve was required initially to ensure the IJB's contribution to the Winter Plan Fund could be met in 2019/2020 however it was recognised that a recurring funding solution had to be identified to support this recurring cost commitment each year thereafter. The ability to establish the recurring budget earlier allows the IJB to realign the original earmarked reserve.

It is therefore proposed that £0.367m is realigned to the contingency reserve.

7. REVIEW OF RESERVES PROPOSALS 2018/2019 (CONT.)

7.3.3 In respect of the earmarked reserves to contribute to the Decontamination Post within Nursing Services (£0.016m) and the Nurse Leadership Professional Capacity (£0.072m), a recurring budget has been confirmed by the NHSL Depute Director of Finance.

It is therefore proposed that £0.088m is realigned to the contingency reserve.

7.4 At the meeting on 12th June 2019, the IJB approved that the balance of the Self Directed Support Strategy reserve (ref. 48 on the appendix) totalling £3.214m would be maintained pending the outcome of the emerging case law in respect of sleepover costs which is anticipated in November 2019.

7.4.1 This reserve was originally established due to the potential significant financial risk to the partnership as a result of the ongoing uncertainty over the case law linked to sleepover rates. This has been a complex process and staff have actively worked with external providers to confirm amounts due and process payments accordingly.

7.4.2 Although not involved in the pending court case in respect of sleepover rates, an outcome is anticipated in November 2019. This may result in additional costs for all local authorities including North Lanarkshire Council. Depending on the outcome of the pending case, there may also be recurring financial implications which will require to be addressed as part of the medium to long term financial plan.

7.4.3 The amount and timing of any potential further payments therefore is not yet known at this stage. Maintaining this earmarked (risk-based) reserve for this purpose will provide a reserve to mitigate this specific risk. The outcome of the court case however may allow the IJB to conclude that all payments have been met and that no further payments are required. This would allow this risk-based reserve to be released and realigned.

7.5 The amount of reserves which each partner has drawn down to date is detailed in the attached appendix and totals £4.346m. The Chief Financial Officer and the partners will continue to monitor the planned expenditure on reserves to take advantage of further reductions in costs, if any. At this stage, each partner has advised that the remaining ring-fenced, ear-marked and risk-based reserves continue to be required. The PFA is therefore asked to note that the reserve balances totalling £11.637m will continue to be available for the purposes already approved by the IJB as, to date, the circumstances which necessitated their original establishment have not changed.

7.6 It is good financial management to maintain a contingency reserve. Subject to the approval of the IJB on 24th September 2019, following the review of reserves, the contingency reserve would increase by £0.884 from £0.053m to £0.937m.

7.7 Each partner has been asked to provide an early indication of the projected outturn for 31 March 2020. Each partner has also been asked to implement arrangements to identify new reserves as soon as it becomes apparent that in-year funding will not be spent before the year-end and will need to be carried forward. This will further improve the reliability of the financial planning process and facilitate improved scrutiny of reserve proposals in advance of the financial year-end.

7. REVIEW OF RESERVES PROPOSALS 2018/2019 (CONT.)

7.8 Cost pressures are emerging in 2019/2020. These include:

- Ongoing demand for care home placements, home support services and the provision of equipment and adaptations.
- Volatility around prescribing costs in particular from October 2019 onwards depending on the impact of the EU withdrawal.
- Slippage in the implementation of 2019/2020 savings, particularly across social care services.

7.9 The increase in the contingency reserve will help to manage in-year cost pressures. In the absence of a sufficient contingency reserve to fully offset cost pressures, reliance will require to be placed on the Integration Scheme and the IJB Financial Regulations which set out the options for addressing overspends as follows:

7.9.1 The development of a budget recovery plan for 2019/2020 which includes management actions agreed with the relevant partner(s) as appropriate. The budget recovery plan will include:

- the identification of expenditure which can be reduced or avoided;
- the ongoing review of reserve commitments; and
- the early implementation of agreed savings, if feasible, which could generate a non-recurring beneficial financial impact in-year.

7.9.2 An additional contribution from the partner(s). It is important to note that both partners are managing a range of significant cost pressures across non-IJB services.

7.10 Notwithstanding the development of a budget recovery plan for 2019/2020, the underlying cost pressures particularly across social care services require to be considered and addressed. The Chief Officer and the Chief Financial Officer are progressing this with the Chief Executive and Head of Financial Solutions in North Lanarkshire Council, in consultation with the Chief Executive and Director of Finance of NHS Lanarkshire.

7.11 The IJB were also previously advised that the relevant budget holders would be asked to confirm to the next meeting of the Performance, Finance and Audit Committee on 27 August 2019 the exit strategy when the reserve is fully spent including the impact on service delivery and performance targets. This is particularly relevant if the reserve has been relied on as a non-recurring funding solution for a recurring cost pressure. This work has not yet been concluded and is ongoing.

7.12 Pending IJB approval, the original reserves balances would be re-allocated as follows:

Ring-fenced reserves	£2.300m	20%
Ear-marked reserves	£2.305m	20%
Risk-based reserves	£6.095m	52%
Contingency reserves	£0.937m	8%
Total	£11.637m	100%

7.13 The reserves balances will continue to be updated on receipt of future financial monitoring reports from each of the partners.

8. IMPLICATIONS

8.1 NATIONAL OUTCOMES

This relates to all nine national outcomes.

8.2 ASSOCIATED MEASURE(S)

The IJB and both partners are required to achieve a balanced budget for each financial year. The identification and implementation of a reserves strategy contributes to this financial strategy.

8.3 FINANCIAL

This paper has been reviewed by Finance:

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input type="checkbox"/>
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8.4 PEOPLE

None.

8.5 INEQUALITIES

EQIA Completed:

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>
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8.6 CARBON MANAGEMENT IMPLICATIONS

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>
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9. BACKGROUND PAPERS

None.

10. APPENDICES

Reserves Position Statement As At June / July 2019

Appendix



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CHIEF OFFICER (or Depute)

Members seeking further information about any aspect of this report, please contact Marie Moy on telephone number 01698 453709.

Ref	Useable Reserve	Balance as at 31 March 2018	Transfers Out	Transfers To Contingency	Transfers From Contingency	Transfers In	Balance as at 31 March 2019
		£m	£m	£m	£m	£m	£m
	Ring-fenced Reserves						
1	Addictions (ADP Funding 2018/2019)	1.092					1.092
2	Alcohol and Drug Partnership Fund	0.045					0.045
3	Family Nurse Partnership	0.273					0.273
4	Mental Health Improvement Fund	0.235					0.235
5	Mental Health and Learning Disability Services - Action 15	0.224					0.224
6	Children and Adult Mental Health Services	0.122					0.122
7	Children and Adult Mental Health Services	0.026					0.026
8	Children and Adult Mental Health Services	0.005					0.005
9	Veteran's First Point	0.136	(0.086)				0.050
10	Mental Health and Learning Disability Services	0.090					0.090
11	Mental Health and Learning Disability Services	0.082					0.082
12	Mental Health and Learning Disability Services	0.041					0.041
13	Medical Director	0.035	(0.035)				0.000
14	Mental Health and Learning Disability Services	0.015					0.015
	Ring-fenced Reserves Total	2.421	(0.121)	0.000	0.000	0.000	2.300

	Earmarked Reserves	£m	£m	£m	£m	£m	£m
15	Health Visiting Training	0.584	(0.260)				0.324
16	Palliative Care Services	0.569	(0.569)				0.000
17	Social Care Contract Monitoring Staff	0.249	(0.125)				0.124
18	Social Care Contracting Staff (Quality Assurance Services)	0.186	(0.093)				0.093
19	Planned IT Development 2019/2020	0.168		(0.168)			0.000
20	Planned IT Development 2020/2021	0.168		(0.168)			0.000
21	Planned IT Development 2021/2022	0.093		(0.093)			0.000
22	Self Directed Support Programme	0.300	(0.300)				0.000
23	Integrated Support Worker	0.247	(0.070)				0.177
24	Training Fund	0.246					0.246
25	Adaptations Fund	0.243	(0.243)				0.000
26	Area Wide Services - Pharmacy	0.223					0.223
27	Community Alarm Services	0.220	(0.220)				0.000

28	Sexual Health Services	0.218					0.218
29	IT Federated Trust Environment Strategy	0.214					0.214
30	Financial Inclusion Service	0.207	(0.205)				0.002
31	School and District Nursing Training	0.125					0.125
32	Area Wide Services - Health Promotion	0.123					0.123
33	Nursing Services - Extend Health Improvement Unit	0.075					0.075
34	Nurse Leadership Professional Capacity	0.072		(0.072)			0.000
35	Administration Support Services	0.071					0.071
36	Community Assessment and Rehabilitation Service	0.065					0.065
37	Winter Plan - Extension of Discharge to Assess pilot	0.060	(0.050)				0.010
38	Motherwell Rehabilitation Team Leadership	0.058					0.058
39	Carer's (Scotland) Act 2016 Programme	0.035	(0.035)				(0.000)
40	Area Wide Services - Primary Care (iHUB Project NES funding)	0.034					0.034
41	Nursing Services - Adoption leave cover	0.032					0.032
42	Nursing Services - Patient safety posts	0.032					0.032
43	Independent Living Project	0.030	(0.030)				0.000
44	Test of Change - High Intensity Service Users	0.027					0.027
45	Nursing Services - Solihull training	0.018					0.018
46	Contribution to Decontamination Post	0.016		(0.016)			0.000
47	Nursing Services Mental Health PDN Upgrade Band 6 to 7	0.014					0.014
	Earmarked Reserves Total	5.022	(2.200)	(0.517)	0.000	0.000	2.305

	Earmarked (Risk-based) Reserves	£m	£m	£m	£m	£m	£m
48	Self Directed Support Strategy	3.214					3.214
49	Prescribing Fund	2.881					2.881
50	Financial Plan Contingency 2019/2020	2.025	(2.025)				0.000
51	Winter Plan	0.367		(0.367)			0.000
52	Earmarked (Risk-based) Reserves Total	8.487	(2.025)	(0.367)	0.000	0.000	6.095

53	Contingency Fund Total	0.053		0.884			0.937
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	General Fund Total	15.983	(4.346)	0.000	0.000	0.000	11.637
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