

Meeting of South Ayrshire Health and Social Care Partnership	Integration Joint Board	
Held on:	12th June 2024	
Agenda Item:	14	
Title:	IJB Reserves Strategy Update	
Summary:		
The purpose of the report is to present to the Integrated Joint Board (IJB) the updated IJB Reserves strategy as attached at Appendix 1, for approval.		
Author:	Lisa Duncan, Chief Finance Officer	
Recommendations:		
It is recommended that the Integration Joint Board		
<ul style="list-style-type: none"> i. Approve the updated Reserves Strategy detailed in Appendix 1; and ii. Note the content of this report 		
Route to meeting:		
Budget Working Group – 5th June 2024		
Directions:		Implications:
1. No Directions Required <input type="checkbox"/>		Financial <input type="checkbox"/>
2. Directions to NHS Ayrshire & Arran <input type="checkbox"/>		HR <input type="checkbox"/>
3. Directions to South Ayrshire Council <input type="checkbox"/>		Legal <input type="checkbox"/>
4. Directions to both SAC & NHS <input type="checkbox"/>		Equalities <input type="checkbox"/>
		Sustainability <input type="checkbox"/>
		Policy <input type="checkbox"/>
		ICT <input type="checkbox"/>

IJB RESERVES STRATEGY - UPDATED

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present to the Integrated Joint Board (IJB) the updated IJB Reserves Strategy as attached at Appendix 1, for approval.

2. RECOMMENDATION

2.1 It is recommended that the Integration Joint Board

- i. Approve the updated Reserves Strategy detailed in Appendix one; and**
- ii. Note the content of the report and recommendations.**

3. BACKGROUND INFORMATION

- 3.1 The updated Reserves Strategy aligns with Chartered Institute of Public Finance and Accountancy (CIPFA) guidance to local authorities and similar bodies in the form of the Local Authority Accounting Panel (LAAP) Bulletin 55 – Guidance Note on Local Authority Reserves and Balances. This guidance outlines the framework for reserves, the purpose of reserves and key issues to be considered when determining the appropriate level of reserves.

- 3.2 South Ayrshire Integration Joint Board (IJB) is classified as a Section 106 body under the Local Government (Scotland) Act 1973 and as such, it is able to hold reserves which should be accounted for in the financial accounts and records of the IJB. The purpose of the Reserves Strategy is to:

- Outline the statutory and regulatory framework underpinning the creation, use or assessment of the adequacy of reserves;
- Identify the principles to be employed by the IJB in assessing the adequacy of the IJB's reserves;
- Indicate how frequently the adequacy of the IJB's reserves and balances will be reviewed; and
- Set out arrangements relating to the creation, amendment and use of reserves and balances.

- 3.3 Integrated Joint Boards are permitted to establish reserve funds as part of their responsibility for ensuring that sound financial management arrangements are in place. The purposes of reserve funds are as follows:

- As a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing;
- As a contingency to mitigate against the impact of unexpected events or emergencies; and
- As a means of building up funds to meet known or anticipated future commitments

- 3.4 There are no significant changes to the previous reserves strategy approved by the IJB on the 24th March 2021 other than the level of balances held as outlined in report Section 4.1 below.
- 3.5 The IJB Reserves Strategy references the IJB Financial Regulations updated in August 2023.

4. LEVEL OF BALANCES HELD

- 4.1 CIPFA recommend that reserves balances should be between 2% and 4% of revenue expenditure. The IJB should, therefore, in total, hold no more than 4% of annual revenue expenditure as desirable balances. Where balances are significantly in excess of this or not identified for future anticipated liabilities or projects, the IJB may consider transfer of the excess to fund specific projects. In the event that the IJB is unable to identify appropriate projects excess balances may, with IJB approval, transfer to partners in the same proportion as individual parties contribute to joint pressures.
- 4.2 While there is no defined level of reserves to be held, South Ayrshire Councils approved financial strategy states that the Council should aim to maintain uncommitted reserves at a minimum of 2% of the following year's net expenditure to meet the potential cost of unforeseen liabilities. The IJB will aspire to hold at least 2% of annual budgeted expenditure as general fund balances. This clearly needs to be balanced within the wider financial and strategic planning context.
- 4.3 To put this into context a minimum of 2% reserve of the 2024-25 base budget of £211.795m, would be £4.236m and maximum 4% would be £8.472m.
- 4.4 There is a high level of uncertainty within the health and social care financial environment, for example Scottish Government non-recurring financial allocations to implement NHS Pay Reform this includes reducing the working week and known cost pressures within prescribing budgets.
- 4.5 Within South Ayrshire the ageing population is higher than other IJB areas, impacting on demand for services, and need to constantly review services focussing on reducing levels of demand, and keeping people healthier for longer through early intervention and prevention.
- 4.6 The levels of care needs are more complex, where a small number of high-cost complex care packages within services can impact budgets negatively very quickly. With underspends obliterated and replaced with overspends.
- 4.7 It is therefore prudent and good financial management that the IJB should keep a healthy uncommitted reserve closer to the 4%, to mitigate against financial uncertainty.

5. STRATEGIC CONTEXT

5.1 The IJB is expected to operate within the resources available. This report contributes to the IJB Strategic Priorities “we are an ambitious and effective partnership”, and “we make a positive impact beyond services we deliver.”

6. IMPLICATIONS

6.1 Financial Implications

6.1.1 The financial implications for the IJB Integrated Budget are outlined within the report. The report is to approve the Reserves Strategy. This will ensure that the IJB can continue to operate under public best practice governance arrangements. The creation and review of the Reserves fund will be presented as part of the annual accounts process.

6.2 Human Resource Implications

6.2.1 There are no human resource implications arising from this report.

6.3 Legal Implications

6.3.1 The approval of the Reserves Strategy for the IJB ensures compliance with the terms of the Integration Scheme.

6.4 Equalities implications

6.4.1 There are no equality implications arising from this report.

6.5 Sustainability implications

6.5.1 There are no sustainability implications arising from this report.

6.6 Clinical/professional assessment

6.6.1 The report has been completed by the IJB Chief Finance Officer in their professional role as officer to the IJB.

7. CONSULTATION AND PARTNERSHIP WORKING

7.1 Provide details of any consultation that has taken place on the report contents and recommendations.

7.2 Summarise any partnership working involved in the preparation of the report.

8. RISK ASSESSMENT

8.1 The Reserves Strategy is a key component of management of financial and operational risk through robust financial governance, financial managements and systems of internal control.

REPORT AUTHOR AND PERSON TO CONTACT

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APPENDICES

Appendix 1 – IJB Reserves Strategy

28th May 2024