

Meeting of South Ayrshire Health and Social Care Partnership	Performance and Audit Committee	
Held on	5th March 2021	
Agenda Item:	7	
Title:	IJB Reserves Strategy - Updated	
Summary:		
<p>The purpose of the report is to present to the Performance and Audit Committee the updated IJB Reserves strategy as attached at Appendix 1, ahead of approval by the IJB.</p>		
Author:	Lisa Duncan, Chief Finance Officer	
Recommendations:		
<p>It is recommended that the Performance and Audit Committee</p> <ul style="list-style-type: none"> i. Review the updated Reserves Strategy detailed in Appendix 1 and recommend this for approval by the IJB; and ii. Note the content of the report. 		
Route to meeting:		
<p>Finance and Performance DMT – 1st of Feb 2021 Budget Working Group – 4th Feb 2021 Performance and Audit – 5th March 2021 Integrated Joint Board – 24th March 2021</p>		
Directions:		Implications:
1. No Directions Required	x	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 the report is to present to the Performance and Audit Committee the updated IJB Reserves strategy as attached at [Appendix 1](#), ahead of approval by the IJB.

2. RECOMMENDATION

2.1 It is recommended that the Performance and Audit Committee:

- i. Review the updated Reserves Strategy detailed in Appendix 1 and recommend this for approval by the IJB; and**
- ii. Note the content of the report.**

3. BACKGROUND INFORMATION

- 3.1 The IJB Reserves Strategy was approved by the IJB in 2015 and is refreshed on an annual basis. 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 strategy other than the level of balances held as outlined in report Section 4.1 below.

3.5 The IJB Reserves Strategy will be reviewed on an annual basis as part of the budget process.

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 2% reserve of the 2020-21 base budget of £166.105m, would be £3.322m.

5. STRATEGIC CONTEXT

- 5.1 The report meets the IJB's current Strategic Plan Objectives to manage resources effectively, making best use of our integrated capacity.

6. IMPLICATIONS

6.1 Financial Implications

- 6.1.1 This 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 Not applicable.

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 There is no requirement for a clinical/professional assessment.

7. CONSULTATION AND PARTNERSHIP WORKING

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

8. RISK ASSESSMENT

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

REPORT AUTHOR AND PERSON TO CONTACT

Name: Lisa Duncan

Phone number: 01292-612392

Email address: lisa.duncan2@south-ayrshire.gov.uk

BACKGROUND PAPERS

None

26th January 2021