



PERTH & KINROSS INTEGRATION JOINT BOARD

20 MARCH 2024

UPDATE TO IJB RESERVES POLICY

Report by Chief Finance Officer
(Report No. G/24/46)

PURPOSE OF REPORT

The Integration Joint Board's (IJB) reserves policy was written in March 2017. This policy has been reviewed and updated to reflect the revised IJB scheme of delegation and the current governance structures. This review is presented to the IJB for consideration and approval.

1. RECOMMENDATIONS

It is recommended that the Perth & Kinross Integration Joint Board:

- i. consider and approve the updated IJB Reserves Policy
- ii. notes that the reserves policy will be reviewed by December 2026

2. SITUATION/BACKGROUND/MAIN ISSUES

- 2.1 The IJB's Reserves Policy was approved by the IJB at the meeting of 24 March 2017. This policy has been reviewed and updated considering current issues and best practice with minor changes proposed.
- 2.2 Perth & Kinross IJB operates under the same legal framework as a local authority in respect of accounts and audit in terms of Part VII of the Local Government (Scotland) Act 1973 and is therefore able to hold reserves. The IJB's financial regulations (6.11) (March 2016, revised March 2024) specify the requirement for a Reserves Policy, the current policy was approved by the IJB in March 2017.
- 2.3 Reserves are required to be considered and managed to provide security against unexpected cost pressures and aid financial stability. To assist in this regard, the Chartered Institute of Public Finance and Accountancy (CIPFA) have issued guidance in the form of [CIPFA Bulletin 13– Local Authority Reserves and Balances](#).

This guidance, published in March 2023, provides guidance on the establishment and maintenance of local authority reserves and balances.

- 2.4 The purpose of a reserve policy is to:
- i. outline the legislative and regulatory framework underpinning the creation, use or assessment of the adequacy of reserves.
 - ii. identify the principles to be employed by the IJB in assessing the adequacy of the IJB's reserves.
 - iii. indicate how frequently the adequacy of the IJB's balances and reserves will be reviewed; and
 - iv. set out arrangements relating to the creation, amendment and use of reserves and balances.
- 2.5 The IJB uses its resources in line with the Strategic Commissioning Plan and associated Strategic Financial Plan. The IJB will be able to use its powers to hold reserves so that in some years it may plan for a contribution to build up reserve balances or use a contribution from reserves in line with the reserve policy. The IJB may build up reserves year on year because of unanticipated underspends or the need to ring fence certain funding due to Scottish Government stipulations for specific multi-year commitments.

3. PROPOSALS

- 3.1 The Chief Finance Officer is responsible for determining the appropriate accounting policies of the Integration Joint Board, and this includes its policy in relation to the holding and use of reserves. This policy sets out the level of reserves required and their purpose. This aspect of the policy has been reviewed and no changes are proposed to the optimum level of reserves that the IJB should aspire to hold.
- 3.2 The IJB allocates the resources it receives from NHS Tayside and Perth & Kinross Council in line with the Strategic Commissioning Plan. In doing this it makes use its power to hold reserves so that in some years it may plan for a contribution to build up reserve balances, in others to break even, or to use a contribution from reserves in line with the reserve policy. This flexibility is integral to the IJB's financial plan.
- 3.3 It is important for the long-term financial stability of both the IJB and of the parent bodies that sufficient usable funds are held in reserve to manage unanticipated expenditure requirements as they occur. Similarly, it is also important that in-year funding available for specific projects and government priorities can be earmarked and carried forward into the following financial year. This can be either in whole or in part, to allow for the spend to be committed and managed in a way which represents best value for the IJB in its achievement of the national outcomes.
- 3.4 The main revisions to this version of the financial regulation are as follows:
- i. Updating references to the latest CIPFA guidance.
 - ii. Clarifying that the only reserve held by the IJB is the General Fund.
 - iii. Updating references to reflect the update to the Integration Scheme of 2022.
 - iv. Specifying the accounting treatment for funding expenditure from reserves.

4. FINANCIAL IMPLICATIONS

There are no financial implications arising from the review of the Reserves Policy

5. DIRECTIONS

The Integration Joint Board requires a mechanism to action its strategic commissioning plans and this is provided for in Section 26 to 28 of the Public Bodies (Joint Working) (Scotland) Act 2014. This mechanism takes the form of binding directions from the Integration Joint Board to one or both of Angus Council and NHS Tayside.

Direction Required to Perth & Kinross Council, NHS Tayside, or Both	Direction to:
No Direction Required	X
Perth & Kinross Council	
NHS Tayside	
Perth & Kinross Council and NHS Tayside	

6. CONCLUSION

6.1 Perth & Kinross IJB operates under the same legal framework as a local authority for the purposes of accounting and audit and is therefore permitted to maintain reserves. Planning for and maintaining appropriate levels of reserves is a key aspect of the financial management of the IJB ensuring its sustainability and that of its parent bodies by allowing it to manage unanticipated pressures from year to year. The use of reserves to earmark funding and carry it forward into future financial years also allows the IJB to ensure that funding is used in a manner that delivers best value and best meets local and national outcomes.

6.2 The reserves policy was approved by the IJB in March 2017. The policy has been reviewed and minor changes are proposed to clarify some aspects and to update the references to external guidance and revised IJB governance documents.

Author(s)

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Appendices

Appendix 1 – Revised reserves policy

Appendix 2 – Current reserves policy (2017)

NOTE: No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information), were relied on to any material extent in preparing this report.

1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

The undernoted table should be completed for all reports. Where the answer is 'yes', the relevant section(s) should also be completed. Where the answer is 'no', the relevant section(s) should be marked 'not applicable (n/a)'.

Strategic Implications	Yes / None
HSCP Strategic Commissioning Plan	Yes
Transformation Programme	None
Resource Implications	
Financial	None
Workforce	None
Assessments	
Equality Impact Assessment	Yes
Risk	None
Other assessments (enter here from para 3.3)	None
Consultation	
External	None
Internal	Yes
Legal & Governance	
Legal	None
Clinical/Care/Professional Governance	None
Corporate Governance	None
Directions	
Communication	
Communications Plan	

1. Strategic Implications

1.1 Strategic Commissioning Plan

- 1 *prevention and early intervention, N/A*
- 2 *person centred health, care and support, N/A*
- 3 *work together with communities, N/A*
- 4 *inequality, inequity and healthy living, N/A*
- 5 *best use of facilities, people and resources* – No significant changes are proposed to the IJB's Reserves Policy. Planning for and maintaining appropriate levels of reserves is a key aspect of the financial management of the IJB ensuring its sustainability and that of its parent bodies by allowing it to manage unanticipated pressures from year to year. The use of reserves to earmark funding and carry it forward into future financial years also allows the IJB to ensure that funding is used in a manner that delivers best value and best meets local and national outcomes.

2. Resource Implications

2.1 Financial

N/A

2.2 Workforce

N/A

3. **Assessments**

3.1 Equality Impact Assessment

Under the Equality Act 2010, PKC and NHS Tayside are required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the HSCP to demonstrate that it is meeting these duties.

The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as **not relevant** for the purposes of EqIA

3.2 Risk

N/A

3.3 Other assessments

N/A

4. **Consultation – Patient/Service User first priority**

4.1 External

N/A

4.2 Internal

The HSCP Chief Officer and members of EMT have been consulted in the preparation of this report.

4.3 Impact of Recommendation

N/A

5. **Legal and Governance**

5.1 N/A

6. **Directions**

N/A

7. **Communication**

N/A

8. BACKGROUND PAPERS/REFERENCES

N/A

9. APPENDICES

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Appendix 2 – Current reserves policy (2017)