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**REPORT TO: MORAY INTEGRATION JOINT BOARD ON 25 JANUARY 2024**

**SUBJECT: RESERVES POLICY - REVIEW**

**BY: CHIEF FINANCIAL OFFICER**

**1. REASON FOR REPORT**

1.1 To seek approval from the Board on its Reserves Policy.

**2. RECOMMENDATION**

**2.1 It is recommended that the Board:**

- i) approves the Reserves Policy as detailed at Appendix 1; and**
- ii) agrees that the next review will be no later than March 2025.**

**3. BACKGROUND**

3.1 The Public Bodies (Joint Working) (Scotland) Act 2014 empowers Integration Authorities to hold reserves which should be accounted for in their financial accounts.

3.2 The Moray Integration Joint Board (MIJB) is subject to the audit and accounts regulations and legislation of a body under Section 106 of the Local Government (Scotland) Act 1973 and is classified as a local government body for accounts purposes by the Office for National Statistics.

3.3 The MIJB has previously considered the purpose and use of reserves and approved its initial Reserves Policy at a meeting of the Board on 31 March 2016 (para 12 of the minute refers) with updates being prepared for consideration and approval on 25 January 2018 (para 7 of the minute refers), 31 January 2019 (para 8 of the minute refers), 30 January 2020 (para 11 of the minute refers), 27 January 2022 (para 14 of the minute refers) and 26 January 2023 (para 14 of the minute refers). A further review was due no later than March 2024, so the paper and policy at **Appendix 1** is to be considered within the agreed timeframes.

3.4 Reserves are required to be considered and managed to provide security against unexpected cost pressures and financial stability.

#### **4. KEY MATTERS RELEVANT TO RECOMMENDATION**

- 4.1 The MIJB Reserves Policy has been reviewed and it remains extant with no requirement for any amendments at this current time and is presented as **Appendix 1** to this report.
- 4.2 The Reserves Policy outlines the importance of holding reserves for the long term financial stability of the MIJB to manage pressures from year to year. The MIJB Integration Scheme highlights the process to be followed in circumstances where it is anticipating an overspend position in that uncommitted reserves would firstly be used to address any overspend. With the Scheme in mind, by the end of the 2023/24 financial year the MIJB is not expected to hold any remaining uncommitted general reserves.
- 4.3 The funding clawbacks by the Scottish Government in the 2022/23 financial year resulted in a significant decrease in the earmarked reserve for the MIJB of £4.7 million from £17 million in 2021/22. During 2023/24, funding has continued to be drawn-down from these reserves as appropriate.
- 4.4 In reviewing the Reserves Policy it is necessary to consider both the scale of the MIJB responsibilities and the financial climate it is operating within. The Reserves Policy approved by this Board on 31 January 2019 agreed 2% as being the prudent level of general reserve to be held (Para 8 of the minute refers). As the end of the 2023/24 financial year approaches, there is a forecast overspend position from which it is evident that 2% will not be achievable in the short-term. With this in mind, the review of the Reserves Policy has resulted in the percentage of general reserves to be unspecified and that over the medium term, the MIJB should be seeking to 'hold a prudent level of general reserves'.
- 4.5 It will be necessary to ensure that the Reserves Policy is kept under review with the expectation that in future years, an appropriate level of reserves can be maintained.

#### **5. SUMMARY OF IMPLICATIONS**

**(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP)) and Moray Integration Joint Board Strategic Plan 'Moray Partners in Care 2022 – 2032'**

The Integration Scheme sets out the requirement for the MIJB to determine the treatment for underspends and the necessity to detail this within an agreed policy. The Reserves Policy makes appropriate reference to the MIJB Strategic Plan.

**(b) Policy and Legal**

The Public Bodies (Joint Working) (Scotland) Act empowers the MIJB to hold reserves and in doing so requires a strategy to support the process.

**(c) Financial implications**

None arising directly from this report.

- (d) Risk Implications and Mitigation**  
The establishment and maintenance of a Reserves Policy, promotes sound financial management practice and supports good governance.
- (e) Staffing Implications**  
None arising directly from this report.
- (f) Property**  
None arising directly from this report.
- (g) Equalities/Socio Economic Impact**  
None arising directly from this report as there has been no change to policy.
- (h) Climate Change and Biodiversity Impacts**  
None arising directly from this report.
- (i) Directions**  
There are no directions arising from this report.
- (j) Consultations**  
The Chief Officer has been consulted and comments have been incorporated within this report.

## **6. CONCLUSION**

### **6.1 The Reserves Policy continues to be reviewed in line with published guidance and good governance principles.**

Author of Report: Deborah O'Shea, Interim Chief Financial Officer  
Background Papers: with author  
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