



south ayrshire
health & social care
partnership

Integrated Joint Board Reserves Strategy



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Background

The Chartered Institute of Public Finance and Accountancy (CIPFA) issued 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. 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 a 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.

Statutory/ Regulatory Framework for Reserves

South Ayrshire Integration Joint Board (IJB) is a legal entity created by Parliamentary Order following Ministerial approval of the Integration Scheme and has been formally constituted under a body corporate model. The IJB is expected to operate under public sector best practice governance arrangements. The revenue budget for the day to day running costs of the Partnership is delegated by South Ayrshire Council and NHS Ayrshire and Arran (the Parties) and the Partnership subsequently commissions, through the use of Directions, services from these two partner organisations.

On 1 April 2015, the Scottish Government formally approved the Integration Scheme for the South Ayrshire IJB. This includes a section on reserves and balances which states that where an underspend in an element of the operational budget arises from specific management action, this will be retained by the IJB to either fund additional capacity in-year in line with its Strategic Plan or be carried forward to fund capacity in subsequent years of the Strategic Plan subject to the terms of the IJB's Reserves Strategy. Any windfall underspend will be returned to Parties in the same proportion as individual parties contribute to joint pressures.

Reserve Principles

In common with local authorities, the IJB can have reserves within a usable category. Local Government bodies, which includes the IJB for these purposes, may only hold usable reserves for which there is a statutory or regulatory power to do so. The Local Government Scotland Act 1973, includes provision for a General Fund reserve to be created and maintained.

NHS Boards are not permitted to earmark funding allocations for carry-forward as a matter of course.

For each reserve there should be a clear protocol setting out:

- The reason for / purpose of the reserve;
- How and when the reserve can be used;
- Procedures for the reserves management and control; and
- The review timescale to ensure continuing relevance and adequacy.

Financial Regulations for South Ayrshire Health and Social Care Partnership were formally approved by the IJB on 28 October 2015. Section 4.14 of the Financial Regulations highlights that legislation empowers the IJB to hold reserves which should be accounted for in the financial accounts and records of the IJB.

This Reserves Strategy should be read in conjunction with the Financial Regulations of the IJB.

Operation of Reserves

Reserve Funds are established as part of good financial management. The purposes of reserve funds are as follows:

- As a working balance to help cushion the impact of uneven cash flows
- As a contingency to cushion the impact of unexpected events or emergencies and
- As a means of building up funds, often referred to as earmarked reserves, to meet known or predicted liabilities.

The balance of the reserve fund normally comprises three elements:

- Funds that are **earmarked** or set aside for specific purposes. In Scotland, under Local Government accounting rules, the IJB cannot have a separate Earmarked Reserve within the Balance Sheet, but can highlight elements of the General Fund Reserve Balance required for specific purposes. The identification of such funds can be highlighted from a number of sources:
 - Future use of funds for a specific purpose, as agreed by the IJB; or
 - Commitments made under delegated authority by the Chief Officer, which cannot be accrued at specific times (e.g. financial year-end) due to not being in receipt of the service or goods;
- Funds that are **not earmarked** for specific purposes, but are set aside to deal with unexpected events and emergencies; otherwise known as financial planning or unearmarked balance, may be held to meet:
 - Cost of potential commitments that may occur in the short to medium term
 - To fund capacity within service priorities as set out in the Strategic Plan.

Reserves are created by appropriating sums from the General Fund balance to the Movement in Reserves Statement (MiRS). Where a balance has been committed for a

specific purpose and expenditure has been incurred or grant conditions met, a request should be made to the Chief Finance Officer in order that the balance is drawn down and matched to expenditure incurred. The subsequent Financial Management Report to the IJB will note that a budget transfer has taken place.

Where the balance exceeds expenditure incurred, the remaining balance will be reclassified as an unearmarked balance and treated accordingly.

Level of Balances Held

The Chief Finance Officer is responsible for advising the budgeted levels of balances the IJB should aim to hold (the prudential target). The IJB, based on this advise, should then approve the appropriate reserves strategy as part of the budget process.

There is no guidance on the minimum level of reserves that should be held. In determining the prudential target, the Chief Finance Officer is required to take account of the strategic, operational and financial risks facing the IJB over the medium term and the IJB's overall approach to risk management.

In recognition of the scale of the IJB's responsibilities, it is proposed to retain a prudent level of general reserves. The value of general reserves will be reviewed annually as part of the annual budget approval process and development of the Strategic Plan, taking account of the financial environment at that time.

Where it is assumed that the financial environment at the time of setting the budget does not support a prudent level of reserves to be held, this should be reported to the IJB together with an aspirational reserves position.

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.

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.

Review of Balances

The value of other Reserves will be established as part of the annual financial accounts process. Following agreement from Director of Finance (NHS Ayrshire and Arran) and Head of Finance and ICF (Section 95 Officer) of South Ayrshire Council and approval by IJB.

The annual report will provide details of and the reason for retaining existing balances.

Review of Reserves Strategy

The IJB Reserves Strategy will be subject of review annually (in line with IJB budget approval) by the Chief Finance Officer, and where necessary, adjustments will be submitted to the IJB for approval.

This information can be made available, on request, in braille, large print or audio formats and can be translated into a range of languages. Contact details are provided below.

درخواست کرنے پر یہ معلومات ناپینا افراد کے لئے ابھرے حروف، بڑے حروف یا آڈیو میں مہیا کی جاسکتی ہے اور اسکا مختلف زبانوں میں ترجمہ بھی کیا جاسکتا ہے۔ رابطہ کی تفصیلات نیچے فراہم کی گئی ہیں۔

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ਇਹ ਜਾਣਕਾਰੀ ਮੰਗ ਕੇ ਬੋਲ, ਵੱਡੇ ਅੱਖਰਾਂ ਅਤੇ ਸਣਨ ਵਾਲੇ ਰਪ ਵਿਚ ਵੀ ਲਈ ਜਾ ਸਕਦੀ ਹੈ, ਅਤੇ ਇਹਦਾ ਤਰਜਮਾ ਹੋਰ ਬੋਲੀਆਂ ਵਿਚ ਵੀ ਕਰਵਾਇਆ ਜਾ ਸਕਦਾ ਹੈ। ਸੰਪਰਕ ਕਰਨ ਲਈ ਜਾਣਕਾਰੀ ਹੇਠਾਂ ਦਿੱਤੀ ਗਈ ਹੈ।

Niniejsze informacje mogą zostać udostępnione na życzenie, w alfabecie Braille'a, w druku powiększonym lub w formacie audio oraz mogą zostać przetłumaczone na wiele języków obcych. Dane kontaktowe znajdują się poniżej.

Faodar am fiosrachadh seo fhaighinn, le iarrtas, ann am braille, clò mòr no clàr fuaim agus tha e comasach eadar-theangachadh gu grunn chànanan. Tha fiosrachadh gu h-ìosal mu bhith a' cur fios a-steach.

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