



**ANGUS HEALTH AND SOCIAL CARE**

**INTEGRATION JOINT BOARD**

**REVIEW OF RESERVES POLICY**

**REPORT BY ALEXANDER BERRY, CHIEF FINANCE OFFICER**

**ABSTRACT**

This report sets out proposed revisions to the IJB's Reserves Policy for consideration and approval and describes the purposes for which reserves may be held.

**1. RECOMMENDATION**

It is recommended that the Integration Joint Board approve the proposed revisions to the Reserves Policy.

**2. BACKGROUND**

2.1 Angus 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 permitted to hold reserves. The IJB's financial regulations (6.1.1) (March 2016) set out the requirement to develop a Reserves Policy. The original policy was approved in April 2017 and now requires some revision.

2.2 Reserves require 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 Local Authority Accounting Panel (LAAP) Bulletin 55 – Guidance Note on Local Authority Reserves and Balances and LAAP Bulletin 99 – Local Authority Reserves and Balances. This guidance outlines the framework for reserves, the purpose of reserves and some key issues to be considered when determining the appropriate level of reserves.

2.3 The purpose of a reserve policy is to:

- outline the legislative 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 balances and reserves will be reviewed; and
- set out arrangements relating to the creation, amendment and use of reserves and balances.

2.4 The IJB generally utilises its resources in line with the Strategic 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 as a result of

unanticipated underspends or the need to ring fence certain funding due to Scottish Government stipulations for specific multi-year commitments.

### 3. SUMMARY OF KEY ISSUES AND CHANGES

- 3.1 The revised Reserves Policy, with proposed amendments in red, is attached as an Appendix and provides the detail to support the governance for creating and holding revenue reserves for the IJB.
- 3.2 The Reserves Policy sets a prudent level of contingency general reserve at 2% of the IJB net expenditure. It is acknowledged that due to the financial constraints on the IJB this will be challenging to maintain at times and can only be delivered after the need to maintain an appropriate level of service delivery for the population in each year has been met.
- 3.3 Section 5.4 of the policy refers to the creation of ear-marked reserves. In some circumstances it would be good practice to consider this in conjunction with the IJB's Partners.
- 3.4 The revisions to the policy also suggest that should any excess reserves be forecast or exist, then after consideration of strategic and operational issues, the IJB should seek to revert any excess reserves back to the IJB's Partners.
- 3.4 Earmarked Reserves relate to specific funds for specific purposes and will only be used for these purposes, often spanning multiple years. Whilst these reserves are fully committed and therefore not free to use, these too will be regularly monitored. Any change of use, or decisions relating to residual balance will require the approval of the IJB.

### 4. SUMMARY

- 4.1 It is important for the long term financial stability of both the IJB and the parent bodies that sufficient usable funds are held in reserve to manage unanticipated pressures from year to year.
- 4.2 Reserve balances are not a sustainable approach for balancing the IJB budget and should be regarded as one-off funding only. The use of reserve balances will be dependent on the nature of the reserve.
- 4.3 Similarly it is also important that in year funding available and possibly ring-fenced (e.g. due to Scottish Government guidance) for specific projects and government priorities is able to be earmarked and carried forward into the following financial year, either in whole or in part, to allow for spend to be committed and managed in a way which represents best value for the IJB in its achievement of the national outcomes.
- 4.4 The Reserves Policy and the proposed revisions to the Reserves Policy support the Financial Regulations which set out the financial governance framework that the IJB will operate within.
- 4.5 It is important to note that IJB Partners may require the IJB to utilise reserves to ensure the required financial outcomes of the IJB in any given financial year.

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List of Appendices:

Appendix 1: Reserves Policy including proposed revisions.