

# **Perth and Kinross Integration Joint Board**

## **Reserves Policy**

**Version 2 (20 March 2024)**

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# 1 Background

- 1.1 To assist local authorities (and similar bodies) in developing a framework for reserves, 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 outlines the framework for reserves, the purpose of reserves and key issues to be considered when determining the appropriate level of reserves.
- 1.2 In Scotland, guidance from LASAAC (Local Authority Scotland Accounts Advisory Committee) also requires to be followed - "[The Statutory Basis for Accounting for and Disclosing Reserves in Scottish Local Government Bodies \(Revised 2021\)](#)."

## 2. Statutory and Regulatory Framework for Reserves

- 2.1 Local Government bodies, which includes the IJB for these purposes, may only hold reserves for which there is a statutory or regulatory power to do so. In Scotland, the legislative framework includes:

Reserve	Powers
General Fund	Local Government Scotland Act 1973

- 2.2 For each reserve there should be a clear protocol setting out:
- the reason / purpose of the reserve,
  - how and when the reserve can be used,
  - procedures for the reserves management and control,
  - review timescale to ensure continuing relevance and adequacy.
- 2.3 There are other reserves held by local authorities in Scotland on a statutory or regulatory basis that are not relevant for IJBs because they do not hold assets, manage investments or employee pensions.

### 3 Operation of Reserves

3.1 Reserves are generally held to do three things:

- Create a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves.
- Create a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves; and
- Create a means of building up funds, often referred to as earmarked reserves, to meet known or predicted liabilities.

3.2 The balance of the reserves normally comprises of three elements:

- funds that are earmarked or set aside for specific purposes. In Scotland, under Local Government rules, the IJB cannot have a separate Earmarked Reserve within the Balance Sheet but can highlight elements of the General Fund balance required for specific purposes.
- Funds which are not earmarked for specific purposes but are set aside to deal with unexpected events or emergencies; and
- Funds held in excess of the target level of reserves and identified earmarked sums. Reserves of this nature can be spent or earmarked at the discretion of the IJB.

3.1 In line with financial reporting guidance for IJB's, and due to IJB's not currently holding cash or having bank accounts the funding associated with reserves will be held by Perth and Kinross Council or NHS Tayside on behalf of the IJB and will appear as a debtor balance within the IJB's Financial Accounts supporting any reserve.

## **4 Role of the Chief Finance Officer**

- 4.1 The Chief Finance Officer is responsible for advising on the optimum levels of reserves. The Integration Joint Board, based on this advice, should then approve the appropriate reserves strategy as part of the financial planning process.

## **5 Adequacy of Reserves**

- 5.1 In determining optimum reserve levels the Chief Finance Officer must take account of the strategic, operational, and financial risks facing the IJB over the medium term and the Integration Joint Board's overall approach to risk management.
- 5.2 In determining the level of general reserves, the Chief Finance Officer should consider the Integration Joint Board's strategic plan, medium term financial strategy and the overall financial environment. Guidance also recommends that the Chief Finance Officer reviews any earmarked reserves as part of the annual financial planning process. The requirements of the IJB's Integration Scheme (2022) in terms of the potential need for IJB Reserves to support the IJB's overall financial position should be noted.
- 5.3 In light of the size and scale of the Integration Joint Board's operations, over the longer term it is considered that it would be an aspiration to achieve a level of general reserves which represent approximately 2% of budgeted net expenditure. The value of reserves must be reviewed annually as part of the Integration Joint Board's budget and strategic plan, reviewed in light of the financial environment at that time and considered in the context of the need to maintain an appropriate level of service delivery for the population in each year.
- 5.4 The level of other earmarked funds will be established as part of the annual budget process.

## **6 Reporting Framework**

- 6.1 The Chief Finance Officer has a duty to ensure proper stewardship of public funds including IJB reserves.
- 6.2 The level and utilisation of reserves will be formally approved by the Integration Joint Board based on the advice of the Chief Finance Officer. To enable the IJB to reach a decision, the Chief Finance Officer should clearly state the factors that influenced this advice.
- 6.3 As part of the budget report the Chief Finance Officer should state:
- the current value of general reserves, the movement proposed during the year, the estimated year-end balance, and the extent that balances are being used to fund recurrent expenditure.
  - the adequacy of general reserves in light of the IJB's medium term financial strategy, strategic plan, and the overall financial environment.
  - an assessment of earmarked reserves and advice on appropriate levels and movements during the year and over the medium term; and
  - if the reserves held are below the optimum level, that the IJB should be considering actions to meet the target through their budget process noting the need to maintain an appropriate level of service delivery for the population in each year.

## **7 Accounting and Disclosure**

- 7.1 Expenditure must not be directly charged to any reserve. Entries within a reserve are specifically restricted to 'contributions to and from the income and expenditure account' with expenditure charged to the service revenue account.

## **8 Reserves Protocol**

### **8.1 GENERAL FUND**

#### **Purpose of the Reserve**

the General Fund of the Integration Joint Board will be utilised to hold balances generated within the Income and Expenditure Account.

#### **Use of reserve**

this represents the general reserve of the Integration Joint Board and is used to manage the financial strategy of the Integration Joint Board. Any use of general fund reserves must be approved by the Integration Joint Board through the appropriate committee framework.

#### **Management and Control**

management and control is maintained through the established financial management frameworks and review through the year end and budget process.