

# SOUTH AYRSHIRE INTEGRATION JOINT BOARD

## RESERVES STRATEGY

<b>1.</b>	<b>Introduction</b>
1.1	<p>Reserve Funds are established as part of good financial management. The purposes of reserve funds are as follows:</p> <ul style="list-style-type: none"><li>a) As a working balance to help cushion the impact of uneven cash flows</li><li>b) As a contingency to cushion the impact of unexpected events or emergencies and</li><li>c) As a means of building up funds, often referred to as earmarked reserves, to meet known or predicted liabilities.</li></ul>
1.2	<p>South Ayrshire Integration Joint Board (IJB) is a legal entity in its own right 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. South Ayrshire Council and NHS Ayrshire and Arran (the Parties) delegate certain functions and budgets to the IJB and the Partnership subsequently commissions services from these two partner organisations.</p>
1.3	<p>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.</p>
1.4	<p>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.</p>
1.5	<p>This Reserves Strategy should be read in conjunction with the Financial Regulations for the IJB.</p>
<b>2.</b>	<b>Categorisation of Reserve Funds</b> <p>There are two categories of reserve fund which are:</p> <ul style="list-style-type: none"><li>• Committed Balances/Carry forwards</li><li>• Financial Planning Balances</li></ul>
<b>2.1</b>	<b>Committed Balances/Carry Forwards</b>
2.1.1	<p>Balances which are essential to the IJB to enable it to meet definite commitments, these will include:</p> <ul style="list-style-type: none"><li>• Funding received from external organisations with spending conditions attached and where expenditure has yet to be incurred or conditions satisfied</li><li>• Policy decisions of the IJB / Council / NHS Board, i.e. approval to commit the</li></ul>

	Health and Social Care Partnership to future spend on specific initiatives
<b>2.2</b>	<b>Financial Planning Balances</b>
2.2.1	Financial planning balances may be held by the IJB to plan ahead to meet the cost of potential commitments which may occur in the short to medium term. Such balances can be held to fund capacity within service priorities as set out in the Strategic Plan.
2.2.2	These balances may be generated through specific management action during the financial year or at the financial year-end following a review of the Partnership's final outturn position by the Chief Officer in conjunction with the Chief Financial Officer (CFO).
2.2.3	Where additional expenditure / reduced income offset against financial planning balances is of a recurring nature the Chief Officer and CFO should ensure a plan is established to enable the commitment to be financed in subsequent financial years.
2.2.4	Such balances need to be agreed in advance with the Director of Finance (NHS Ayrshire and Arran) and the Head of Finance and ICT (section 95) of South Ayrshire Council to confirm that they should not be considered as windfall, therefore, uncommitted balances, see section below.
<b>2.3</b>	<b>Lead Partnership Services Reserves</b>
2.3.1	Reserves generated in respect of underspends in Lead Services must be ring-fenced to be used for that Lead Service. In the event that it is not required for use within the Lead Service the reserve must be disbursed between the three Ayrshire IJBs on the same basis as the budget share for the Lead Service for that year.
<b>3.</b>	<b>Level of Balances Held</b>
3.1	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
<b>4.</b>	<b>Review of Balances</b>
4.1	South Ayrshire IJB's Reserves Strategy requires the Board to review balances on an annual basis following the external audit of the Statement of Accounts to allow board members to examine the level and detail of balances held. The Reserves Strategy will be reviewed annually as part of the closure of accounts process for the IJB.
4.2	The annual report will provide details of and the reason for retaining existing balances.

<b>5.</b>	<b>Utilisation of Balances</b>
5.1	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 CFO in order that the balance is drawn down and matched against expenditure incurred. The subsequent Financial Management Report to the IJB will note that a budget transfer has taken place.
5.2	In order to demonstrate movement in specific balances it is important that draw downs are requested even on occasions where the IJB is reporting an in year underspend.
5.3	Where the balance exceeds the expenditure incurred then the remaining balance will be reclassified as an uncommitted balance and treated accordingly.
<b>5.4</b>	<b>Financial Management and Financial Reporting Arrangements</b>
5.4.1	<p>The Integration Scheme outlines that recording of all financial information in respect of the IJB will be in the financial ledger of the Party which is delivering financial services on behalf of the IJB. The two key factors influencing this are:</p> <ul style="list-style-type: none"> <li>• NHS Boards are not permitted to earmark revenue funding allocations for carry-forward as a matter of course</li> <li>• IJBs have been classified as local authority bodies for the purposes of their annual accounts and committed balances and financial planning balances require to be transferred to South Ayrshire Council for earmarking as part of the closure of accounts process for the IJB.</li> </ul>