



Meeting of East Renfrewshire Integration Joint Board	Performance and Audit Committee
Held on	22 September 2021
Agenda Item	8
Title	Review of Integration Joint Board Financial Regulations and Reserves Policy
<p>Summary</p> <p>This report provides the Performance and Audit Committee with an update on the Integration Joint Board Financial Regulations and Reserves Policy</p>	
Presented by	Ian McLean, Accountancy Manager (Depute Chief Financial Officer)
<p>Action Required</p> <p>The Performance and Audit committee is asked to:</p> <ul style="list-style-type: none"> ▪ Note the Integration Joint Board Financial Regulations ▪ Note the Integration Joint Board Reserves Policy 	

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EAST RENFREWSHIRE INTEGRATION JOINT BOARD

PERFORMANCE AND AUDIT COMMITTEE

22 September 2021

Report by Chief Financial Officer

**REVIEW OF INTEGRATION JOINT BOARD
FINANCIAL REGULATIONS AND RESERVES POLICY**

PURPOSE OF REPORT

1. The purpose of this report is to provide the Performance and Audit Committee with the Integration Joint Board Financial Regulations and Reserves Policy for consideration and comment.

RECOMMENDATION

2. The Performance and Audit committee is asked to:
 - Note the Integration Joint Board Financial Regulations
 - Note the Integration Joint Board Reserves Policy

BACKGROUND

3. The financial regulations were first approved by the Performance and Audit Committee in December 2015. The reserves policy was approved in March 2016.
4. The financial regulations and reserves policy are part of the governance arrangements to support the Integration Joint Board.
5. The financial regulations set out the financial governance regulations under which the Integration Joint Board will operate and identify the roles and responsibilities of the IJB, the Chief Officer and the Chief Financial Officer.
6. The Reserves Policy provides the detail to support the governance in respect of reserves.

REPORT

7. Both policies support the financial governance of the IJB and are referred to as and when required to support financial governance. Prior to March 2020 should legislation and/or operational changes prompt the need for any specific change then this would have be addressed specifically at that time.
8. Both policies were formally reviewed in March 2020 and given the increased focus on reserves in particular it was agreed that annual reviews would take place.
9. There are no changes proposed to either policy following review. The legislation and guidance in place during the pandemic response does not require inclusion. However, it is recognised that the financial regulations mirror to some degree elements of the integration scheme so should there be any change following the eventual consultation period then a further review will be undertaken.

10. Whilst the reserves policy is unchanged it is worth noting the policy has supported our reserves strategy; which has served us well over a significant and continued period of change.
11. The optimum/maximum level of general reserve we should hold, per our policy, is 2% of our budget, however from the outset and recognising the ongoing financial challenge to the IJB we recognise that:
 1. This would take time to build
 2. There is a tension between holding free reserves with and not protecting spend on front line services and the IJB have taken clear decision on this in prior years.
12. For context 2% of our current revenue budget, excluding set aside and Family Health Services, is £2.1 million. Our current general reserve is just under £0.3 million.
13. It would be possible to ask the IJB to un-hypothecate certain earmarked reserves should we need to and Performance & Audit Committee members will recall this was discussed in March 2021 when the IJB agreed the budget for 2021/22. We also discussed our reserves position in some detail in September 2020 when Audit Scotland presented their Annual Audit Report.
14. The committee should also note that it would not be possible to un-hypothecate the ring-fenced reserves specific to Scottish Government funding initiatives such as Covid support, Primary Care Improvement and Mental Health Action 15.

CONCLUSIONS

15. The Financial Regulations and Reserves Policy support the financial governance framework that the Integration Joint Board will operate within.

RECOMMENDATIONS

16. The Performance and Audit committee is asked to:
 - Note the Integration Joint Board Financial Regulations
 - Note the Integration Joint Board Reserves Policy

REPORT AUTHOR AND PERSON TO CONTACT

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11 September 2021

Chief Officer, IJB: Julie Murray

BACKGROUND PAPERS

PAC – 18.03.2020: Item 07: Review of IJB Financial Regulations and Reserves Policy

PAC – 16.03.2016: Item 08. Reserves Policy

https://www.eastrenfrewshire.gov.uk/media/5628/Performance-and-Audit-Committee-Item-8-16-March-2016/pdf/Performance_and_Audit_Commtee_Item_8_-_16_March_2016.pdf?m=637660934903730000

PAC - 18.12.2015: Integration Joint Board Financial Regulations

<http://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=15890&p=0>

East Renfrewshire Integration Joint Board

Financial Regulations

(Version 2.1)

Document Title:	Financial Regulations		
Owner:	Chief Financial Officer	Current Status	Final - V2.1
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1.0	2015	Lesley Bairden, Chief Financial Officer	
2.0	Mar 2020	Lesley Bairden, Chief Financial Officer, Full Review	
2.1	Sep 2021	Lesley Bairden, Chief Financial Officer – Annual Review (no changes)	

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East Renfrewshire Integration Joint Board positively promotes the principles of sound corporate governance within all areas of the Integration Joint Board's affairs. These Financial Regulations are an essential component of the corporate governance of the Health & Social Care Partnership Integration Joint Board.

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1. What the Regulations Cover

- 1.1 The Integration Joint Board is a legal entity in its own right created by Parliamentary Order, following ministerial approval of the Integration Scheme. It is accountable for the stewardship of public funds and is expected to operate under public sector best practice governance arrangements, proportionate to its transactions and responsibilities. Stewardship is a major function of management and, therefore, a responsibility placed upon the appointed members and officers of the Integration Joint Board.
- 1.2 These financial regulations should be read in conjunction with the Standing Financial Instructions of NHS Greater Glasgow and Clyde and the Financial Regulations of East Renfrewshire Council.
- 1.3 The Regulations set out the respective responsibilities of the Chief Officer and the Chief Financial Officer of the Integration Joint Board.
- 1.4 It will be the duty of the Chief Officer assisted by the Chief Financial Officer to ensure that these Regulations are made known to the appropriate persons within the Integration Joint Board and to ensure that they are adhered to.
- 1.5 If it is believed that anyone has broken, or may break, these Regulations, this must be reported immediately to the Chief Financial Officer, who may then discuss the matter with the Chief Officer, NHS Greater Glasgow and Clyde Chief Executive, East Renfrewshire Council Chief Executive or another nominated or authorised person as appropriate to decide what action to take.
- 1.6 These Regulations will be the subject of regular review by the Health & Social Care Partnership Integration Joint Board Chief Financial Officer in consultation with the NHS Greater Glasgow and Clyde Director of Finance and the Council's Section 95 Officer, and where necessary, subsequent adjustments will be submitted to the Integration Joint Board Performance & Audit Committee for approval.

2. Financial Management and Performance

- 2.1 The Integration Scheme sets out the detail of the integration arrangement agreed between NHS Greater Glasgow and Clyde and East Renfrewshire Council. In relation to financial management it specifies:
- The financial management arrangements including treatment of budget variances;
 - Reporting arrangements between the Integration Joint Board, NHS Greater Glasgow and Clyde and East Renfrewshire Council;
 - The method for determining the resources to be made available by NHS Greater Glasgow and Clyde and East Renfrewshire Council;
 - The functions which are delegated to the IJB by NHS Greater Glasgow and Clyde and East Renfrewshire Council.

Responsibility of the Chief Officer

- 2.2 The Chief Officer is the accountable officer of the Integration Joint Board in all matters except finance. The Chief Officer will discharge their duties in respect of the delegated resources by:
- Ensuring that the Strategic Plan meets the requirement for economy, efficiency and effectiveness;
 - Giving directions to NHS Greater Glasgow and Clyde and East Renfrewshire Council that are designed to ensure resources are spent in accordance with the plan; it is the responsibility of the Chief Officer to ensure that the provisions of the directions enable them to discharge their responsibilities in this respect within available resources.
- 2.3 The Chief Officer will also hold an operational role in NHS Greater Glasgow and Clyde and East Renfrewshire Council for the management of the operational delivery of services as directed by the Integration Joint Board. In this operational role the Chief Officer has no “accountable officer” status but is:
- Accountable to the Chief Executive of NHS Greater Glasgow and Clyde for financial management of the operational budget; and
 - Accountable to the Section 95 Officer of East Renfrewshire Council for financial management of the operational budget; and
 - Accountable to the Chief Executive of NHS Greater Glasgow and Clyde and the Chief Executive of East Renfrewshire Council for the operational performance of the services managed by the Chief Officer.

Responsibility of the Chief Finance Officer

- 2.4 The Integration Joint Board will appoint an officer responsible for its financial administration. The Chief Officer may be appointed to this role if the Integration Joint Board deems it appropriate. If in such circumstances the Chief Officer does not have a recognised professional accounting qualification arrangements must be put in place to provide the post holder and the Integration Joint Board with financial advice from a qualified person.
- 2.5 The Chief Financial Officer will discharge his/her duties in respect of the delegated resources by:
- Establishing financial governance systems for the proper use of the delegated resources; and,
 - Ensuring that the Strategic Plan meets the requirement for best value in the use of the Integration Joint Board's resources.

Responsibility of the NHS Board Accountable Officer / NHS Board Director of Finance/Council Section 95 Officer

- 2.6 The NHS Board Accountable Officer and the Council's Section 95 Officer discharge their responsibility, as it relates to the resources that are delegated to the Integration Joint Board, by setting out in the Integration Scheme the purpose for which resources are used and the systems and monitoring arrangements for financial performance management. It is their responsibility to ensure that the provisions of the Integration Scheme enable them to discharge their responsibilities in this respect.
- 2.7 The NHS Board Director of Finance and the Section 95 Officer of East Renfrewshire Council will provide specific advice and professional support to the Chief Officer and Chief Financial Officer to support the production of the Strategic Plan and also to ensure that adequate systems of internal control are established by the Integration Joint Board.

3 Financial Planning

Strategic Plan and Integrated Budget

- 3.1 The Integration Joint Board is responsible for the production of a Strategic Plan which sets out the services for their population over the medium term (3 years). The resources within scope of the Strategic Plan are:
- The payment made to the Integration Joint Board by East Renfrewshire Council for delegated social care services;
 - The payment from NHS Greater Glasgow and Clyde to the Integration Joint Board for delegated primary and community healthcare services and for those delegated hospital services managed by the Chief Officer.
 - The amount set aside by NHS Greater Glasgow and Clyde for delegated services provided in large hospitals for the population of the Integration Joint Board.
- 3.2 NHS Greater Glasgow and Clyde and East Renfrewshire Council will provide indicative three year rolling funding allocations to the Integration Joint Board to support the Strategic Plan and medium term planning process. Such indicative allocations will remain subject to annual approval by both organisations.
- 3.3 The Chief Officer and the Chief Financial Officer will develop a business case for the integrated budget based on the Strategic Plan and present it to NHS Greater Glasgow and Clyde and East Renfrewshire Council for consideration and agreement as part of each organisation's annual budget setting process. The business case should be evidence based with full transparency on its assumptions and take account of:
- **Activity Changes.** The impact on resources in respect of increased demand e.g. demographic pressures and increased prevalence of long term conditions, and for other planned activity changes;
 - **Cost Inflation.** Pay and supplies cost increases;
 - **Efficiencies.** All savings (including increased income opportunities and service rationalisations/cessations) should be agreed between the Integration Joint Board, East Renfrewshire Council and NHS Greater Glasgow and Clyde as part of the annual rolling financial planning process to ensure transparency;
 - **Performance on outcomes.** The potential impact of efficiencies on agreed outcomes must be clearly stated and open to challenge by East Renfrewshire Council and NHS Greater Glasgow and Clyde;
 - **Legal requirements.** Legislation may entail expenditure commitments that should be taken into account in adjusting the payment;
 - **Transfers to/from the notional budget for hospital services** set out in the Strategic Plan;

- **Adjustments to address equity.** East Renfrewshire Council and NHS Greater Glasgow and Clyde may choose to adjust contributions to smooth the variation in weighted capita resource allocations across partnerships; information to support this will be provided nationally by Information Services Division.

3.4 The Strategic Plan will determine the budgets allocated to each operational partner for operational service delivery in line with the Plan. The Integration Joint Board will publish its Strategic Plan as soon as practicable after finalisation of the plan.

Limits on Expenditure

- 3.5 No expenditure will be incurred by the Integration Joint Board unless it has been included within the approved Integration budget and Strategic plan except:
- i. Where additional funding has been approved by NHS Greater Glasgow and Clyde and/or East Renfrewshire Council and the integrated budget/strategic plan has been updated appropriately;
 - ii. Where a supplementary budget has been approved by the Integration Joint Board;
 - iii. In emergency situations in terms of any scheme of delegation;
 - iv. As provided in paragraph 3.5 below (Virement).

Virement

- 3.6 Virement is defined by CIPFA as “the transfer of an underspend on one budget head to finance additional spending on another budget head in accordance with the Financial Regulations”. In effect virement is the transfer of budget from one main budget heading (employee costs, supplies and services etc) to another, or a transfer of budget from one service to another. Where resources are transferred between the two operational arms of the Integrated Budget this will require in-year balancing adjustments to the allocations from the Integration Joint Board to East Renfrewshire Council and NHS Greater Glasgow and Clyde i.e. a reduction in the allocation to the body with the underspend and a corresponding increase in the allocation to the body with the overspend.
- 3.7 Virements require approval and they will be permitted subject to any Scheme of Delegation of the Integration Joint Board as follows:
- i. Virement must not create additional overall budget liability. One off savings or additional income should not be used to support recurring expenditure or to create future commitments including full year effects of decisions made part way through a year.
 - ii. The Chief Officer will not be permitted to vire between the Integrated Budget and those budgets that are managed by the Chief Officer, but are outwith the scope of

the Strategic Plan, unless agreed by East Renfrewshire Council and NHS Greater Glasgow and Clyde.

- iii. Any virement over £50,000 requires the approval of the Integrated Joint Board.

Budgetary Control

- 3.8 It is the responsibility of the Chief Officer and Chief Financial Officer to report regularly and timeously on all budgetary control measures, comparing projected outturn with the approved financial plan, to the Integration Joint Board and other bodies as designated by NHS Greater Glasgow and Clyde and East Renfrewshire Council.
 - The NHS Greater Glasgow and Clyde Director of Finance and the Section 95 officer of East Renfrewshire Council will, along with the Integration Joint Board Chief Financial Officer put in place a system of budgetary control which will provide the Chief Officer with management accounting information for both arms of the operational budget and for the Integration Joint Board in aggregate.
- 3.9 It is the responsibility of the Integration Joint Board Chief Financial Officer, in consultation with the NHS Greater Glasgow and Clyde and the Section 95 Officer of East Renfrewshire Council, to agree a consistent basis and timetable for the preparation and reporting of management accounting information.
- 3.10 The Integration Scheme specifies how in year over/under spends will be treated. Where it appears that any heading of income or expenditure may vary significantly from the Financial Plan, it will be the duty of the Chief Officer and the Chief Finance Officer, in conjunction with the NHS Board Director of Finance and the Section 95 Officer of the Council, to report in accordance with the appropriate method established for that purpose by the Integration Joint Board, NHS Greater Glasgow and Clyde and East Renfrewshire Council, the details of the variance and any remedial action required. All actual or forecast variances over £50,000 will be reported to the Integrated Joint Board in financial monitoring reports.

Reports to Integration Joint Board

- 3.11 All reports to the Integration Joint Board and sub-committees thereof must specifically identify the extent of any financial implications. These must have been discussed and agreed with the Integration Joint Board Chief Financial Officer prior to lodging of reports.

4 Legality of Expenditure

- 4.1 It will be the duty of the Chief Officer to ensure that no expenditure is incurred, or included within the Strategic Financial Plan unless it is within the power of the Integration Joint board. In cases of doubt the Chief Officer should consult the respective legal advisers of NHS Greater Glasgow & Clyde and East Renfrewshire Council before incurring expenditure. The legality of expenditure on new service developments, initial contributions to other organisations and responses to emergency situations which require expenditure must be clarified prior to being incurred.

5 Reviewing the Financial Regulations

- 5.1 The Integration Joint Board Performance & Audit Committee will consider and approve any alterations to these Financial Regulations. The Integration Joint Board may also withdraw these financial regulations. If so, this will come into force from the first working day after the end of the Integration Joint Board meeting at which the change or withdrawal was approved.

6 Reserves

- 6.1 Legislation, under Section 106 of the Local Government (Scotland) Act 1973 as amended, empowers the Integration Joint Board to hold reserves which should be accounted for in the financial accounts and records of the Integration Joint Board. The Integration Joint Board will develop a reserves policy and a reserves strategy which will include the level of reserves required and their purpose. This will be agreed as part of the annual budget setting process and will be reflected in the Strategic Plan agreed by the Integration Joint Board.

7 VAT

- 7.1 HMRC has confirmed that there is no requirement to have a separate VAT registration for the Integration Joint Board as it will not be delivering any services within the scope of VAT. This situation should be kept under review by the Chief Financial Officer should the operational activities of the Integration Joint Board change and a need to register be established. HMRC guidance will apply to Scotland which will allow a VAT neutral outcome.

8 Procurement/Commissioning of Services

- 8.1 Public Bodies (Joint Working) (Integration Joint Boards) (Scotland) Order 2014/285 provides that the Health and Social Care Partnership Integration Joint Board may enter into a contract with any other person in relation to the provision of goods and services to the Integration Joint Board for the purpose of carrying out the functions conferred in it by the Act.
- 8.2 As a result of specific VAT and accounting issues associated with the Integration Joint Board contracting directly for the provision of goods and services the Chief Officer is required to consult with the NHS Board Director of Finance, the Section 95 Officer of the Council and the Chief Financial Officer prior to any direct procurement exercise being undertaken.

9 Financial Reporting

Accounting Procedures and Records

- 9.1 All accounting procedures and records of the Integration Joint Board will be as specified in applicable legislation and regulations. Financial Statements will be prepared following the Code of Practice on Local Authority Accounting in the UK. Statements will be signed as specified in regulations made under Section 105 of the Local Government (Scotland) Act 1973, Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.
- 9.2 The financial statements must be completed to meet the audit and publication timetable specified under the relevant legislation. It is the primary responsibility of the Chief Financial Officer to meet these targets and of the Chief Officer to provide any relevant information to ensure that NHS Greater Glasgow and Clyde and East Renfrewshire Council meet their respective statutory audit and publication requirements for their individual and group financial statements.
- 9.3 The Integration Joint Board Chief Financial Officer will agree the financial statements timetable with the external auditors of the Integration Joint Board, NHS Greater Glasgow and Clyde and East Renfrewshire Council.

10 Internal Audit

Responsibility for Internal Audit

- 10.1 It is the responsibility of the Integration Joint Board to establish adequate and proportionate internal audit arrangements for review of the adequacy of the arrangements for risk management, governance and control of the delegated resources. This will include determining who will provide the internal audit service for the Integration Joint Board and nominating a Chief Internal Auditor.
- 10.2 The operational delivery of internal audit services within NHS Greater Glasgow and Clyde and East Renfrewshire Council will be covered by their respective internal audit arrangements as at present.
- 10.3 A Chief Internal Auditor will be appointed to act as the Integration Joint Board Chief Internal Auditor in addition to their role as Chief Internal Auditor of their respective authority.
- 10.4 The Internal Audit Service will undertake their work in compliance with the Public Sector Internal Audit Standards.
- 10.5 On or before the start of each financial year the Integration Joint Board Chief Internal Auditor will prepare and submit a strategic risk based audit plan to the Integration Joint Board for approval. The internal audit plan will consider:
 - The Strategic Plan and planning process;
 - The financial plan underpinning the Strategic Plan; and
 - Relevant issues raised from the partner Health Board and Local Authority.
- 10.6 It is recommended that the internal audit plan is shared with the relevant committees of the NHS Greater Glasgow and Clyde and East Renfrewshire Council.
- 10.7 The Integration Joint Board Chief Internal Auditor will report to the Integration Joint Board on the annual audit plan, delivery of the plan and recommendations and will provide an annual internal audit report including the audit opinion.
- 10.8 The Integration Joint Board annual internal audit report will be shared with the Audit Committees of NHS Greater Glasgow & Clyde and East Renfrewshire Council.
- 10.9 Internal audit reports carried out as part of the Integrated Joint Board internal audit plan will be submitted to the Chief Officer and the Integrated Joint Board Performance & Audit Committee for scrutiny.
- 10.10 Relevant internal audit activity carried out by partners will also be submitted to the Integration Joint Board Performance & Audit Committee for information and note. This

activity will be agreed with partner auditors, the Chief Officer and / or Chief Executives of NHS Greater Glasgow & Clyde and East Renfrewshire Council.

11 External Audit

- 11.1 The Accounts Commission will appoint the Auditors to the Integration Joint Board. This is specified under Section 13 of the legislation.
- 11.2 The Integration Joint Board should make appropriate and proportionate arrangements for consideration of external audit reports including those relating to the annual financial statements to ensure that they are compliant with relevant statutory provisions and Accounting Codes of Practice.
- 11.3 Reports on external audit activity will be submitted to the Chief Officer and the Performance & Audit Committee for scrutiny.

12 Audit Committee

- 12.1 The Integration Joint Board will put in place an Audit Committee to ensure that an effective assurance process is in place that assesses the objectives, risks and performance of the Partnership. This will include consideration of any reports from auditors.
- 12.2 It will be the responsibility of the Integration Joint Board to agree the membership having regard to the agreed remit, skills and good practice for a the audit committee. It is anticipated that members of the Integration Joint Board will serve in this capacity.

13 Risk Management and Insurance

Responsibility for Insurance and Risk

- 13.1 The Integration Joint Board will make appropriate insurance arrangements for all activities of the Integration Joint Board in accordance with the risk management strategy.
- 13.2 The Chief Officer will arrange, taking such specialist advice as may be necessary, that adequate insurance cover is obtained for all normal insurable risks arising from the activities of the Integration Joint Board for which it is the general custom to insure. This will include the provision of appropriate insurance in respect of Members of the Integration Joint Board acting in a decision making capacity.
- 13.3 The NHS Greater Glasgow & Clyde Director of Finance and the Section 95 Officer of East Renfrewshire Council will ensure that the Chief Officer has access to professional support and advice in respect of risk management.

Risk Strategy and Risk Register

- 13.4 The Chief Officer will be responsible for establishing the Integration Joint Board risk strategy and profile and developing the risk reporting arrangements; this will include arrangements for a risk register. The Risk Management strategy will be approved by the Integration Joint Board Performance & Audit Committee.
- 13.5 NHS Greater Glasgow & Clyde and East Renfrewshire Council will continue to identify and manage within their own risk management arrangements any risks they have retained under the integration arrangements. The partners will continue to report risk management to the existing committees including the impact of the integration arrangements.

Notification of Insurance Claims

- 13.6 The Chief Officer and the Chief Financial Officer will put in place appropriate procedures for the notification and handling of any insurance claims made against the Integration Joint Board.

14 Economy, Efficiency and Effectiveness (Best Value)

- 14.1 The Chief Officer will ensure that arrangements are in place to maintain control and clear public accountability over the public funds delegated to the Integration Joint Board. This will apply in respect of:
- the resources delegated to the Integration Joint Board by NHS Greater Glasgow & Clyde and East Renfrewshire Council; and
 - the resources paid to NHS Greater Glasgow and Clyde and East Renfrewshire Council by the Integration Joint Board for use as directed and set out in the Strategic Plan.
- 14.2 The Integration Joint Board has a duty to put in place proper arrangements for securing Best Value in the use of resources and delivery of services. There will be a process of strategic planning which will have full board member involvement, in order to establish the systematic identification of priorities and realisation of Best Value in the delivery of services.
- 14.3 It will be the responsibility of the Chief Officer to deliver the arrangements put in place to secure Best Value and to co-ordinate policy in regard to ensuring that the Integration Joint Board provides Best Value.
- 14.4 The Chief Officer will be responsible for ensuring implementation of the strategic planning process. Best Value should cover the areas of human resource and physical resource management, commissioning of services, financial management and policy, performance and service delivery process reviews.

East Renfrewshire Integration Joint Board

Reserves Policy

(Version 2.1)

Document Title:	Reserves Policy		
Owner:	Chief Financial Officer	Current Status	Final – V2.1
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1.0	April 2016	Lesley Bairden, Chief Financial Officer	
2.0	Mar 2020	Lesley Bairden, Chief Financial Officer - Full Review (no changes)	
2.1	Sep 2021	Lesley Bairden, Chief Financial Officer – Annual Review (no changes)	

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East Renfrewshire Integration Joint Board positively promotes the principles of sound corporate governance within all areas of the Integration Joint Board’s affairs. This Reserves Policy is a component of the Financial Regulations which are an essential component of the corporate governance of the Health & Social Care Partnership Integration Joint Board.

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1. Background

- 1.1 To assist local authorities (and similar bodies) in developing a framework for reserves, CIPFA have issued guidance 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 some key issues to be considered when determining the appropriate level of reserves. As the East Renfrewshire Integration Joint Board has the same legal status as a local authority, i.e. a section 106 body under the Local Government (Scotland) Act 1973 Act, and is classified as a local government body for accounts purposes by the Office of National Statistics (ONS), it is able to hold reserves which should be accounted for in the financial accounts and records of the Integration Joint Board.
- 1.2 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 Integration Joint Board in assessing the adequacy of the Integration Joint Board's reserves;
 - indicate how frequently the adequacy of the Integration Joint Board's balances and reserves will be reviewed; and
 - set out arrangements relating to the creation, amendment and use of reserves and balances.
- 1.3 In common with local authorities, the Integration Joint Board can have reserves within a usable category.

2. Statutory/Regulatory Framework for Reserves

Usable Reserves

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

<i>Usable Reserve</i>	<i>Powers</i>
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; and
- the review timescale to ensure continuing relevance and adequacy.

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 Integration Joint Board cannot have a separate Earmarked Reserve within the Balance Sheet, but can highlight elements of the General 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 Integration Joint Board; or
 - commitments made under delegated authority by Chief Officer, which cannot be accrued at specific times (e.g. year end) due to not being in receipt of the service or goods;
- 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 the identified earmarked sums. Reserves of this nature can be spent or earmarked at the discretion of the Integration Joint Board.

4. Role of the Chief Financial Officer

- 4.1 The Chief Financial Officer is responsible for advising on the targeted optimum levels of reserves the Integration Joint Board would aim to hold (the prudential target). The Integration Joint Board, based on this advice, should then approve the appropriate reserve strategy as part of the budget process.

5. Adequacy of Reserves

- 5.1 There is no guidance on the minimum level of reserves that should be held. In determining the prudential target, the Chief Financial Officer must take account of the strategic, operational and financial risks facing the Integration Joint Board over the medium term and the Integration Joint Board's overall approach to risk management.
- 5.2 In determining the prudential target, the Chief Financial Officer should consider the Integration Joint Board's Strategic Plan, the medium term financial outlook and the overall financial environment. Guidance also recommends that the Chief Financial Officer reviews any earmarked reserves as part of the annual budget process and development of the Strategic Plan.
- 5.3 In light of the size and scale of the Integration Joint Board's responsibilities, over the medium term it is proposed that a prudent level of general reserves will represent approximately 2% of net expenditure. This value of reserves must be reviewed annually as part of the Integration Joint Board Budget and Strategic Plan; and in light of the financial environment at that time. The level of other earmarked funds will be established as part of the annual financial accounting process.

6. Reporting Framework

- 6.1 The Chief Financial Officer has a fiduciary duty to ensure proper stewardship of public funds.
- 6.2 The level and utilisation of reserves will be formally approved by the Integration Joint Board based on the advice of the Chief Financial Officer. To enable the Integration Joint Board to reach a decision, the Chief Financial Officer should clearly state the factors that influenced this advice.

6.3 As part of the budget report the Chief Financial Officer should state:

- the current value of general reserves, the movement proposed during the year and 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 Integration Joint Board's Strategic Plan, the medium term financial outlook 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 under the prudential target, that the Integration Joint Board should be considering actions to meet the target through their budget process.

7. Accounting and Disclosure

7.1 Expenditure should not be charged direct to any reserve. Any movement within Revenue Reserves is accounted for as an appropriation and is transparent. Entries within a reserve are specifically restricted to 'contributions to and from the revenue account' with expenditure charged to the service revenue account.