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**REPORT TO: MORAY INTEGRATION JOINT BOARD ON 30 JANUARY 2020**

**SUBJECT: RESERVES POLICY – REVIEW**

**BY: CHIEF FINANCIAL OFFICER**

**1. REASON FOR REPORT**

- 1.1 To seek approval from the Moray Integration Joint Board (MIJB) on its Reserves Policy.

**2. RECOMMENDATION**

**2.1 It is recommended that the MIJB:**

- i) approves the Reserves Policy as detailed at Appendix 1; and**
- ii) agrees that the next review will be no later than March 2022**

**3. BACKGROUND**

- 3.1 The Public Bodies (Joint Working) (Scotland) Act 2014 empowers Integration Authorities to hold reserves which should be accounted for in their financial accounts.
- 3.2 The MIJB is subject to the audit and accounts regulations and legislation of a body under Section 106 of the Local Government (Scotland) Act 1973 and is classified as a local government body for accounts purposes by the Office for National Statistics.
- 3.3 The MIJB has previously considered the purpose and use of reserves and approved its initial Reserves Policy at a meeting of the Board on 31 March 2016 (para 12 of the minute refers).
- 3.4 The Chief Financial Officer is responsible for advising on the targeted optimum level of reserves that the MIJB would aim to hold, known as the prudential target. The MIJB, based on this advice should then approve the policy as part of the budget process.

#### **4. KEY MATTERS RELEVANT TO RECOMMENDATION**

- 4.1 The MIJB Reserves Policy has been reviewed and is presented as **APPENDIX 1** to this report.
- 4.2 The Reserves Policy outlines the importance of holding reserves for the long term financial stability of the MIJB to manage pressures from year to year. The MIJB Integration Scheme highlights the process to be followed in circumstances where it is anticipating an overspend position in that uncommitted reserves would firstly be used to address this. Heading into the 2020/21 financial year, the MIJB holds no remaining uncommitted reserves.
- 4.3 In reviewing the Reserves Policy it is necessary to consider both the scale of the MIJB responsibilities and the financial climate it is operating within. The Reserves Policy approved by this Board on 31 January 2019 agreed 2% as being the prudent level of general reserve to be held (Para 8 of the minute refers). As the end of the 2019/20 financial year approaches, there is a forecast overspend position from which it is evident that 2% will not be achievable in the short-term. With this in mind, the review of the Reserves Policy has resulted in the % of general reserves to be unspecified and that over the medium term, the MIJB should be seeking to 'hold a prudent level of general reserves'
- 4.4 It will be necessary to ensure that the Reserves Policy is kept under regular review with the expectation that in future years, an appropriate level of reserves can be maintained.

#### **5. SUMMARY OF IMPLICATIONS**

**(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP)) and Moray Integration Joint Board Strategic Plan "Moray Partners in Care 2019 – 2029"**

The Integration Scheme sets out the requirement for the MIJB to determine the treatment for underspends and the necessity to detail this within an agreed policy. The Reserves Policy makes appropriate reference to the MIJB Strategic Plan.

**(b) Policy and Legal**

The Public Bodies (Joint Working) (Scotland) Act 2014 empowers the MIJB to hold reserves and in doing so requires a strategy to support the process.

**(c) Financial implications**

None arising directly from this report.

**(d) Risk Implications and Mitigation**

The establishment and maintenance of a Reserves Policy, promotes sound financial management practice and supports good governance.

**(e) Staffing Implications**

None arising directly from this report.

**(f) Property**

None arising directly from this report.

**(g) Equalities/Socio Economic Impact**

None arising directly from this report as there has been no change to policy.

**(h) Consultations**

The Chief Officer and Legal Services Manager (Moray Council) have been consulted and their comments have been incorporated within this report.

**6. CONCLUSION**

**6.1 The Reserves Policy continues to be reviewed in line with published guidance and good governance principles.**

Author of Report: Tracey Abdy, Chief Financial Officer  
Background Papers: with author  
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