



REPORT TO: MORAY INTEGRATION JOINT BOARD ON 31 JANUARY 2019

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 2021**

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 Reserves are required to be considered and managed to provide security against unexpected cost pressures and financial stability.

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 any overspend. With the Scheme in mind, it is anticipated that by the end of the 2018/19 financial year, the MIJB will hold no remaining uncommitted reserves.
- 4.3 The review of the Reserves Policy suggests an amendment to the prudent level of general reserve to be held from 3% to 2% of the MIJB's revenue budget. There is no guidance on the minimum level of reserves that should be held, however 2% is in line with the position taken by a number of Integration Authorities facing similar strategic, operational and financial risks. Whilst this level of free general reserve would allow the MIJB a degree of flexibility and assurance this must be proportionate and take cognisance of the level of savings required to be delivered. Given the economic climate being faced by the MIJB, this should be kept under review and the proposed 2% should be viewed as an optimum level of reserves to be built up over time.
- 4.4 It will be necessary to ensure that the Reserves Policy is kept under 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 Commissioning Plan 2016 – 2019

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 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.

(h) Consultations

The Deputy Director of Finance, NHS Grampian, the Head of Financial Services and Legal Services Manager (Litigation & Licencing), Moray Council have been consulted and their comments have been incorporated within this report.

6. CONCLUSION

- 6.1 The Reserves Policy approved by the MIJB at its meeting on 31 March 2016 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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