

West Dunbartonshire Health & Social Care Partnership Board
Reserves Policy

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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 **West Dunbartonshire Health & Social Care Partnership 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 Partnership 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 Partnership Board in assessing the adequacy of the Partnerships Board's reserves;
- indicate how frequently the adequacy of the Partnership 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 Partnership Board can have reserves within a usable category.

2. Statutory/Regulatory Framework for Reserves

Usable Reserves

2.1 Local Government bodies - which includes the Partnership 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 Partnership 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 Partnership 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 Partnership Board.

4. Role of the Chief Finance Officer

4.1 The Chief Finance Officer is responsible for advising on the targeted optimum levels of reserves the Partnership Board would aim to hold (the prudential target). The Partnership 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 Finance Officer must take account of the strategic, operational and financial risks facing the Partnership Board over the medium term and the Partnership Board's overall approach to risk management.

5.2 In determining the prudential target, the Chief Finance Officer should consider the Partnership's Board's Strategic Plan, the medium term financial outlook and the overall financial environment. Guidance also recommends that the Chief Finance 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 Partnership Board's responsibilities, over the medium term it is proposed that a prudent level of general reserves will represent

approximately 2% of net expenditure (excluding FHS GMS & Other). This value of reserves must be reviewed annually as part of the Partnership 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 Finance 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 Partnership Board based on the advice of the Chief Finance Officer. To enable the Partnership Board 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 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 Partnership's 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 Partnership 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.