

Reserve Funds Policy - March 2023

The Medical Radiation Technologists Board and the Medical Sciences Council (the authorities) are responsible authorities appointed under the Health Practitioners Competence Assurance Act 2003. As not-for-profit bodies their respective revenue is derived from practitioner fees. There is no general taxpayer contribution to any of their operations. Medical Sciences Secretariat (MSS) is a registered New Zealand not-for-profit company jointly owned through a shareholding agreement with the authorities. MSS operations are financed by the authorities.

MSS manages all financial functions on behalf of the authorities inclusive of assets management, audit preparations, insurance, planning and reporting, and all financial transactions.

The purpose of this manual is to ensure there are systems of financial control for all three entities that conform to the requirements of both probity and good financial management.

Medical Sciences



S E C R E T A R I A T
Te Rangatapu Putaiao a Rongoa



New Zealand
Medical Radiation
Technologists Board
Te Poari Ringa Hangarau Iraruke



MEDICAL SCIENCES COUNCIL
OF NEW ZEALAND

TE KAUNIHERA PŪTAIAO HAUORA O AOTEAROA

Reserve Funds

The two authorities – the Medical Radiation Technologists Board and the Medical Sciences Council – are bound to balance the needs of both current and future regulatory drivers to ensure their frameworks account for changes in health environments and the public those environments serve. A critical threshold is for health practitioners regulated by each authority to continue to be fit for purpose in terms of protecting the health and safety of the public.

Each authority must ensure they have sufficient financial reserves that enables them to cover known liabilities and contingencies, absorb any setbacks, and proactively respond to changing needs within the health regulation environment.

Medical Sciences Secretariat (MSS) does not hold reserve funds. However, a MSS bank bond is held with the bank as required per the lease for the premises at Level 7, 99 Customhouse Quay, Wellington. The bond equates to 6-months of the rent payable.

All reserves held by each authority are cash reserves. These are reserves backed by cash funds or current assets that can be readily converted to cash funds.

Categories of Reserve Funds

Reserve funds are structured around four distinct categories:

<p>Provides for pre-funding or concurrent funding of capital expenditure over a longer-term plan. As a rule of thumb a minimum CRR is calculated within a 3-year forecasting framework including 10% contingency for under-estimates on capital expenditure in the same period.</p>	<p>Capital Replacement Reserve (CRR)</p>	<p>Capital Replacement Reserve (CRR)</p> <p>Capital expenditure costs (CAPEX) for MSS are calculated in line with the agreed ratio of shared costs from each of the authorities for the relevant business year. CAPEX is included in the annual budget setting cycle and should be aligned to meeting strategic objectives.</p>
<p>Provides for unexpected decrease in revenue for the respective authorities and/or an increase in operational expenditure. Allows for a buffer against extraordinary expenditure and under-recovery of costs.</p>	<p>Operational Reserve (OR)</p>	<p>Operational Reserve (OR)</p> <p>APC fees received in advance allow for pre-funding of annual net operational expenditure. This allows for the OR to be set at 6-months or 50% of the budgeted expenditure for the upcoming business year. The relevant authority may make provision above the 50% OR to cover non-routine expenditure for appeals or judicial reviews.</p>
<p>3rd party costs related to competency activities/reviews and health notifications can vary in volume and complexity from one year to the next. While allowance is made in each authority's annual budget for competency-related costs, such expenses are unpredictable and cannot be consistently budgeted for.</p>	<p>Competency Reserve</p>	<p>Competency Reserve</p> <p>Each authority respectively sets a specific reserve level for competency-related expenditure that is additional to that stated in their annual operational budgets.</p>
<p>3rd party costs related to PCC investigation and HPDT hearings can vary in volume and complexity from one year to the next. While allowance is made in each authority's annual budget for discipline-related costs, such expenses are unpredictable and cannot be consistently budgeted for.</p>	<p>Disciplinary Reserve</p>	<p>Disciplinary Reserve</p> <p>Each authority respectively sets a specific reserve level for disciplinary-related expenditure that is additional to that stated in their annual operational budgets.</p>

The specified level of reserves for each of the four categories of reserves are revised annually by the respective authority when setting their annual budgets.

Reserve Setting

When setting their respective reserve funds each authority must consider the economic climate within which they are operating. This includes the global market trends that constantly influence the overall New Zealand economy and the delivery of the health services regulated by the respective authorities. Those health services are particularly susceptible to rapidly changing technologies that have significant and ongoing cost impacts.

Authorities must balance the challenges of ever-rising costs, a fees structure that does not present financial barriers for practitioners, ensuring a continued and sufficient level of funds to manage the routine business-as-usual activities, allowance to invest in the ongoing sustainability of the latter as well as emerging business activities, and to ensure a reasonable level of reserves for a range of contingencies.

When setting their respective fees schedules (their primary source of income) and the corresponding impact that may have on their reserves, each authority must consider the level of funds they require in terms of:

- Their intended operational and strategic activities as per their respective business plans; and

- Annual expenditure allowed for competence reviews; and

- Annual expenditure relating to registration appeal cases; and

- Capital expenditure commitments over a minimum 3-year capital expenditure cycle; and

- Annual expenditure relating to professional conduct (PCC) investigations and Health and Disciplinary Tribunal (HPDT) hearings and potential judicial reviews

Fluctuations in operational costs in any one financial year can be routinely managed through the respective authority choosing to defer project work during the relevant business year to avoid a deficit position. However, competence and registration appeal cases (including judicial reviews) arise randomly and pre-funding of reserves to meet the costs of these cases is a prudent mechanism to allow for sufficient funds to be available to meet those costs as they arise.

Expenditure relating to disciplinary activities through PCC investigations and proceedings of the HPDT are subject to annual variances and pre-funding of disciplinary reserves to meet the costs of these activities is essential.