



SCOTTISH BORDERS INTEGRATION JOINT BOARD FINANCIAL REGULATIONS

1. SCOPE

2. Scottish Borders Integration Joint Board (IJB) is a legal entity in its own right created following approval of The Joint Working Public Bodies (Scotland) Act 2014 Act and, subsequent Ministerial approval of the Scheme to establish the Integration Joint Board between NHS Borders and Scottish Borders Council to integrate the planning and, commissioning of health and Social care services in the Borders.

The Integration Joint Board therefore exist out with the Corporate Governance arrangements of Scottish Borders Council and NHS Borders and requires its own set of financial regulations.

The IJB 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 function of management and, therefore, a responsibility placed upon the appointed members and officers of the Integration Joint Board.

The Financial Regulations are a key component of the Partnership Board's governance arrangements. They set out the expectations on and the responsibilities of the Partnership Board and senior officers in relation to the proper administration of the Partnership Board's finances, as well as the internal and external audit arrangements that the Partnership Board will have to put in place. These provide a framework for the Partnership Board and senior officers to ensure proper administration of the Partnership Board's finances

3. These financial regulations should be read in conjunction with the code of corporate governance of NHS Borders and the Financial Regulations of Scottish Borders Council.

4. Elected and appointed Members of the Integration Joint Board together with Officers appointed or seconded to the Board have a duty to abide by the highest standards of probity in dealing with financial issues. This is achieved by ensuring everybody is clear about the standards to which they are working and the controls in place to ensure these standards are met.

The key controls and control objectives to ensure effective financial management are

- The promotion of the highest standards of financial management by the board

- An effective monitoring system that ensures compliance with these financial regulations: and,
- Effective budget monitoring and reporting arrangements that compare the financial performance of the IJB to its financial plan. The financial performance of the IJB should be fully aligned with the reports submitted to NHS Borders Health Board and Scottish Borders Council.

FINANCIAL MANAGEMENT AND PERFORMANCE REPORTING

Responsibility of the IJB

5. The Integration Scheme sets out the detail of the arrangements for the Borders. In relation to financial management of the Integrated Health and Social Care budget it specifies

- The financial management arrangements to be followed including the treatment of budget variances
- The reporting arrangements between the IJB, NHS Borders and Scottish Borders Council
- The functions which are delegated to the IJB by NHS borders Health Board and Scottish Borders Council
- The method of determining the resources to be delegated each year by the Health Board and the Council.

6. The integration Joint Board will prepare its Strategic Plan in consultation with other stakeholders. The plan must include

- The resources delegated from Scottish Borders council to the IJB for social care services
- The resources delegated from NHS Borders to the IJB for delegated primary and community health care services The amount set aside by NHS Borders for delegated Services for the population of the IJB area.

Responsibility of IJB Chief Officer

7. The Chief Officer is the accountable officer of the Integration Joint Board. The Chief Officer will discharge their duties in respect of delegated resources by:

- ensuring that the strategic plan meets the requirement for economy, efficiency and effectiveness in the use of the Integration Joint Board resources; and
- giving directions to the NHS Borders Health Board and Scottish Borders Council that are designed to ensure resources are deployed and spent in accordance with the plan.

It is the responsibility of the Chief Officer to ensure that the provisions of such directions enable them to discharge their responsibilities in this respect within available resources.

8. In their operational role within NHS Borders and Scottish Borders Council, the Chief Officer is accountable to the Chief Executives of the Health Board and Scottish Borders Council for financial management and performance of services managed by the Chief Officer. The status of the Section 95 officer in legislation means this reporting to the Chief Executive of Scottish Borders Council associated with financial management operates via the Council's Chief Financial Officer.

Responsibility of the Integration Joint Board Chief Finance Officer

9. The Integration Joint Board will appoint an officer responsible for its financial administration.

10. In appointing the Chief Finance Officer the Integration Joint Board will comply with CIPFA guidance on the 'Role of the Chief Financial Officer in Local Government'.

11. The Integration Joint Board Chief Finance Officer and Chief Officer will discharge their 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 Health Board Accountable Officer; NHS Director of Finance & Council Section 95 Officer (Chief Finance Officer)

12. The Health 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. (See paragraph 6)

13. The Health Board Director of Finance and the Chief Finance Officer (Section 95 Officer) of Scottish Borders Council will provide specific advice and professional support to the IJB Chief Officer and IJB Chief Finance 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.

FINANCIAL PLANNING

14. The Integration Joint Board is responsible for the production of a Strategic Plan – setting out the services for their population over the medium term (3 years). This should include a medium term financial plan for the resources within the scope of the

strategic plan, incorporating:

- The Integrated Budget – aggregate of payments to the Integration Joint Board; plus
- The notional budget – the amount set aside by NHS Borders for large hospital services used by the Integration Joint Board population

15. NHS Borders and Scottish Borders Council will provide an annual allocation of funding, and indicative three year rolling funding allocations to the Integration Joint Board, to support the Strategic Plan and medium term financial planning process. Such indicative allocations will remain subject to annual approval by both organisations as part of their respective annual budgeting processes.

16. It is the responsibility of the Chief Officer and the Integration Joint Board Chief Finance Officer to develop an Integrated Budget for the forthcoming financial based on the Strategic Plan in conjunction with The CFO of the Council and the Director of Finance NHS Borders and to present this to the Health Board and Scottish Borders Council for consideration and agreement as part of each organisation's annual budget setting process. The budget should reflect

- **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;
- **Pay and Price 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, Scottish Borders Council and NHS Borders as part of the annual financial planning process.
- **Performance on outcomes.** The potential impact of efficiencies on agreed outcomes must be clearly stated and be open to scrutiny and challenge by the Scottish Borders Council and NHS Borders
- **Legal requirements.** Legislation may entail expenditure commitments that should be reflected in an adjustment to the payment;
- **Transfers to/from the notional budget for hospital services** set out in the Strategic Plan.

17. The method for the determination of contributions to the Integrated Budget is stated in the Integration Scheme.

Limits On Expenditure

28. No expenditure will be incurred by the Integration Joint Board unless it has been included within the approved Integration Budget and Strategic Plan, except:

- Where additional funding has been approved by NHS Borders and Scottish Borders Council and
- the integrated budget/strategic plan updated appropriately;
- Where a supplementary budget has been approved by the Integration Joint Board
- In an emergency situation in terms of any scheme of delegation;

Virement

19. 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 permanent approved 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. As such a virement is an adjustment to the approved budget.

20. 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.

Where the virement involves the transfer of up to £50,000 between operational budget headings, and will not affect the execution of existing Integration Joint Board policy, the transfer will be approved jointly by the Chief Finance Officer and Chief Officer and be reported to the Board at the first available opportunity.

(ii) Where the amount is over £50,000 or where the transfer of any amount would affect existing Integration Joint Board policy, the prior approval of the Integration Joint Board will be required.

Budgetary Control

21. It is the responsibility of the Chief Officer and Chief Finance Officer to report regularly and timeously on all budgetary control matters, comparing projected outturn with the approved financial plan to the Integration Joint Board and other bodies as designated by NHS Borders Board and the Council.

22. The Director of Finance (NHS Borders) and the Chief Finance Officer of Scottish Borders Council will, along with the Integration Joint Board Chief Finance Officer, put in place a system of budgetary control which will provide the Chief Officer with management accounting information for the Integration Joint Board.

23. It is the responsibility of the Integration Joint Board Chief Finance Officer, in consultation with the Director of Finance (NHS Borders) and the Chief Finance Officer of Scottish Borders Council, to agree a consistent basis and timetable for the preparation and reporting of management accounting information to the IJB.

Budget Variances

24. The Integration Scheme specifies how in year over/under spends against approved budgets will be treated. Where it appears that any heading of income or expenditure may vary from that appearing in the Financial Plan, it will be the duty of the Chief Officer and Integration Joint Board Chief Finance Officer, in consultation with the NHS Board Director of Finance and the Council's Chief Financial Officer, to report in accordance with the appropriate method established for that purpose by the Integration Joint Board, NHS Board and Council, the details of the variance and any remedial action required.

The Director of Finance of NHS Borders and the Chief Financial officer retain the right to report independently to the IJB in the event of a material disagreement as to the financial implications of reports or proposed service development or the financial performance of the IJB budget.

Reports to Integration Joint Board

25. All reports to the Integration Joint Board must specifically identify the extent of any financial implications. These must have been discussed and agreed with the Integration Joint Board Chief Finance Officer prior to lodging of reports. If there are any additional financial consequences arising from reports for either the Health Board or Scottish Borders Council these must be agreed with those organisations prior to approval being sought from the IJB.

LEGALITY OF EXPENDITURE

26. 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 advisors of the NHS Board and Council before incurring expenditure. Expenditure on new service developments, initial contributions to other organisations, must be clarified as to

legality prior to being incurred. Responses to emergency situations which require expenditure will be reported to the first subsequent meeting of the IJB.

RESERVES

27. Legislation, under Section 106 of the Local Government (Scotland) Act 1973 empowers the Integration Joint Board to hold reserves, which should be accounted for in the financial accounts and records of the Integration Joint Board.

28. Any underspend will be held by the Council on behalf of the Integration Joint Board and can be drawn down with the approval of the Integration Joint Board. No interest will be credited to the Integration Joint Board for balances held.

VAT

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

COMMISSIONING OF SERVICES

30. Public Bodies (Joint Working) (Integration Joint Boards) (Scotland) Order 2014/285 provides that the Integration Joint Board may enter into a contract with any other person in relation to the provision to the integration joint board of goods and services for the purpose of carrying out the functions conferred on it by the Act.

31. As a result of specific VAT and accounting issues that would be 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 Council's Chief Finance Officer prior to any direct procurement exercise being undertaken.

ACCOUNTING

Accounting Procedures and Records

32. All accounting procedures, records and systems of financial control of the Integration Joint Board will be determined by the Integration Joint Board Chief Finance Officer. These will also be subject to discussion with the Chief Finance Officer of the NHS Board/Council.

33. Legislation provides that the Integration Joint Board is subject to the audit and accounts provision of a body under section 106 of the Local Government (Scotland) Act 1973. This requires audited annual accounts to be prepared with the reporting requirements specified in the relevant legislation and regulations i.e. Section 12 of the Local Government in Scotland Act 2003 and regulations under section 105 of the Local Government (Scotland) Act 1973. These will be proportionate to the limited

number of transactions of the Integration Joint Board whilst complying with the requirement for transparency and true and fair reporting in the public sector. The Accounts will be prepared on an accruals basis complying with the CIPFA UK Code of practice on Local Authority Accounting in force at the balance sheet date.

34. Scottish Borders Council and NHS Borders will include additional disclosures in their statutory accounts which reflect their formal relationship with the Integration Joint Board. The Integration Joint Board Chief Finance Officer will liaise with nominated contacts within each organisation to ensure that appropriate information is exchanged within the timescales required by the statutory Audit processes of the Council and the NHS.

Financial Statements of the Integration Joint Board

35. The reporting requirements for the Integration Joint Board will be as specified in applicable legislation and regulation. 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 or as amended by subsequent legislation.

36. The financial statements must be completed to meet the audit and publication timetable specified in regulations made under section 105 of the Local Government (Scotland) Act 1973 or as amended by subsequent regulation. It is the primary responsibility of the Integration Joint Board Chief Finance Officer to meet these requirements and of the Chief Officer to provide any relevant information to ensure that NHS Borders and Scottish Borders Council to meet their respective statutory and publication requirements for the single entity and group accounts.

37. The Integration Joint Board Chief Finance Officer will agree the financial statements timetable with the external auditors of the Integration Joint Board, NHS Borders and Scottish Borders Council.

INTERNAL AUDIT

Responsibility for Internal Audit

38. The Integration Joint Board will 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.

39. The role of Integration Board Chief Internal Auditor and associated Internal Audit services will be provided by the Head of Audit and Risk Scottish Borders Council. The specific nature of operational audit support to the IGB agreed with the Chief Officer.

40. The Internal Audit Service will undertake its work in compliance with the Public Sector Internal Audit Standards.

41. 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. It is recommended this is shared with the relevant

Audit committee of both NHS Borders and Scottish Borders Council.

The Chief Financial Officer will work with the internal auditors of the Health Board, Local Authority and the Partnership Board to ensure that there is clarity and consistency of appropriate scrutiny of the work of the Partnership Board and the Health & Social Care Partnership; and that the internal audit plans of the respective audit committees provide necessary assurance to all three of the bodies.

42. The Integration Joint Board Chief Internal Auditor will submit an annual audit report of the Internal Audit function to the Chief Officer and the Integration Joint Board providing, assurance regarding the adequacy of the internal control environment and providing a summary of audit activity during the year. The annual audit report and Chief Internal Auditor's opinion will also be reported to the Audit Committees of the Council and the Health Board

Reports on each internal audit engagement will be submitted to the Chief Officer and Chief Financial Officer

Authority of Internal Audit

43. The person appointed by the Integration Joint Board to carry out the Internal Audit or their authorised representatives will have authority, on production of identification, to:

- **(i)** Enter at all reasonable times and without notice any premises or land used or operated by the Integration Joint Board Members;
- **(ii)** Have access to, and remove, all records (both paper and electronic), documents and correspondence within the possession or control of any officer, relating to any financial or other transaction of the Integration Joint Board;
- **(iii)** Be provided with a separate log-in to any computer system used by the members of the Integration Joint Board and have full access to any system, network, personal computer or other device including hardware owned by third party service providers;
- **(iv)** Require and receive such explanations as are necessary concerning any matter under examination;
- **(v)** Require any employee to produce records cash, stores or any other assets under their control .

RISK MANAGEMENT AND INSURANCE

Responsibility for Insurance and Risk

44. The Integration Joint Board will make appropriate insurance arrangements for all activities of the Integration Joint Board in accordance with the risk management strategy.

45. 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 and 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.

The Health Board and Council will continue to identify and manage within their own risk management arrangements any risks they have retained under the Integration Scheme. The NHS Board and Council will continue to report on the management of such risks, alongside the impacts of the integration arrangements.

46. The NHS Board Director of Finance and the Chief Finance Officer (Section 95) of the Council will ensure that the Chief Officer has access to professional support and advice in respect of risk management.

Risk Strategy

47. The Chief Officer will be responsible for establishing the Integration Joint Board's 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.

48. The NHS Borders Board and Scottish Borders Council will continue to identify and manage within their own risk management arrangements any risks they have retained under the integration arrangements. The Health Board and Council will continue to report risk management to the existing committees, including the impact of the integration arrangements.

Notification of Insurance Claims

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

ECONOMY, EFFICIENCY AND EFFECTIVENESS (BEST VALUE)

50. 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 the partner Local Authority and Health Board; and
- the resources paid to the partner Local Authority and Health Board by the Integration Joint Board for use as directed and set out in the Strategic Plan.

51. 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 Member involvement, in order to establish the systematic identification of priorities and realization of Best Value in the delivery of services. 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 Joint Board provides Best Value.

52. 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.

PARTNERSHIPS

53. The IJB will put in place appropriate governance arrangements to record all joint working arrangements entered into by the IJB.

OBSERVANCE OF FINANCIAL REGULATIONS

Responsibility of Chief Officer and the Integration Joint Board Chief Finance Officer

54. It will be the duty of the Chief Officer assisted by the Integration Joint Board Chief Finance 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.

Breach of Regulations

55. Any breach of these regulations should be reported immediately to the Chief Finance Officer, who may then discuss the matter with the Chief Officer, NHS Board Chief Executive, Local Authority Chief Executive or another nominated or authorised person as appropriate to decide what action to take. This may in the case of material breach result in disciplinary action up to and including dismissal for gross misconduct. Material Breach of these regulations should be reported to the Integration Joint Board.

Review of Financial Regulations

56. These Regulations will be the subject of regular review by the Integration Joint Board Chief Finance Officer in consultation with the NHS Board Director of Finance and the Council's Chief Financial Officer, and where necessary, subsequent adjustments will be submitted to the Integration Joint Board for approval.

Date of Review: 5/12/15