

Scottish Borders Health and Social Care Partnership Integration Joint Board Audit Committee

20 March 2023

DRAFT FINANCIAL REGULATIONS

Report by Hazel Robertson, Chief Finance Officer IJB



1. PURPOSE AND SUMMARY

- 1.1. This paper appraises the Audit Committee of work undertaken to improve internal financial controls and shares the draft Financial Regulations for discussion. Comments are sought for inclusion in the Final Draft which will come to the next meeting for approval.
- 1.2. This paper also provides an update on the programme of work to further enhance financial control, management, reporting and planning. Audit Committee are invited to discuss and provide any guidance on the forward programme.

2. RECOMMENDATIONS

- 2.1. The Scottish Borders Health and Social Care Integration Joint Board (IJB) Audit Committee is asked to:-
 - a) Note that the Regulations have been substantially reviewed by the IJB CFO and confirmed by SBC and NHSB. A small number of provisions are still to be discussed and agreed across the partnership.
 - b) Note that the Audit Committees of partner bodies will also require to consider and accept that the changes conform with their own governance arrangements
 - c) Consider the draft Regulations and identify any further improvements required.
 - d) Request a final draft of the Financial Regulations to the next meeting for approval.
 - e) Note the creation of a Financial Framework with further development activity to improve the financial control environment, which will be brought to future meetings for consideration.

3. ALIGNMENT TO STRATEGIC OBJECTIVES AND WAYS OF WORKING

- 3.1. It is expected that the proposal will impact on the Health and Social Care Strategic Framework Objectives and Ways of Working below:

Alignment to our strategic objectives					
Rising to the workforce challenge	Improving access	Focusing on early intervention and prevention	Supporting unpaid carers	Improving our effectiveness and thinking differently to meet need with less	Reducing poverty and inequalities
				x	

Alignment to our ways of working					
People at the heart of everything we do	Good agile teamwork and ways of working – Team Borders approach	Delivering quality, sustainable, seamless services	Dignity and respect	Care and compassion	Inclusive co-productive and fair with openness, honesty and responsibility
	x	x			x

4. INTEGRATION JOINT BOARD DIRECTION

4.1. A direction is not required at this time because the Financial Regulations are still in draft.

5. BACKGROUND

5.1. The existence of a sound system of internal financial control is an essential pre-requisite to high quality financial management. Financial regulations should be regularly reviewed and updated, and used as a tool to promote good practice. I would normally review these at least every 2nd year and require budget managers and finance staff to formally confirm that they understand, accept and undertake to comply with these. I have in another organisation created an easy read guide to help staff understand what good looks like.

5.2. The IJB Financial Regulations have not been reviewed and updated since 2017. They are not fully compliant with national guidance and they are not being fully followed. There are a range of other improvements that can be made to our financial arrangements and a programme has been developed to complete this work.

5.3. For the IJB it is even more crucial to have clear financial controls and processes because the financial controls and processes operate across three legal entities who have their own version of internal financial control.

6. ASSESSMENT

6.1. On commencing in post in August 2022 a high priority was to understand the financial control environment. Within a short time I discovered that:

- The Financial Regulations had not been updated since 2017
- There were areas where current financial practice was not compliant with the terms within our Regulations.

- Our Regulations do not fully comply with national guidance for IJB Financial Regulations.
 - Our management accounting and reporting practices differ across the Partnership, and are not fully in line with the Regulations.
 - There are gaps in the internal control environment eg a scheme of delegation and reservation of decision making processes.
- 6.2. This presents a risk to the quality and consistency of operational financial management practices and the ability of the IJB to fully rely on financial management information to strategically manage financial performance and planning.
- 6.3. I have identified further areas of improvement and have described these as being part of a Financial Framework.
- 6.4. Attached to this paper are:
- The Financial Framework Summary document which sets out the expectations and timeline for continued improvement.
 - The draft Financial Regulations for consideration.

7. IMPROVEMENTS

- 7.1. Main improvements in application of the Financial Regulations are noted below and relatively easy to address:
- Para 22 and 23 in relation to virement. Virement is happening within the partner bodies but not across partner bodies. There is currently no formal sign off process of virement by the IJB.
 - Para 27 and 28. Remedial action to be taken to address overspends. This is particularly pertinent in respect of the actions being taken to address the NHSB financial recovery plan and the extent to which such matters are being managed corporately. There is a need to integrate the IJB CFO in the NHS Financial Improvement Programme and the Financial Recovery Plan. We are now considering taking a system wide approach to overview of savings plans.
 - Para 36. Full compliance with Reserves Policy and reporting on release of Reserves. This mainly relates to formal release of NHSB earmarked reserves which are being appropriately used in year, however the reserves table is not always being updated quarterly. This is relatively easy to address.
 - Para 40. Commissioned services. We are currently reviewing the provision of commissioned services across the Partnership and may determine that the most efficient treatment of these could involve joint commissioning led by the Council on behalf of the Partnership.
 - Para 52 arrangements for cross committee assurance.
- 7.2. Further development of the Financial Framework includes:
- Creation of a scheme of delegation and decision making arrangements will be very beneficial for helping navigate staff to the right fora by setting out mechanisms for escalation of issues.
 - Taking a longer term consideration of financial sustainability will complement the Financial Recovery Plan being prepared by NHS Borders and sits well with the HSCP Strategic Framework.

- 7.3. Having discussed these improvements with my peers, there is a consensus that the planned improvements are required. I have extended the timescales for completion of this developmental activity to end June to allow for further discussion and cross committee assurance.
- 7.4. These documents will come back to the IJB Audit Committee for formal approval once I have received confirmation from the partner bodies Audit Committee considerations.
- 7.5. In the summer we will begin to work on a long term view of financial strategy over a 5-10 year time frame. This reflects the need to consider the approach required for a return to financial balance for NHS Borders and thus the IJB.
- 7.6. These changes and improvements address the s95 responsibilities of the IJB CFO, providing a sound basis for financial transactions and control, budgetary management and financial management and strategy. The IJB CFO has formally written to both parties to set out the improvement programme and action required. Both are in agreement with the programme of work outlined.
- 7.7. These improvements will provide support for the IJB CFO through relevant staff from the virtual finance team and enable discussion on finance to become more strategically focussed.

8. IMPACTS

Community Health and Wellbeing Outcomes

- 8.1. It is expected that these improvements will indirectly support improvement in all of the National Health and Wellbeing Outcomes below, and directly on outcome 9. In improving financial control and management, this should enable the movement of resources to support service changes.

N	Outcome description	Increase / Decrease / No impact
1	People are able to look after and improve their own health and wellbeing and live in good health for longer.	
2	People, including those with disabilities or long term conditions, or who are frail, are able to live, as far as reasonably practicable, independently and at home or in a homely setting in their community.	
3	People who use health and social care services have positive experiences of those services, and have their dignity respected.	
4	Health and social care services are centred on helping to maintain or improve the quality of life of people who use those services.	
5	Health and social care services contribute to reducing health inequalities.	
6	People who provide unpaid care are supported to look after their own health and wellbeing, including to reduce any negative impact of their caring role on their own health and well-being.	
7	People who use health and social care services are safe from harm.	
8	People who work in health and social care services feel engaged with the work they do and are supported to continuously improve the information, support, care and treatment they provide.	
9	Resources are used effectively and efficiently in the provision of health and social care services.	Direct increase

Financial impacts

- 8.2. There is no financial cost to implementation of this approach
- 8.3. The impact of these changes should improve budgetary control, monitoring, reporting and forecasting thus supporting delivery of the HSPC Strategic Framework.
- 8.4. The impact of these changes should improve financial grip and control, supporting delivery of financial savings targets, supporting virement across the partnership, enable more financial planning, and contribute towards the adoption of a long term strategic financial approach. This will also provide assurance to government that the IJB and HSPC are supporting the delivery of the NHS Board Financial Recovery Plan.

Equality, Human Rights and Fairer Scotland Duty

8.5. Integrated Impact Assessment Stage 1 Proportionality and Relevance

The IJB has a statutory obligation to eliminate unlawful discrimination, harassment and victimisation; advance equality of opportunity between people who share a characteristic (age, disability, gender re-assignment, trans/transgender identity, marriage or civil partnership, pregnancy and maternity, race groups, religion or belief, sex-gender identity, and sexual orientation) and those who do not; and foster good relations between people who share a characteristic and those who do not. This involves tackling prejudice and building understanding.

Additionally, where proposals are “strategic”, the Fairer Scotland Duty requires us to show that we have actively considered how we can reduce socio-economic inequalities in the decisions that we make and to publish a short written assessment on how we have done this.

The Stage 1 review has been completed and agreed with the Equalities Lead.

Legislative considerations

- 8.6. The implementation of the Regulations and the wider Financial Framework supports the s95 officer to fulfil their statutory role. This is achieved in partnership with SBC and NHSB .

Climate Change and Sustainability

- 8.7. There are no direct impacts for Climate Change and Sustainability.

Risk and Mitigations

- 8.8. The adoption of the Financial Regulations and wider Financial Framework reduces risks of errors, omissions, or misstatement of the financial position across the Partnership. The final version of the Regulations is key to cementing the required control environment, along with the Scheme of Delegation and Decision Making Processes. Dates are planned for finalisation of these documents.
- 8.9. There is a risk that the capacity of the virtual finance team is insufficient to meet requirements across the partner bodies and the partnership. The virtual team works well together and have to date always fulfilled any information requests from the IJB CFO. Further work is to be undertaken on setting out the financial reporting timescales and expectations, to help staff to manage their workload. These timetables will be developed in partnership with the virtual team.

9. CONSULTATION

Communities consulted

- 9.1. No consultation required following the Stage 1 Integrated Impact Assessment.
- 9.2. This report does not directly relate to service delivery so there no requirement to consider the Integration Planning and Delivery Principles.
- 9.3. The Director of Finance NHS Borders and the Acting Chief Financial Officer for SBC have been fully involved in the update of the Financial Regulations and on agreement to the programme of improvement work as set out in the Financial Framework. The operational timetable for information requirements will be co-produced with the virtual finance team.
- 9.4. At this stage no consultation with other groups is required. The following groups will be involved as required in the Financial Framework development and implementation, particularly around financial management and financial planning:
- Unpaid Carers – Carers Workstream
 - Staff – Joint Staff Forum
 - Localities – Locality Working Groups
 - Care Sector – Care Sector Advisory Group
 - Clinical Groups – NHS Borders Clinical Reference Groups (GP Subcommittee, Area Clinical Forum, Area Dental Committee, Area Pharmacy Committee, Area Optometry Committee)
 - IJB Strategic Planning Group
- 9.5. The Strategic Planning Group will be provided with relevant directions as the elements of the Financial Framework are finalised, prior to being submitted to the IJB.

Integration Joint Board Officers consulted

- 9.6. The IJB Chief Officer has been consulted, and all comments received have been incorporated into the final report. The IJB Chief Internal Auditor has been invited to provide comment on the draft Financial Regulations before they are finalised for the next Audit Committee.
- 9.7. The IJB Equalities, Human Rights and Diversity Lead was consulted regarding assurance on Equality, Human Rights and the Fairer Scotland Duty.

Approved by:

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Author(s)

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Background Papers:

IJA Stage 1 Impact Assessment
Draft Financial Regulations
Financial Framework programme

Previous Minute Reference: none

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