



## **SCOTTISH BORDERS INTEGRATION JOINT BOARD FINANCIAL REGULATIONS**

### **1. SCOPE**

1. 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 IJB between NHS Borders and Scottish Borders Council to integrate the planning and commissioning of health and social care services in the Borders. The IJB therefore requires its own set of Financial Regulations.
2. The IJB is accountable for the stewardship of public funds and operates under public sector best practice governance arrangements, proportionate to its transactions and responsibilities. Stewardship is a responsibility of members and officers of the IJB.
3. The Financial Regulations are a key component of the IJB's governance. They set out the responsibilities of the IJB and senior officers in relation to the proper administration of the IJBs finances, as well as the internal and external audit arrangements in place. These provide a framework to ensure proper administration of the IJBs finances
4. These regulations should be read in conjunction with the Code of Corporate Governance of NHS Borders and the Financial Regulations of Scottish Borders Council.
5. Voting members of the IJB, together with officers appointed or seconded to the IJB 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.
6. The primary controls and control objectives are:
  - promotion of the highest standards of financial planning and management by the IJB
  - an effective system that complies with these financial regulations
  - that financial reporting to the IJB should be fully aligned with management information presented to NHS Borders and Scottish Borders Council
  - effective reporting that compares the financial performance of the IJB to its financial plan and supports achievement of strategic objectives.

## **2. FINANCIAL MANAGEMENT AND PERFORMANCE REPORTING**

### **a. Responsibility of the IJB**

7. The Integration Scheme sets out the detail of the arrangements for the Scottish Borders. In relation to financial management of the IJB budget it specifies:
  - the functions which are delegated to the IJB by NHS Borders and Scottish Borders Council
  - the method of determining the resources to be delegated each year by NHS Borders and Scottish Borders Council
  - the reporting arrangements between the IJB, NHS Borders and Scottish Borders Council
  - the financial management arrangements to be followed including the treatment of budget variances.
8. The IJB will prepare its Strategic Commissioning Framework (SCF) in consultation with stakeholders. The SCP 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 major hospital services for the population of the Borders.

### **b. Responsibility of the IJB Chief Officer**

9. The Chief Officer is the Accountable Officer of the UB. The Chief Officer will discharge their duties in respect of delegated resources by:
  - ensuring that the SCP meets the requirement for economy, efficiency and effectiveness in the use of the UB resources; and
  - giving directions to NHS Borders, Scottish Borders Council and other delivery partners, which are designed to ensure resources are deployed and spent in accordance with the SCP.
10. It is the responsibility of the Chief Officer to ensure that the provisions of such directions enable delivery partners to discharge their responsibilities within available resources.
11. The Chief Officer of the Health and Social Care Partnership, in their operational role, is accountable to the Chief Executives of NHS Borders and Scottish Borders Council for functions whose delivery is delegated to each organization. This includes the financial management and performance of services aligned to these functions. For services relating to social care, the Chief Officer reports on financial management to the Chief Executive of Scottish Borders Council via the Council's Chief Financial Officer (s95 Officer).

### **c. Responsibility of the Integration Joint Board Chief Finance Officer**

12. The IJB will appoint an officer responsible for its financial administration.
13. In appointing the IJB Chief Finance Officer (IJB CFO) the IJB will comply with CIPFA guidance on the [‘Role of the Chief Financial Officer in Local Government’](#).
14. The IJB CFO 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 budgets;
  - ensuring that the SCP meets the requirement for best value in the use of the IJB’s resource; and
  - ensuring that the directions to NHS Borders and Scottish Borders Council require that the finances are spent in line with the SCP.

### **d. Responsibility of NHS Borders Accountable Officer; NHS Borders Director of Finance and Scottish Borders Council Section 95 Officer**

15. The NHS Borders Accountable Officer and the Scottish Borders Council’s Section 95 Officer discharge their responsibility as it relates to the resources delegated to the IJB - 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.
16. The NHS Borders Director of Finance and the s95 Officer of Scottish Borders Council will provide regular in-year reporting, forecast and specific advice and professional support to the Chief Officer and IJB CFO to ensure that adequate systems of internal control are established.

## **3. FINANCIAL PLANNING**

17. The IJB is responsible for production of a Strategic Commissioning Framework (SCF) – setting out the services for its population over the medium term (3 years). This should include a medium term financial plan for the resources within the scope of the SCF, incorporating:
  - the integrated budget – aggregate of payments to the IJB; plus
  - the set aside budget – the amount set aside by NHS Borders for large hospital services used by the IJB population.
18. NHS Borders and Scottish Borders Council will provide an annual allocation of funding, and indicative three year rolling funding allocations to the IJB, to support the SCP and medium term financial planning process. These allocations are subject to annual

approval by both organisations as part of their annual budgeting processes. The IJB CFO will prepare a medium term Financial Plan (for a minimum of three years) to support the SCP.

19. The IJB Chief Officer and CFO will develop an integrated budget for the forthcoming financial year based on the SCF. This will be in conjunction with the s95 Officer Scottish Borders Council and the Director of Finance NHS Borders. The IJB CFO will present this budget to NHS Borders and Scottish Borders Council for consideration and agreement as part of each organisations' annual financial planning process. The budget should reflect:

- **Activity Changes.** The impact on resources in respect of increased demand (eg demographic pressures and increased prevalence of long term conditions) and for other planned activity changes
- **Pay and Price inflation**
- **Legal requirements.** Legislation may entail expenditure commitments that should be reflected in an adjustment to the payment
- **Best Value.** All planned and anticipated cost reductions should be agreed between the IJB, Scottish Borders Council and NHS Borders including:
  - increased income opportunities,
  - efficiencies through service redesign, and
  - service rationalisations/cessations.
- **Performance on outcomes.** The potential impact of the above factors on agreed outcomes must be clearly stated and open to scrutiny and challenge by Scottish Borders Council and NHS Borders.
- Transfers **to/from the set aside budget for hospital services** set out in the SCP.

20. The IJB will publish an Annual Financial Statement which will set out the amount that will be spent in each year of the SCP. Guidance on the content of the Annual Financial Statement is included in the Statutory Guidance for Strategic Planning.

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

a. **Limits on Expenditure**

22. No expenditure will be incurred by the IJB unless it has been included within the approved IJB Budget and SCP, except:

- where additional funding has been approved by NHS Borders and Scottish Borders Council and the integrated budget/SCF is updated appropriately
- where a supplementary budget has been approved by the IJB

- in an emergency situation in terms of any scheme of delegation.

## b. Virement

23. 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 approved transfer of budget from one 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 a recurring or non-recurring adjustment to the approved budget.
24. Virements may be made within delegated budgets of either party and from one party to another. These virements require approval in advance, and they will be permitted subject to the Scheme of Delegation of the IJB as follows:
- Virement **must not create additional overall budget liability**. One off savings or additional income must 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 budget headings, and will not affect the execution of existing IJB strategy, the transfer will be approved jointly by the IJB CFO and Chief Officer and be reported to the IJB at the first available opportunity.
  - Where the amount **is over £50,000** or where the transfer of any amount would affect existing IJB strategy, prior approval of the IJB is required.
  - Virements between the partner bodies will require in year balancing adjustments to the allocations from the IJB to both parties: a reduction to the party with the underspend and an increase to the party with the overspend.
  - Any proposed virement which will impact on the operational performance of either partner organisation should be agreed with the relevant Finance Director or Chief Finance Officer prior to approval.

## c. Budgetary Control

25. It is the responsibility of the Chief Officer and IJB CFO to report regularly and timeously on all budgetary control matters, comparing projected outturn with the approved financial plan to the IJB and other bodies as designated by NHS Borders and Scottish Borders Council.
26. The Director of Finance (NHS Borders), the s95 Officer (Scottish Borders Council) and the IJB CFO, will ensure that there are appropriate systems in place to meet the financial performance monitoring and assurance requirements of the IJB.

27. The IJB CFO, in consultation with the Director of Finance (NHS Borders) and the s95 Officer (Scottish Borders Council) is responsible for agreeing a consistent basis and timetable for the preparation and reporting of management accounting information to the IJB.

#### d. Budget Variances

28. 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 is the duty of the Chief Officer and the IJB CFO, in consultation with the NHS Board Director of Finance and the Council's s95 Officer, to report in accordance with the appropriate method established for that purpose by the IJB, NHS Board and Scottish Borders Council, the details of the variance and any remedial action required.

29. If the remedial action is not successful and there are insufficient general fund reserves to fund the overspend, the partners have the option to:

- Make additional payments to the IJB or
- Provide additional resources to the IJB which are then recovered in future years, subject to scrutiny of the reasons for the overspend and assurance that there is a plan to address it.

30. In year underspends from either partner should be retained by the IJB and carried forward through the general fund reserve. This will require adjustments to the allocations from the IJB to the respective partner for the sum of the underspend.

31. In exceptional circumstances either party may amend their contribution to the IJB to offset an exceptional overspend. This provision should only be used in extreme circumstances. The Chief Officer will determine the actions required to make the savings to enable this transfer. This action must be approved by the IJB as advised by the IJB CFO.

#### e. Reports to Integration Joint Board

32. All reports to the IJB must specifically identify the extent of any financial implications. These must have been discussed and agreed with the IJB CFO prior to lodging of reports with the Board Secretary. If there are any additional financial consequences arising from reports for either NHS Borders or Scottish Borders Council the IJB CFO must be consulted and the author must ensure that these are agreed with those organisations' prior to approval being sought from the IJB.

33. The Director of Finance of NHS Borders and the s95 Officer for Scottish Borders Council 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.



#### **4. LEGALITY OF EXPENDITURE**

34. It is the duty of the Chief Officer to ensure that no expenditure is incurred, or included within the Financial Plan unless it is within the power of the IJB. Expenditure on new service developments, initial contributions to other organisations, must be clarified as to legality prior to being incurred. In cases of doubt the Chief Officer should consult the *respective legal advisors of NHS Borders and Scottish Borders Council before incurring expenditure*. Responses to emergency situations which require expenditure will be reported to the first available meeting of the IJB.

#### **5. RESERVES**

35. Legislation, under Section 106 of the Local Government (Scotland) Act 1973 empowers the IJB to hold reserves, which should be accounted for in the financial accounts and records of the IJB.
36. Any underspend will be held by the partner bodies on behalf of the IJB and can be drawn down with the approval of the IJB. No interest will be credited to the IJB for balances held.
37. A separate policy on reserves has been created in consultation with NHS Borders and Scottish Borders Council. This Reserves Policy was updated and approved in December 2022.

38. The IJB should, as part of financial planning, develop a Reserves Strategy over the medium term, this should indicate the level of reserves required and their purpose.

#### **6. VAT**

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

#### **7. COMMISSIONING OF SERVICES**

40. Public Bodies (Joint Working) (Integration Joint Boards) (Scotland) Order 2014/285 provides that the IJB may enter into a contract with any other party for the provision to the IJB of goods and services for the purpose of carrying out the functions conferred on it by the Act.
41. As a result of specific VAT and accounting issues associated with the IJB contracting directly for the provision of goods and services the Chief Officer is required to consult with the NHS Borders Director of Finance, and Scottish Borders Council's s95 Officer, prior to any direct procurement exercise being undertaken.



## 8. ACCOUNTING

### f) Accounting Procedures and Records

42. All accounting procedures, records and systems of financial control of the IJB will be determined by the IJB CFO. These will also be subject to discussion with the s95 Officer of Scottish Borders Council and NHS Borders Director of Finance.
43. Legislation provides that the IJB 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 IJB 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.
44. Scottish Borders Council and NHS Borders will include additional disclosures in their statutory accounts which reflect their formal relationship with the IJB.

### a. Financial Statements of the Integration Joint Board

45. Financial reporting requirements for the IJB will be as specified in applicable legislation and regulation:
- Following the Code of Practice on Local Authority Accounting in the UK.
  - Completed, published and signed to meet the audit and publication requirements as specified under section 105 of the Local Government (Scotland) Act 1973 or as amended by subsequent legislation.

46. It is the primary responsibility of the IJB CFO to meet these requirements and of the Chief Officer to provide any relevant information to ensure that NHS Borders and Scottish Borders Council meet their respective statutory and publication requirements for the single entity and group accounts. The annual reporting timetable should be agreed in advance with the Director of Finance NHS Borders, s95 Officer for Scottish Borders Council and the external auditors. The target deadlines are as noted below.

Milestone	Deadline
Agreement of in year transactions and year end balances with Local Authority and Health Board	30 April
Draft annual accounts produced and submitted for audit.	30 June
Inspection of accounts and lodging of objections.	29 July
Accounts Signed.	30 September
Publication of audited annual accounts	30 October

47. The IJB CFO will develop a timetable and responsibilities for production of information, in liaison with nominated contacts within each organisation, to ensure that appropriate information is exchanged within the timescales required by the statutory audit processes

of the IJB, Council and NHS. It is recommended that arrangements are established to review and agree balances and transactions on a regular basis, not just at the year end.

## 2. INTERNAL AUDIT

### a. Responsibility for Internal Audit

48. The IJB 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.
49. The role of 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 IJB will be agreed with the Chief Officer.
50. The Internal Audit Service will undertake its work in compliance with the [Public Sector Internal Audit Standards](#).
51. On or before the start of each financial year the Chief Internal Auditor will prepare and submit a strategic risk based audit plan to the IJB for approval. It is recommended this is shared with the Audit Committees of both NHS Borders and Scottish Borders Council.
52. The IJB CFO will work with the internal auditors of the NHS Board, Scottish Borders Council and the IJB to ensure that there is clarity and consistency of appropriate scrutiny of the work of the IJB 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.
53. The Chief Internal Auditor will submit an annual audit report of the Internal Audit function to the Chief Officer, and the IJB Audit Committee, 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 Scottish Borders Council and NHS Borders (is that true, is there an issue regarding timing?)
54. Reports on each internal audit engagement will be submitted to the Chief Officer and IJB CFO.

### b. Authority of Internal Audit

55. The Chief Internal Auditor or their authorised representatives will have authority, on production of identification, to:
  - Enter at all reasonable times and without notice any premises or land used or operated by the UB members;

- 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 IJB;
- Be provided with a separate log-in to any computer system used by the members of the IJB and have full access to any system, network, personal computer or other device including hardware owned by third party service providers;
- Require and receive such explanations as are necessary concerning any matter under examination;
- Require any employee to produce records cash, stores or any other assets under their control.

### **3. RISK MANAGEMENT AND INSURANCE**

#### **a. Risk Strategy**

56. The Chief Officer is responsible for establishing the IJBs risk strategy and profile and developing risk reporting arrangements; this will include arrangements for a risk register. The Risk Management Strategy will be approved by the IJB.
57. NHS Borders and Scottish Borders Council will identify and manage within their own risk management arrangements any risks they have retained under the integration arrangements. NHS Borders and Scottish Borders Council will report risk management through their governance arrangements, including the impact of integration.

#### **b. Responsibility for Insurance and Risk**

58. The IJB will make appropriate insurance arrangements for all activities of the IJB in accordance with the risk management strategy.
59. 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 IJB and for which it is the general custom to insure. This will include the provision of appropriate insurance in respect of members of the IJB acting in a decision making capacity.
60. The NHS Borders Director of Finance and the s95 Officer of Scottish Borders Council will ensure that the Chief Officer has access to professional support and advice in respect of risk management.

#### **c. Notification of Insurance Claims**

61. The Chief Officer and the IJB CFO will put in place appropriate procedures for the notification and handling of any insurance and negligence claims made against the IJB.

#### 4. ECONOMY, EFFICIENCY AND EFFECTIVENESS (BEST VALUE)

62. The Chief Officer will ensure that arrangements are in place to maintain control and clear public accountability over the public funds delegated to the IJB.

63. This will apply in respect of:

- the resources delegated to the IJB by the NHS Borders and Scottish Borders Council
- the resources paid to NHS Borders and Scottish Borders Council by the IJB for use as directed and set out in the SCP.

64. The IJB has a duty to put in place proper arrangements for securing [Best Value](#) in the use of resources and delivery of services. Best Value is about ensuring that there is good governance and effective management of resources, with a focus on improvement, to deliver the best possible outcomes for the public.

65. 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 to secure Best Value and to co-ordinate policy in regard to ensuring that the IJB secures Best Value.

66. The Chief Officer is responsible for ensuring implementation of the strategic planning process. Best Value should cover financial, human and physical resource management, commissioning of services, financial management and policy, performance and service delivery.

67. The IJB will comply with relevant guidance on best practice financial management, such information as may be available from Scottish Government, HFMA, and CIPFA. Advice on use of management consultancy should be observed:

- The areas below should be considered before any management consultancy spend is procured. This is to minimise external consultancy spend and where procured, maximise economies of scale and benefits from any investment made by individual Boards. It is for the IJB to assure themselves they are getting value for money across the system for any spend incurred. Collaboration on any procurement processes is strongly suggested.

**Problem definition** - is there a clear understanding of outcomes, and are deliverables towards these outcomes clearly set out and agreed with the Chief Executive / Chief Officer (or DoF/ CFO)?

**Need for consultancy** - have other delivery models, including in-house expertise and other options including working with other Boards or partner organisations, been adequately considered?

**National support** - have you discussed with the relevant policy lead to determine whether support could be made available from Scottish Government and confirm whether this requirement is unique?

**Sourcing to achieve Value For Money** - has a proportionate level of market engagement taken place and is the procurement process robust and appropriate?

**Knowledge and skills transfer to avoid over reliance** - are the plans adequate for how results will be used and shared, skills will be passed on and how over-reliance on single providers will be avoided?

## 5. PARTNERSHIPS

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

## **6. OBSERVANCE OF FINANCIAL REGULATIONS**

### **Responsibility of Chief Officer and the IJB Chief Finance Officer**

69. It is the duty of the Chief Officer assisted by the IJB CFO to ensure that these Regulations are made known to the appropriate persons within the IJB and Health and Social Care Partnership and to ensure that they are adhered to.

### **Breach of Regulations**

70. 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 Borders Chief Executive, Scottish Borders Council Chief Executive or another nominated or authorised person as appropriate to decide what action to take.
71. A material breach may result in disciplinary action up to and including dismissal for gross misconduct. **Material Breach of these regulations should be reported to the IJB..** What is material. **At what point reported?**

### **Review of Financial Regulations**

72. These Regulations will be reviewed every three years (or earlier if there have been significant changes) by the IJB CFO in consultation with the NHS Borders Director of Finance and the Scottish Borders Council's s95 Officer, and where necessary, subsequent adjustments will be submitted to the IJB for approval.

**Date of Review: 17 January 2023**