



south ayrshire  
health & social care  
partnership

# Integration Joint Board Financial Regulations



## Contents

<b>Scope and Observance .....</b>	<b>3</b>
<b>Financial Management and Performance .....</b>	<b>4</b>
Responsible and Accountable.....	4
Annual Integrated Budget .....	5
Medium Term Financial Forecast .....	5
Limits on Expenditure .....	6
Virement or Budget Transfers .....	6
Budgetary Control .....	7
Variances .....	7
Materiality and Significance .....	7
Reports to the IJB .....	7
Legality of Expenditure .....	8
Management of Reserves .....	8
Use of Improvement and Innovation Fund .....	8
<b>Other .....</b>	<b>9</b>
Internal Audit .....	9
Capital Planning .....	10
VAT .....	10
Board Members Expenses .....	10
Risk Management and Insurance .....	11
Economy, Efficiency and Effectiveness (Best Value) .....	11

## 1. SCOPE AND OBSERVANCE

- 1.1 South Ayrshire Integration Joint Board is a legal entity in its own right created by Parliamentary Order, following Ministerial approval of the Integration Scheme. It 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, in particular:
- 1.2 Section 95 of the Local Government (Scotland) Act 1973 requires that every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that the proper officer of the authority has responsibility for the administration of those affairs, including:
  - Approve the financial systems
  - Approve the duties of officers operating these systems
  - Maintain a written description of such approved financial systems including a list of specific duties
- 1.3 These financial regulations should be read in conjunction with the standing financial instructions of NHS Ayrshire and Arran Health Board that can be accessed here <http://athena/finance/FinanceLibrary1/SFI's%202020.pdf> if you are an NHS employee, if you are a Council employee managing an NHS budget please ask your Finance representative for the NHS Financial regulations to be sent to you. You can access South Ayrshire Council's financial regulations by selecting the links [Financial Regulations](#) and [Standing Orders Relating to Contracts](#).
- 1.4 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.
- 1.5 The key controls and control objectives for financial management standards are:-
  - The promotion of the highest standards of financial management by the Board;
  - A monitoring system to review compliance with the financial regulations;
  - Regular comparisons of actual and forward projection of financial performance with planned/budgeted performance that are reported to the Integrated Joint Board; and
  - the Performance and Audit Committee of the Board fulfilling its duties under its Terms of Reference.
- 1.6 In all matters to do with the management and administration of the Integrated Budget by the Board and its officers exercising such delegated powers as the Board has agreed in this regard, these Financial Regulations will apply in all circumstances.
- 1.7 Prior to any funding being passed by one of the Parties to the Board as part of the Integrated Budget, the Financial Regulations or Standing Financial Instructions of the

relevant Party will apply. Similarly, once funding has been approved from the Integrated Budget by the Board and directed by it to the Council or the NHS for the purposes of service delivery, the Standing Financial Instructions or Financial Regulations of the relevant Party will then apply to the directed sum, which will be utilised in accordance with the priorities determined by the Board in its Strategic Plan

- 1.8 The IJB will appoint an officer responsible for its financial administration. The Chief Finance Officer must hold a recognised professional accounting qualification to ensure the IJB receive financial advice from a qualified person.
- 1.9 In appointing the Chief Financial Officer the Integration Joint Board has regard to CIPFA guidance on the “Role of the Chief Financial Officer in Local Government.”
- 1.10 Responsibility of Health Board Accountable Officer; NHS Board Director of Finance & Council Section 95 Officer (Chief Financial Officer) - 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 to discharge their responsibilities in this respect.
- 1.11 The Health Board Director of Finance and the Council Chief Finance Officer will ensure that adequate system of internal control are established in each organisation, and provide resources and professional support to budget holders to enable them to effect control over their expenditure and income.

## 2. FINANCIAL MANAGEMENT AND PERFORMANCE

### **Responsible and Accountable**

- 2.0 Budget holders within the Council and the Health Board will be accountable for all budgets within their control as directed by the IJB in line with its Strategic Plan, and individual services plans. The IJB will ensure appropriate arrangements are in place to support financial management and planning. The Chief Finance Officer and relevant finance staff in NHS and Council will use finance IT systems in both organisations to produce financial reports and projected spend in order to monitor financial performance in relation to the approved revenue budgets.
- 2.1 The Chief Finance Officer will advise the IJB on the financial implications of the IJB’s activities, through regular budget monitoring updates to the IJB along with explanations of any significant variations from budget and an action plan agreed to mitigate any adverse variations. Included in budget monitoring updates will be requests for approval of use of reserves or budget virements and an update on savings achieved.
- 2.2 A Budget Working Group is established made up of representatives from the IJB and DMT (Directorate Management Team). The role of the group is to scrutinise and

review on a regular basis budget monitoring reports , annual budget process, medium term financial planning and use of reserves. The group does not have approval powers any requests for approval are presented to the IJB.

### **Annual Integrated Budget**

2.2 The IJB will develop an integrated budget on an annual basis, this is initially developed through review and scrutiny by the Budget Working Group prior to approval at IJB in March, prior to the new financial year commencing. The annual integrated budget takes account of the following factors:

- **Demand** – the impact on financial resources in relation to increased or decreased demand from eg. ageing population or shift in balance of care through early intervention and prevention.
- **Inflation** – price increases for contracts, pay uplifts and supplies.
- **Efficiencies** – savings including increased income opportunities and service rationalisation /review, should be agreed between the IJB, NHS Ayrshire and Arran and South Ayrshire Council as part of the annual budget process
- **Equalities Impact Assessment (EQIA)** – the potential impact of any efficiencies must be documented in an EQIA and presented to the IJB as part of the annual budget process
- **Performance on Outcomes** – the potential impact of any efficiencies on agreed outcomes and strategic objectives must be clearly stated for review and scrutiny by BWG and IJB prior to approval , and open to challenge by South Ayrshire Council and Ayrshire and Arran Health Board
- **Legal requirements** – legislation may entail expenditure commitments that should be taken into account in adjusting the amounts to be paid from each party
- **Funding Contributions** – the method for determining the contributions made to the Integrated Budget from the Council and Health Board is directed by the Scottish Government and compliance is expected in adhering to funding conditions. The Chief Finance Officer and Chief Officer will liaise and consult with the Council and Health Board as part of the budget setting process.

### **Medium Term Financial Forecast**

2.3 The IJB will develop a **medium term financial forecast** to cover a period of at least three years. The plan will be developed through scrutiny and review by the Budget Working Group prior to approval by the IJB. The forecast will be updated on an annual basis following approval of the annual budget and take in to account the following factors:

- Scottish Government Medium Term Financial Forecast and any published spending plans
- Strategic needs assessment of South Ayrshire including demographics, dependency ratio and inequalities



- Trend analysis and projections for hospital and community health and social care, from public health data
- Local priorities including partnership working with third sector, Community Planning Partnership (CPP)
- Scottish Government Policies and Strategies eg. The Promise, The National Workforce Strategy for Health and Social Care in Scotland, National Care Service and National Drugs Mission Funds
- Estimate of funding allocations from Scottish Government based on three scenarios – best, mid and worse case.
- Financial Pressures over the course of the medium term including estimates for price inflation, demographic and non-demographic demand

### Limits on Expenditure

- 2.4 No expenditure will be incurred by the Integration Joint Board unless it has been included in the within the approved Integration Budget and Strategic Plan, except:
1. Where additional funding has been provided by the NHS and/or the Council and the integrated budget/strategic plan has been updated appropriately
  2. Where a supplementary budget has been approved by the IJB
  3. In emergency situations in terms of any scheme of delegation
  4. As provided for in an approved budget virement
- 2.5 **Virement or Budget Transfers** - 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 transfer of budget from one main budget heading (employee costs, third party payments, supplies and services etc.), to another, or a transfer of budget from one service to another.
- 2.6 Virements require approval by the IJB this will be included in a section of the regular budget monitoring reports. Budget virements shall be permitted subject to any Scheme of Delegation of the Board as follows:-
1. 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.
  2. Where the virement involves the transfer of up to £100,000 between operational budget headings, and the transfer is not between budgets directed to the Council and the NHS and will not affect the execution of existing policy, the transfer shall be approved jointly by the Chief Officer and IJB Chief Finance Officer.
  3. Where the amount is over £100,000 or where the transfer of any amount would affect the execution of existing IJB policy, approval is required by the IJB.

## **Budgetary Control**

- 2.7 It is the responsibility of the IJB Chief Finance Officer 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 the NHS and the Council in the Integration Scheme.
- 2.8 The Director of Finance of the NHS and the Chief Financial Officer (section 95 officer) of the Council shall, along with the Chief Finance Officer will put in place a system of budgetary control which will provide the IJB Chief Finance Officer with management accounting information for both arms of the operational budget and for the IJB in aggregate.
- 2.9 It is the responsibility of the IJB Chief Finance Officer, to agree in consultation with Director of Finance (NHS Ayrshire and Arran) and the Chief Financial Officer (section 95 officer) of the Council, to agree a consistent basis and timetable for the preparation and reporting of the management accounting information on an annual basis.

## **Variances**

- 2.10 A variance is where it appears that the actual amount of income or expenditure may vary materially or significantly (as defined below) from that appearing in the revenue budgets, it shall be the duty of the Head of Service responsible in conjunction with the IJB Chief Finance Officer to report to the IJB highlighting reasons for the variance and any management action being taken and the projected level of outturn variance following actions taken.

## **Materiality and Significance**

Appropriate focus should be placed on variance analysis, the objective being to secure sufficient coverage of those variances that contribute most to the deviation from income and expenditure budgets rather than a comprehensive line by line analysis. By necessity, this will be a subjective professional judgment. Prescription is not advocated, as the materiality threshold for variance explanations will vary in accordance with:

- (1) reporting levels;
- (2) scale of budget; and
- (3) impact on service delivery and performance.

## **Reports to the IJB**

- 2.11 All reports to the IJB and sub-committees must specifically identify the extent of any financial implications. These must have been discussed and agreed with the Chief Finance Officer prior to lodging of reports.

- 2.12 Regular Budget Monitoring reports presented to the IJB including explanation of variances, budget virement, use of reserves and savings progress will be reviewed and scrutinised by Heads of Service, Chief Officer and Budget Working Group prior to submission to IJB for approval.
- 2.13 The Chief Finance Officer will ensure presentation of all external audit reports including reports on the audited Annual Accounts to the IJB or Performance and Audit Committee. These reports will be made available to the Health Board and South Ayrshire Council. The Chief Finance Officer will also make appropriate arrangements for the public inspection of the IJB's Annual Accounts.

### **Legality of Expenditure**

- 2.14 It shall be the duty of Chief Officer and Heads of Service to ensure that no expenditure is incurred or included within the Strategic Plan unless it is within the legal powers of the IJB. In cases of doubt, Chief Officer and Heads of Service should consult the respective legal advisors of the NHS and Council before incurring expenditure. Expenditure on new service developments, initial contributions to other organisations and responses to new emergency situations which require expenditure must be clarified as to legality prior to being incurred.

### **Management and Use of Reserves**

- 2.15 Legislation empowers the IJB to hold reserves, which should be accounted for in the financial accounts and records of the IJB. As any underspend will be held by the Council on behalf of the IJB on the balance sheet as a creditors balances to be drawn down by the IJB as planned.
- 2.16 Use of reserves requires to be approved by the IJB via the budget monitoring process or as part of the annual budget setting process. Explanation of use of reserves and expected outcome in line with the Strategic Plan objectives is required to enable IJB to make an informed decision in use of reserves.

### **Use of Improvement and Innovation Fund**

- 2.17 This fund has been set up to be used to support improvement and innovation projects designed to develop new ways of working to improve service provision to be more efficient and effective. Projects may include investment in new technology, additional temporary staffing resources, the introduction of alternative work patterns or other costs to enable change and ensure financial sustainability. This fund is used to provide short-term enabling funding to promote and support service redesign. To utilise the fund where the amount requested is £100,000 or under, the request shall be considered and agreed by the IJB Chief Officer. All requests greater than £100,000 require to be considered by the IJB for approval, following review and scrutiny with the Budget Working Group. The Improvement and Innovation Fund Guide provides more detail and template to complete to request allocation of funds.



## 3.0 Other Areas

### Internal Audit

- 3.1 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. This will include determining who will provide the internal audit service for the Integration Joint Board and nominating a Chief Internal Auditor.
- 3.2 Internal Audit Services for the IJB are provided by South Ayrshire Council's Chief Internal Auditor, who is also appointed as the IJB Chief Internal Auditor.
- 3.3 The operational delivery of internal audit services within NHS Ayrshire and Arran and South Ayrshire Council will be contained within their respective and established arrangements. The internal audit service will undertake its work in compliance with the Public Sector Internal Audit Standards.
- 3.4 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 Performance and Audit Committee for approval. It is recommended this is shared with the relevant committee of both NHS Ayrshire and Arran and South Ayrshire Council.
- 3.5 The Integration Joint Board Chief Internal Auditor will submit an annual audit report of the Internal Audit function to the Chief Officer and Chief Finance Officer, and present the report to the Performance and Audit Committee indicating the extent of audit cover achieved and providing a summary of audit activity during the year. As a minimum the annual audit report and Chief Internal Auditor's opinion will also be reported to the Audit Committees of the NHS Ayrshire & Arran Board and South Ayrshire Council.
- 3.6 The IJB's Chief Internal Auditor or their authorised representatives shall have authority, on production of identification, to:-
  1. Obtain entry at all reasonable times to any premises or land used or operated by the IJB;
  2. 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;
  3. Be provided with a separate log-in to any computer system used by the partners of the IJB and have full access to any system, network, personal computer or other device including hardware owned by third party service providers;
  4. Require and receive such explanations as are necessary concerning any matter under examination;
  5. Require any employee to produce cash, stores or any other assets under their control

### **Capital Planning**

- 3.7 The IJB does not receive a capital funding allocation and all capital assets are the responsibility and ownership of the NHS and South Ayrshire Council. Capital projects are funded by either the Council or the NHS and expenditure controlled in accordance with their financial regulations.
- 3.8 The Premises and Accommodation group includes representatives from NHS and Council property and estates team responsible for buildings. Officers of the IJB use this meeting to discuss best use of existing resources and to identify assets requirements to support the delivery of the Strategic Plan.
- 3.9 Where new capital investment is required to deliver the Strategic Plan both partners should consider in their capital planning.

### **VAT**

- 3.10 HM Revenues and Customs have 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 Financial Officer should the operational activities of the IJB change and a need to register be established. HMRC guidance will apply to Scotland which will allow a VAT neutral outcome.

### **Board Member's Expenses**

- 3.11 Payment of voting IJB Members' allowances will be the responsibility of the Members' individual Council or Health Board and will be made in accordance with their own Schemes.
- 3.12 Members are entitled to payment of travel and subsistence expenses relating to approved duties. Members are required to submit claims in accordance with Council or Health Board agreed expenses claim form and as far as practicable to provide receipts in support of any expenses claimed.
- 3.13 Non-voting members of the IJB will be entitled to payment of travel and other expenses, such as the cost of replacement care where they have caring responsibilities. Non-voting members are required to submit claims in accordance with Council or Health Boards agreed expenses claim form and as far as practicable to provide receipts in support of any expenses claimed. The costs relating to expenses incurred by the non-voting members of the IJB will be shared equally by the Health Board and the Council.

### **Risk Management and Insurance**

- 3.14 The IJB shall make appropriate insurance arrangements for all activities of the IJB in accordance with the risk management strategy.
- 3.15 The Chief Officer shall 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.
- 3.16 The IJB has become a member of the Scottish Government Clinical Negligence and Other Risks Scheme (CNORIS) – a risk transfer and financing scheme. The Chief Officer and the Chief Finance Officer will review the requirement for membership of CNORIS on an annual basis.
- 3.17 The NHS's Director of Finance and the Chief Financial Officer (section 95 officer) of the Council will ensure that the Chief Officer has access to professional support and advice in respect of risk management.

### **Economy, Efficiency and Effectiveness (BEST VALUE)**

- 3.18 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
- 3.19 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 realisation 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..
- 3.20 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.