

SOUTH AYRSHIRE INTEGRATION JOINT BOARD FINANCIAL REGULATIONS

1. DEFINITIONS AND INTERPRETATION

- 1.1 “**1973 Act**” means the Local Government (Scotland) Act 1973;
- “**Act**” means the Public Bodies (Joint Working) (Scotland) Act 2014;
- “**Board**” means Integration Joint Board;
- “**Chief Finance Officer**” means the Chief Finance Officer of the Board appointed by the Board in terms of section 95 of the 1973 Act;
- “**Chief Officer**” means the Chief Officer of the Board appointed by the Board in terms of s10 of the Act;
- “**Council**” means South Ayrshire Council;
- “**Integrated Budget**” means the Integrated Budget of the Board set in accordance with the provisions of the Integration Scheme;
- “**Integration Scheme**” means the Integration Scheme between the Parties approved by the Scottish Ministers;
- “**NHS**” means Health Board;
- “**Parties**” means the Council and the NHS (and “**Party**” means either of them); and
- “**Strategic Plan**” means the plan which the Board is required to prepare and implement in relation to the delegated provision of health and social care services to adults and children in accordance with section 29 of the Act.
- 1.2 Words in these Financial Regulations that are also used in the Board’s other governing documents shall, where possible, have the same meanings as they have in those other governing documents.

2. SCOPE AND OBSERVANCE

- 2.1 The Board is a legal entity in its own right created by Parliamentary Order 2015 No 88 The Public Bodies (Joint Working) (Board Establishment) (Scotland) Order 2015 which came into effect on 1 April 2015 following Ministerial approval of the Integration Scheme.
- 2.2 The Board 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 Board. In particular:-
- (1) NHS (Financial Provisions) (Scotland) Regulations 1974 require NHS Directors of Finance to design, implement and supervise systems of

financial control and NHS circular 1974 (GEN) 88 requires the Director of Finance to:–

- approve the financial systems;
- approve the duties of officers operating these systems; and
- maintain a written description of such approved financial systems including a list of specific duties.

(2) Section 95 of the 1973 Act requires that every local authority shall make arrangements for the proper administration of its financial affairs and shall secure that the proper officer of the authority has responsibility for the administration of those affairs.

2.3 Voting members of the Board together with non-voting members of 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.

2.4 The key controls and control objectives for financial management standards are:-

- (1) the promotion of the highest standards of financial management by the Board;
- (2) a monitoring system to review compliance with the financial regulations;
- (3) comparisons of actual and forward projection of financial performance with planned/budgeted performance that are reported to the Board; and
- (4) the Performance and Audit Committee of the Board fulfilling its duties under its Terms of Reference.

2.5 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.

2.6 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.

3. FINANCIAL MANAGEMENT

Responsibility of Board

- 3.1 The Integration Scheme sets out the detail of the integration arrangements agreed between the Parties in accordance with the Act. In relation to financial management it specifies:-
- (1) the financial management arrangements including treatment of budget variances;
 - (2) the reporting arrangements between the Board, the NHS and the Council;
 - (3) the method for determining the resources to be made available by the NHS and the Council to the Board; and
 - (4) the functions which are delegated to the Board by the NHS and the Council.
- 3.2 The Board is responsible for the production of the Strategic Plan, setting out the needs, priorities and services for its population over the medium term (3 years), including:-
- (1) the payment from the Council to the Board for delegated social care services;
 - (2) the payment from the NHS to the Board for delegated primary and community healthcare services and for those delegated hospital services managed by the Chief Officer; and
 - (3) the amount set aside by the NHS for delegated services.

Responsibility of the Chief Officer

- 3.3 The Chief Officer is the accountable officer of the Board in all matters except finance. The Chief Officer will discharge his/her duties in respect of the delegated resources by:-
- (1) ensuring that the Strategic Plan meets the requirement for economy, efficiency and effectiveness in the use of the Board resources; and
 - (2) giving directions to the NHS and the Council that are designed to ensure resources are spent according to the Strategic Plan. It is the responsibility of the Chief Officer to ensure that the provisions of the directions enable the Parties to discharge their responsibilities with regard to the provisions of the directions.
- 3.4 In his/her operational role within the NHS and the Council, the Chief Officer has no “accountable officer” status but is:-
- (1) accountable to the Chief Executive of the NHS for financial management of the operational budget, and is advised by the NHS Director of Finance;

- (2) accountable to the Chief Financial Officer (section 95 officer) of the Council for financial management of the operational budget; and
- (3) accountable to the Chief Executive of the Council and Chief Executive of the NHS for the operational performance of the services managed by the Chief Officer.

Responsibility of the Chief Finance Officer

- 3.5 The Board is required to appoint an officer responsible for its financial administration. This post, known as the Chief Finance Officer, will fulfil a role equivalent of the section 95 officer within the Council.
- 3.6 The Chief Finance Officer will discharge his/her duties in respect of the available resources by:-
 - (1) establishing financial governance systems for the proper use of the available resources;
 - (2) ensuring that the Strategic Plan meets the requirement for best value in the use of the Board's resources; and
 - (3) ensuring that the directions given by the Chief Officer to the NHS and the Council provide for the resources that are allocated in respect of the directions to be spent according to the Strategic Plan. It is the responsibility of the Chief Finance Officer to ensure that the provisions of the directions enable the Parties to discharge their responsibilities in this respect.
- 3.7 The responsibilities of the NHS's accountable officer, (the NHS's Chief Executive) and the Council's Chief Financial Officer (section 95 officer) are as follows:-
 - (1) the NHS's accountable officer and the Council's section 95 officer discharge their responsibility, as it relates to the resources that are delegated to the 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;
 - (2) the NHS's Director of Finance and the Chief Financial Officer (section 95 officer) of the Council will provide specific advice and professional support to the Chief Officer to support the production, and when necessary the periodic review of, the Integration Scheme;

- (3) the NHS's Director of Finance and the Chief Financial Officer (section 95 officer) of the Council will provide ongoing support and advice to the Chief Officer in the delivery of operational services within the NHS and the Council.

4. FINANCIAL PLANNING

Strategic Plan

- 4.1 The Board is responsible for the production of the Strategic Plan – setting out the needs, priorities and 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 Strategic Plan, incorporating:-
 - (1) the Integrated Budget – aggregate of payments to the Board; and
 - (2) the notional budget – the amount set aside by the NHS for delegated services.
- 4.2 Where the NHS and the Council should provide indicative three year rolling funding allocations to the Board to support the Strategic Plan and the medium term financial planning process such indicative allocations would remain subject to annual approval by both Parties.
- 4.3 It is the responsibility of the Chief Officer and the Chief Finance Officer to develop a draft budget or the Integrated Budget based on the Strategic Plan and to present this to the Parties for consideration and agreement within each Party's budget setting process. The draft budget should take account of such factors as:-
 - (1) **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;
 - (2) **Cost inflation:** pay and supplies cost increases;
 - (3) **Efficiencies:** all savings (including increased income opportunities and service rationalisations/cessations) should be agreed between the Board and the Council / NHS as part of the annual rolling financial planning process to ensure transparency;
 - (4) **Performance on outcomes:** the potential impact of efficiencies on agreed outcomes must be clearly stated and open to discussion and consideration by the Council and the NHS;

- (5) **Legal requirements:** legislation may entail expenditure commitments that should be taken into account in adjusting the amounts to be paid, or set aside, to the Board by the Parties;
- (6) **Transfers to/from the notional budget for hospital services:** as set out in the Strategic Plan;
- (7) **Adjustments to address equity:** the Council and the NHS may choose to adjust contributions to smooth the variation in weighted capita resource allocations across partnerships; information to support this will be provided by the Information Services Division and the Analytical Services Division.

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

Limits on Expenditure

4.5 No expenditure shall be incurred by the Board unless it has been included within the approved Integration Budget and Strategic Plan, except:-

- (1) where additional funding has been approved by the NHS and/or the Council and the Integrated Budget / Strategic Plan updated appropriately;
- (2) in emergency situations in terms of any scheme of delegation; and
- (3) as provided for in paragraph 4.7 below (Virement).

Virement

4.6 Virement is defined by CIPFA as “the transfer of an under spend on one budget head to finance additional spending on another budget head, in accordance with an Authority’s Financial Regulations”. In effect virement is the transfer of budget from one main budget heading (employee costs, supplies and services etc), to another, or a transfer of budget from one service or department to another. This would also include transfers between the two arms of the operational budget.

4.7 Virements require approval and they 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. Where the virement involves the transfer of up to £50,000 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 by the Chief Officer.

- (2) Where the amount is over £50,000 or where the transfer is between budgets directed to the Council and Health Board or where the transfer of any amount would affect the execution of existing policy, the prior approval of the Chief Officer and the Board shall be required.
- (3) The Chief Officer will not be permitted to vire between the Integrated Budget and those budgets managed by the Chief Officer, but which are outside of the scope of the Strategic Plan, unless agreed by the Parties.

Budgetary Control

- 4.8 It is the responsibility of the Chief Finance Officer to report regularly and timeously on all budgetary control matters, comparing projected outturn with the approved financial plan to the Board and other bodies as designated by the NHS and the Council in the Integration Scheme.
- 4.9 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 put in place a system of the budgetary control which will provide the Chief Officer with management accounting information for both arms of the operational budget and for the Board in aggregate.
- 4.10 It is the responsibility of the Board Chief Finance Officer, in consultation with the Director of Finance of the NHS and the Chief Financial Officer (section 95 officer) of Council, to agree a consistent basis and timetable for the preparation and reporting of management accounting information.

Variances

- 4.11 The Integration Scheme specifies how in year over/under spends will be treated. Where it appears that any heading of income or expenditure may vary significantly from that appearing in the Strategic Plan, it shall be the duty of the Chief Officer and the Chief Finance Officer, in conjunction with the NHS's Director of Finance and the Chief Financial Officer (section 95 officer) of the Council, to report in accordance with the appropriate method established for the purpose by the Board, the NHS and the Council, the details of the variance and any remedial action required.

Reports to the Board

- 4.12 All reports to the Board and any committees thereof 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.

Legality of Expenditure

- 4.13 It shall be the duty of the Chief Officer to ensure that no expenditure is incurred, or included within the Strategic Plan, unless it is within the legal powers of the Board. In cases of doubt the Chief Officer should consult the respective legal advisors of the NHS and the 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 of Reserves

- 4.14 Legislation empowers the Board to hold reserves, which should be accounted for in the financial accounts and records of the Board.
- 4.15 As any under spend will be held by the Party holding the respective operational budget and only adjusted through subsequent allocations from the Board no interest will be credited to the Board for balances held and these will be accounted for within the financial records of the Council.

VAT

- 4.16 HM Revenues and Customs have confirmed that there is no requirement for a separate VAT registration for the 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 Chief Finance Officer should the operational activities of the Board change and a need to register be established.

Procurement/Commissioning of Services

- 4.17 The Public Bodies (Joint Working) (Proceedings, Membership and General Power of Integration Boards) (Scotland) Order 2014 provides that the Board may enter into a contract with any person in relation to the provision to the Board of goods and services for the purpose of carrying out the functions conferred on it by the Act.
- 4.18 As a result of specific VAT and accounting issues associated with the Board contracting directly for the provision of goods and services, the Chief Officer is required to consult with the NHS's Director of Finance and the Chief Financial Officer (section 95 officer) of the Council, and the Chief Finance Officer prior to any direct procurement exercise being undertaken.

Accounting Procedures and Records

- 4.19 All accounting procedures and records of the Board shall be determined by the Chief Finance Officer in consultation with the Director of Finance or equivalent of the relevant Party. These will also be subject to discussion and agreement with the Director of Finance / Chief Financial Officer of the NHS / Council as appropriate.
- 4.20 Legislation provides that the Board is subject to the audit and accounts provision of a body under section 106 of the 1973 Act. This requires audited annual accounts to be prepared with the reporting requirements specified in the relevant

legislation and regulations - section 12 of the Local Government in Scotland Act 2003 and regulations under section 105 of the 1973 Act. These will be proportionate to the limited number of transactions of the Board whilst complying with the requirement for transparency and true and fair reporting in the public sector.

Financial Statements of the Board

- 4.21 The reporting requirements for the Board will be as specified in applicable legislation and regulations. 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 1973 Act.
- 4.22 The financial statements must be completed to meet the audit and publication timetable specified in regulations. It is the primary responsibility of the Chief Finance Officer to meet these targets and of the Chief Officer to provide any relevant information to ensure that the NHS and the Council meet their respective statutory and publication requirements for the single entity and group accounts.
- 4.23 The Chief Finance Officer shall agree the financial statements production timetable with the external auditors of the Board, the NHS and the Council.

5. INTERNAL AUDIT

Responsibility for Internal Audit

- 5.1 The Board shall establish adequate and proportionate internal audit arrangements for review of the adequacy of the arrangements for risk management, governance and control of the allocated resources, but not the amount or sufficiency of the allocated resources. This will include determining who will provide the internal audit service for the Board and nominating a Chief Internal Auditor.
- 5.2 The operational delivery of internal audit services within the NHS and the Council will be contained within their respective and established arrangements.
- 5.3 The Internal Audit Service will undertake its work in compliance with the Public Sector Internal Audit Standards.
- 5.4 On or before the start of each financial year, the Board's 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 for information with the relevant committee of the NHS and the Council.
- 5.5 The Board's Chief Internal Auditor will submit an annual audit report of the Internal Audit function to the Chief Officer and 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 committee of the NHS Board and the Audit and Governance Panel of the Council.

Authority of Audit

- 5.6 The Board'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 Board;
 - (2) have access to all systems, records, documents and correspondence relating to any financial and other transactions of the Board; and
 - (3) require and receive such explanations as are necessary concerning any matter under examination.

6. RISK MANAGEMENT AND INSURANCE

Responsibility for Insurance and Risk

- 6.1 The Board shall make appropriate insurance arrangements for all activities of the Board in accordance with the risk management strategy.
- 6.2 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 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 Board acting in a decision making capacity.
- 6.3 The Board 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.
- 6.4 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.

7. ECONOMY, EFFECIENCY AND EFFECTIVENESS (BEST VALUE)

- 7.1 The Chief Officer will ensure that arrangements are in place to maintain control and clear public accountability over the public funds delegated to the Board. This will apply in respect of:
- (1) the resources delegated to the Board by the Council and the NHS; and
 - (2) the resources paid to the Council and the NHS by the Board for use as directed and set out in the Strategic Plan.
- 7.2 It is recommended that the best practice principles as set out in the Code of Guidance on Funding External Bodies and Following the Public Pound should be incorporated into the Integration Scheme / Strategic Plan and the directions made by the Board to allow the Chief Finance Officer, the NHS's accountable officer and the Council's section 95 officer to discharge this duty.

- 7.3 The Board has a duty to put in place proper arrangements for securing Best Value in the use of resources and delivery of services. There shall be a process of strategic planning which shall have full Board member involvement, in order to establish the systematic identification of priorities and realisation of Best Value in the delivery of services. It shall 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 Board provides Best Value.
- 7.4 The Chief Officer shall 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.

8. OBSERVANCE OF FINANCIAL REGULATIONS

Responsibility of Chief Officer and The Chief Finance Officer

- 8.1 It shall be the duty of the Chief Officer, assisted by the Chief Finance Officer, to ensure that these Financial Regulations are made known to the appropriate persons within the Board and the Partnership and to ensure that they are adhered to.

Breach of Regulations

- 8.2 A breach of these Financial Regulations must be reported immediately to the Chief Officer, who may then discuss the matter with the NHS's Chief Executive, the Council's Chief Executive or another nominated or authorised person as appropriate to decide what action to take.

Review of Financial Regulations

- 8.3 These Financial Regulations shall be the subject of regular review by the Chief Finance Officer in consultation with the NHS's Director of Finance and the Council's section 95 officer, and where necessary, subsequent adjustments will be submitted to the Board for approval.