

## **SHETLAND ISLANDS INTEGRATION JOINT BOARD**

### **FINANCIAL REGULATIONS**

#### **1. SCOPE AND OBSERVANCE**

2. Shetland Islands 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:

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
3. These financial regulations should be read in conjunction with the standing financial instructions of the Shetland NHS Board and the Financial Regulations and Codes of Financial Practice of Shetland Islands Council.
4. Elected and appointed Members of the Integration Joint Board (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.
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;

- Preparation and approval of an annual budget;
- Regular comparisons of actual and forward projection of financial performance with planned/budgeted performance that are reported to the Integration Joint Board, Shetland NHS Board and Shetland Islands Council;
- Preparation of appropriate documents that inform the medium term financial planning and decision making of the Integration Joint Board; and
- Preparation of annual accounts which will be submitted for external audit.

## **6. FINANCIAL MANAGEMENT AND PERFORMANCE**

### **7. Responsibility of Integration Joint Board**

- 8.** The Integration Scheme sets out the detail of the integration arrangement agreed between Shetland NHS Board and Shetland Islands Council. In relation to financial management it specifies:
  - The financial management arrangements including treatment of budget variances;
  - Reporting arrangements between the Integration Joint Board, Shetland NHS Board, and Shetland Islands Council
  - The method for determining the resources to be made available by Shetland NHS Board and Shetland Islands Council to the Integration Joint Board; and
  - The functions which are delegated to the Integration Joint Board by Shetland NHS Board and Shetland Islands Council.
- 9.** The Integration Joint Board will lead the preparation of the Strategic Plan with other stakeholders. The requirements include:
  - The payment from Shetland Islands Council to the Integration Joint Board for delegated services managed by the Chief Officer
  - The payment from Shetland Islands Council to the Integration Joint Board for integrated services in pursuance of the Strategic Plan
  - The payment from Shetland NHS Board to the Integration Joint Board for delegated services managed by the Chief Officer

- The payment from Shetland NHS Board to the Integration Joint Board for integrated services in pursuance of the Strategic Plan

#### **10. Responsibility of Chief Officer**

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

- Ensuring that the strategic plan meets the requirement for economy, efficiency and effectiveness in the use of the Integration Joint Board resources; and
- Giving directions to the Shetland NHS Board and Shetland Islands Council that are designed to ensure resources are spent in accordance with the plan; it is the responsibility of the Chief Officer to ensure that the provisions of the directions enable them to discharge their responsibilities in this respect within available resources.

**12.** In their operational role within Shetland NHS Board and Shetland Islands Council, the Chief Officer has no “accountable officer” status but is:

- Accountable to the Chief Executive of the Health Board for financial management of the operational budget; and
- Accountable to the Chief Financial Officer (Section 95 officer) of Shetland Islands Council for financial management of the operational budget; and
- Accountable to the Chief Executive of the Shetland Islands Council and Chief Executive of the Shetland NHS Board for the operational performance of the services managed by the Chief Officer.

#### **13. Responsibility of the Integration Joint Board Chief Financial Officer**

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

**15.** The Chief Officer may be appointed to this role if the Integration Joint Board deems it to be appropriate. If in such circumstances the Chief Officer does not hold a recognised professional accounting qualification arrangements must be put in place to provide the post holder and the Integration Joint Board with financial advice from a qualified person.

**16.** In appointing the Chief Financial Officer the Integration Joint Board will have specific regard to Chartered Institute of Public Finance and Accountancy

(CIPFA) guidance on the 'Role of the Chief Financial Officer in Local Government'.

**17.** CIPFA's guidance sets out five key roles for the Chief Financial Officer:

- Maintaining strong financial management underpinned by effective financial controls;
- Supporting and advising democratically elected members (which extends to the appointed member also);
- Contributing to the corporate management and leadership;
- Supporting and advising officers in their operational roles;

Leading and managing an effective and responsive financial service.

**18.** The Integration Joint Board Chief Financial Officer and Chief Officer will discharge their duties in respect of the delegated resources by:

- Establishing and maintaining financial governance systems for the proper use of the delegated resources; and
- Ensuring that the Strategic Plan meets the requirement for best value in the use of the Integration Joint Board's resources.

**19. Responsibility of Health Board Accountable Officer; Shetland NHS Board Director of Finance & Chief Financial Officer (Section 95 officer) of Shetland Islands Council**

**20.** The Health Board Accountable officer and the Chief Financial Officer (Section 95 officer) of Shetland Islands Council discharge their responsibility - as it relates to the resources that are delegated to the Integration Joint Board - by setting out in the Integration Scheme the purpose for which resources are used and the systems and monitoring arrangements for financial performance management. It is their responsibility to ensure that the provisions of the Integration Scheme enable them to discharge their responsibilities in this respect.

**21.** Shetland NHS Board, Director of Finance and the Chief Financial Officer (Section 95 officer) of Shetland Islands Council will provide specific advice and professional support to the Chief Officer and Chief Financial Officer to support the production of the Strategic Plan and also to ensure that adequate systems of internal control are established by the Integration Joint Board.

**22.** The Health Board Director of Finance and the Chief Financial Officer (Section 95 Officer) of Shetland Islands Council will provide ongoing support and advice to the Chief Officer in the delivery of operational services within the Shetland NHS Board and the Shetland Islands Council.

### **23. FINANCIAL PLANNING**

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

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

**25.** Shetland NHS Board and Shetland Islands Council will provide indicative three year rolling funding allocations to the Integration Joint Board to support the Strategic Plan and medium term financial planning process. Such indicative allocations will remain subject to annual approval by both organisations.

**26.** It is the responsibility of the Chief Officer and the Integration Joint Board Chief Financial Officer to develop a business case for the Integrated Budget based on the Strategic Plan and to present this to Shetland NHS Board and Shetland Islands Council for consideration and agreement within each organisation's budget setting process. The business case should take account of such factors as:

- 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;
- Cost inflation. Pay and supplies cost increases;
- Efficiencies. All savings (including increased income opportunities and service rationalisations/cessations) should be agreed between the Integration Joint Board, Shetland NHS Board and Shetland Islands Council as part of the annual rolling financial planning process to ensure transparency;

- Performance on outcomes. The potential impact of efficiencies on agreed outcomes must be clearly stated and open to challenge by the Shetland NHS Board and Shetland Islands Council.
- Legal requirements. Legislation may entail expenditure commitments that should be considered in adjusting the payment;
- Transfers to/from the notional budget, set out in the Strategic Plan.
- Adjustments to address equity Shetland NHS Board and Shetland Islands Council may choose to adjust contributions to smooth the variation in weighted capita resource allocations across partnerships; information to support this will be provided by ISD and NSS.

**27.** The method for the determination of contributions to the Integrated Budget has been stated in the Integration Scheme.

### **28. Limits on Expenditure**

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

- Where additional funding has been approved by Shetland NHS Board and/or Shetland Islands Council and the integrated budget/strategic plan updated appropriately
- Where a supplementary budget has been approved by the Integration Joint Board
- In emergency situations in terms of any scheme of delegation
- As provided for in paragraph 30 below (Virement).

### **30. Virement**

**31.** 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 transfer of budget from one main budget heading (employee costs, supplies and services etc), to another, or a transfer of budget from one service to another.

**32.** Virements require approval and they will be permitted subject to any Scheme of Delegation of the Integration Joint Board as follows:

- 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 £100,000 between operational budget headings, and will not affect the execution of existing Integration Joint Board policy, the transfer will be approved jointly by the Integration Joint Board Chief Financial Officer and Chief Officer.
- Where the amount is over £100,000 or where the transfer of any amount would affect the execution of existing Integration Joint Board policy, the prior approval of the Integration Joint Board will be required.
- 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 those bodies.
- Virements will be processed by the Parties as required in accordance with their respective Financial Regulations and Standing Financial Instructions.
- All virements processed must be included in the quarterly financial report which is reported to the Integration Joint Board.

### **33. Budgetary Control**

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

### **37. Variances**

**38.** 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 Financial Plan, it will be the duty of the Chief Officer and Integration Joint Board Chief Financial Officer, in conjunction with the NHS Board Director of Finance and Section 95 Officer of the Council, to report in accordance with the appropriate method established for that purpose by the Integration Joint Board, Shetland NHS Board and Shetland Islands Council, the details of the variance and any remedial action required.

### **39. Reports to Integration Joint Board**

**40.** All reports to the Integration Joint Board and sub-committees thereof must specifically identify the extent of any financial implications. These must have been discussed and agreed with the Integration Joint Board Chief Financial Officer prior to lodging of reports.

### **41. LEGALITY OF EXPENDITURE**

It will be the duty of the Chief Officer to ensure that no expenditure is incurred, or included within the Strategic Financial Plan unless it is within the power of the Integration Joint Board. In cases of doubt the Chief Officer should consult the respective legal advisors of the Shetland NHS Board and Shetland Islands 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.

### **42. TREASURY MANAGEMENT**

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

**44.** As any underspend will be held by the Council on behalf of the Integration Joint Board and only adjusted through subsequent allocations from the Integration Joint Board no interest will be credited to the Integration Joint Board for balances held.



## **45. VAT**

**46.** HM Revenues and Customs (HMRC) 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 Integration Joint Board change and a need to register be established. HMRC guidance will apply to Scotland which will allow a VAT neutral outcome.

## **47. PROCUREMENT/COMMISSIONING OF SERVICES**

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

**49.** As a result of specific VAT and accounting issues associated with the Integration Joint Board contracting directly for the provision of goods and services the Chief Officer is required to consult with the Shetland NHS Board Director of Finance, the Chief Financial Officer (section 95 officer) of the Shetland Islands Council and the Integration Joint Board Chief Financial Officer prior to any direct procurement exercise being undertaken,

## **50. ACCOUNTING**

### **51. Accounting Procedures and Records**

**52.** All accounting procedures and records of the Integration Joint Board/Health and Social Care Partnership will be determined by the Integration Joint Board Chief Financial Officer. These will also be subject to discussion with the Chief Financial Officer of the Shetland NHS Board and Shetland Islands Council.

**53.** Legislation provides that the Integration Joint Board is subject to the audit and accounts provision of a body under section 106 of the Local Government (Scotland) Act 1973. This requires audited annual accounts to be prepared with the reporting requirements specified in the relevant legislation and regulations - Section 12 of the Local Government in Scotland Act 2003 and regulations under section 105 of the Local Government (Scotland) Act 1973. These will be proportionate to the limited number of transactions of the Integration Joint Board whilst complying with the requirement for transparency and true and fair reporting in the public sector.

**54.** Shetland NHS Board and Shetland Islands Council will include additional disclosures in their statutory accounts which reflect their formal relationship with the Integration Joint Board. The Integration Joint Board Chief Financial Officer will liaise with nominated contacts within each organisation to ensure that appropriate information is exchanged within agreed timescales.

#### **55. Financial Statements of the Integration Joint Board**

**56.** The reporting requirements for the Integration Joint Board will be as specified in applicable legislation and regulation. Financial statements will be prepared following the Code of Practice on Local Authority Accounting in the UK. Statements will be signed as specified in regulations made under section 105 of the Local Government (Scotland) Act 1973.

**57.** The financial statements must be completed to meet the audit and publication timetable specified in regulations made under section 105 of the Local Government (Scotland) Act 1973. It is the primary responsibility of the Integration Joint Board Chief Financial Officer to meet these targets and of the Chief Officer to provide any relevant information to ensure that Shetland NHS Board and Shetland Islands Council meet their respective statutory and publication requirements for the single entity and group accounts.

**58.** The Integration Joint Board Chief Financial Officer will agree the financial statements timetable with the external auditors of the Integration Joint Board, Shetland NHS Board and Shetland Islands Council

#### **59. INTERNAL AUDIT**

##### **60. Responsibility for Internal Audit**

**61.** The Integration Joint Board will establish adequate and proportionate internal audit arrangements for review of the adequacy of the arrangements for risk management, governance and control of the delegated resources. This will include determining who will provide the internal audit service for the Integration Joint Board and nominating a Chief Internal Auditor.

**62.** Internal Audit services will be provided by Shetland Islands Council. Such provision will be subject to agreement.

**63.** The operational delivery of internal audit services within Shetland NHS Board and Shetland Islands Council will be contained within their respective and established arrangements.

**64.** A Chief Internal Auditor will be appointed to act as Integration Joint Board Chief Internal Auditor in addition to their substantive post.

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

**66.** On or before the start of each financial year the Integration Joint Board Chief Internal Auditor will prepare and submit a strategic risk based audit plan to the Integration Joint Board for approval. It is recommended this is shared with the relevant committee of both Shetland NHS Board and Shetland Islands Council.

**67.** The Integration Joint Board Chief Internal Auditor will submit an annual audit report of the Internal Audit function to the Chief Officer and the Integration Joint Board 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 Shetland NHS Board and Shetland Islands Council.

**68. Authority of Internal Audit**

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

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

## **70. RISK MANAGEMENT AND INSURANCE**

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

- 72.** The Integration Joint Board will make appropriate insurance arrangements for all activities of the Integration Joint Board in accordance with the risk management strategy.
- 73.** The Chief Officer will arrange, taking such specialist advice as may be necessary, that adequate insurance cover is obtained for all normal insurable risks arising from the activities of the Integration Joint Board and for which it is the general custom to insure. This will include the provision of appropriate insurance in respect of Members of the Integration Joint Board acting in a decision making capacity.
- 74.** Legislation will provide that the Integration Joint Board may 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 Integration Joint Board Chief Financial Officer will review the requirement for membership of CNORIS on an annual basis.
- 75.** The Shetland NHS Board Director of Finance and the Chief Financial Officer (Section 95) of the Shetland Islands Council will ensure that the Chief Officer has access to professional support and advice in respect of risk management.

### **76. Risk Strategy and Risk Register**

- 77.** The Chief Officer will be responsible for establishing the Integration Joint Board's risk strategy and profile and developing the risk reporting arrangements; this will include arrangements for a risk register. The Risk Management Strategy will be approved by the Integration Joint Board.
- 78.** The Shetland NHS Board and Shetland Islands Council will continue to identify and manage within their own risk management arrangements risks they have retained under the integration arrangements. The Health Board and Council will continue to report risk management to the existing committees, including the impact of the integration arrangements.

### **79. Notification of Insurance Claims**

- 80.** The Chief Officer and the Integration Joint Board Chief Financial Officer will put in place appropriate procedures for the notification and handling of any insurance claims made against the Integration Joint Board.

## **81. ECONOMY, EFFICIENCY AND EFFECTIVENESS (BEST VALUE)**

**82.** 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 Shetland NHS Board and Shetland Islands Council by the Integration Joint Board for use as directed and set out in the Strategic Plan.

**83.** 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 regard to ensuring that the Joint Board provides Best Value.

**84.** 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.

## **85. PARTNERSHIPS**

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

## **87. OBSERVANCE OF FINANCIAL REGULATIONS**

### **88. Responsibility of Chief Officer and the Integration Joint Board Chief Financial Officer**

**89.** It will be the duty of the Chief Officer assisted by the Integration Joint Board Chief Financial Officer to ensure that these Regulations are made known to the appropriate persons within the Integration Joint Board and to ensure that they are adhered to.

### **90. Breach of Regulations**

**91.** Any breach of these regulations should be reported immediately to the Integration Joint Board Chief Financial Officer, who may then discuss the matter with the Chief Officer, Shetland NHS Board Chief Executive, Shetland

Islands Council Chief Executive or another nominated or authorised person as appropriate to decide what action to take.

## **92. Review of Financial Regulations**

These Regulations will be the subject of an annual review by the Integration Joint Board Chief Financial Officer in consultation with the NHS Director of Finance and the Chief Financial Officer (Section 95 officer) of the Shetland Islands Council, and where necessary, subsequent adjustments will be submitted to the Integration Joint Board for approval.