



<b>Meeting of East Renfrewshire Integration Joint Board</b>	Performance and Audit Committee
<b>Held on</b>	18 December 2015
<b>Agenda Item</b>	4
<b>Title</b>	Integration Joint Board Financial Regulations
<p><b>Summary</b></p> <p>This report provides draft East Renfrewshire Integration Joint Board Financial Regulations for the consideration and approval of Performance and Audit Committee.</p>	
<b>Presented by</b>	Lesley Bairden, Chief Financial Officer
<p><b>Action Required</b></p> <p>The Performance and Audit committee is requested to approve the Financial Regulations for East Renfrewshire Integration Joint Board.</p>	

## **EAST RENFREWSHIRE INTEGRATION JOINT BOARD**

### **PERFORMANCE & AUDIT COMMITTEE**

**18 December 2015**

**Report by Chief Officer**

## **INTEGRATION JOINT BOARD FINANCIAL REGULATIONS**

### **PURPOSE OF REPORT**

1. The purpose of this report is to provide the Performance & Audit Committee with draft Financial Regulations for East Renfrewshire Integration Joint Board for consideration and approval.

### **RECOMMENDATION**

2. The Performance and Audit committee is requested to approve the Financial Regulation for East Renfrewshire Integration Joint Board.

### **BACKGROUND**

3. The Public Bodies (Joint Working)(Scotland) Act 2014 was passed by the Scottish Parliament on 25 February 2014 and received Royal Assent in April 2014. This established the framework for the integration of Health & Social Care in Scotland.
4. The Integration Joint Board is a legal entity in its own right, created by Parliamentary Order, following Ministerial approval of the Integration Scheme. NHS Greater Glasgow & Clyde and East Renfrewshire Council have delegated functions to the Integration Joint Board which has the responsibility for strategic planning, resourcing and ensuring delivery of all integrated services.
5. The Integration Joint 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 major function of management and, therefore, a responsibility placed upon the appointed members and officers of the Integration Joint Board.

### **REPORT**

6. Following approval of the due diligence report by the Integration Joint Board on 7 October 2015 the Integration Joint Board is live with delegated responsibility for the HSCP budget. The draft financial regulations included at Appendix 1 set out the financial governance regulations under which the Integration Joint Board will operate and identify the roles and responsibilities of the IJB, the Chief Officer and the Chief Financial Officer.
7. The draft financial regulations have been developed in conjunction with and supported by a detailed finance manual. This manual is the result of detailed work undertaken over the last 18 months or so by a Technical Finance working Group comprising of a number of lead finance professionals from NHS Greater Glasgow & Clyde and the six Councils coterminous with the health board.

8. Given the nature and spirit of the Partnership these financial regulations should be read in conjunction with the Standing Financial Instructions of NHS Greater Glasgow & Clyde and the Financial Regulations of East Renfrewshire Council. Both partners have been consulted with and are content with the draft regulations for the Integration Joint Board.

## **CONCLUSIONS**

9. The Financial Regulations set out the financial governance framework that the Integration Joint Board will operate within.

## **RECOMMENDATIONS**

10. The Performance and Audit committee is requested to approve the Financial Regulations for East Renfrewshire Integration Joint Board.

## **REPORT AUTHOR AND PERSON TO CONTACT**

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## **BACKGROUND PAPERS**

[IJB Due Diligence Report – 7 October 2015](#)

## **KEY WORDS**

Financial regulations, financial governance

# East Renfrewshire

## Integration Joint Board

### Financial Regulations

Version	Integration Joint Board Financial Regulations 2015 – Draft 4
Author	Lesley Bairden, Chief Financial Officer
Approved by	Integration Joint Board Performance and Audit Committee
Date Approved	00/00/0000
Date for Review	00/00/0000
Replaces Previous Version	N/A

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East Renfrewshire Integration Joint Board positively promotes the principles of sound corporate governance within all areas of the Integration Joint Board's affairs. These Financial Regulations are an essential component of the corporate governance of the Health & Social Care Partnership Integration Joint Board.

# 1. What the Regulations Cover

- 1.1 The 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 major function of management and, therefore, a responsibility placed upon the appointed members and officers of the Integration Joint Board.
- 1.2 These financial regulations should be read in conjunction with the Standing Financial Instructions of NHS Greater Glasgow and Clyde and the Financial Regulations of East Renfrewshire Council.
- 1.3 The Regulations set out the respective responsibilities of the Chief Officer and the Chief Financial Officer of the Integration Joint Board.
- 1.4 It will be the duty of the Chief Officer assisted by the 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.
- 1.5 If it is believed that anyone has broken, or may break, these Regulations, this must be reported immediately to the Chief Financial Officer, who may then discuss the matter with the Chief Officer, NHS Greater Glasgow and Clyde Chief Executive, East Renfrewshire Council Chief Executive or another nominated or authorised person as appropriate to decide what action to take.
- 1.6 These Regulations will be the subject of regular review by the Health & Social Care Partnership Integration Joint Board Chief Financial Officer in consultation with the NHS Greater Glasgow and Clyde Director of Finance and the Council's Section 95 Officer, and where necessary, subsequent adjustments will be submitted to the Integration Joint Board Performance & Audit Committee for approval.

## 2. Financial Management and Performance

2.1 The Integration Scheme sets out the detail of the integration arrangement agreed between NHS Greater Glasgow and Clyde and East Renfrewshire Council. In relation to financial management it specifies:

- The financial management arrangements including treatment of budget variances;
- Reporting arrangements between the Integration Joint Board, NHS Greater Glasgow and Clyde and East Renfrewshire Council;
- The method for determining the resources to be made available by NHS Greater Glasgow and Clyde and East Renfrewshire Council;
- The functions which are delegated to the IJB by NHS Greater Glasgow and Clyde and East Renfrewshire Council.

### 2.2 Responsibility of the Chief Officer

The Chief Officer is the accountable officer of the Integration Joint Board in all matters except finance. 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;
- Giving directions to NHS Greater Glasgow and Clyde and East Renfrewshire 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.

The Chief Officer will also hold an operational role in NHS Greater Glasgow and Clyde and East Renfrewshire Council for the management of the operational delivery of services as directed by the Integration Joint Board. In this operational role the Chief Officer has no “accountable officer” status but is:

- Accountable to the Chief Executive of NHS Greater Glasgow and Clyde for financial management of the operational budget; and
- Accountable to the Section 95 Officer of East Renfrewshire Council for financial management of the operational budget; and
- Accountable to the Chief Executive of NHS Greater Glasgow and Clyde and the Chief Executive of East Renfrewshire Council for the operational performance of the services managed by the Chief Officer.

### 2.3 Responsibility of the Chief Finance Officer

The Integration Joint Board will appoint an officer responsible for its financial administration. The Chief Officer may be appointed to this role if the Integration Joint Board deems it appropriate. If in such circumstances the Chief Officer does not have 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.

The Chief Financial Officer will discharge his/her duties in respect of the delegated resources by:

- Establishing 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.

**2.4 Responsibility of the NHS Board Accountable Officer / NHS Board Director of Finance/Council Section 95 Officer**

The NHS 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 them to discharge their responsibilities in this respect.

2.5 The NHS Board Director of Finance and the Section 95 Officer of East Renfrewshire 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.

### **3. Financial Planning**

**3.1 Strategic Plan and Integrated Budget**

The Integration Joint Board is responsible for the production of a Strategic Plan which sets out the services for their population over the medium term (3 years). The resources within scope of the Strategic Plan are:

- The payment made to the Integration Joint Board by East Renfrewshire Council for delegated social care services;
- The payment from NHS Greater Glasgow and Clyde to the Integration Joint Board for delegated primary and community healthcare services and for those delegated hospital services managed by the Chief Officer.
- The amount set aside by NHS Greater Glasgow and Clyde for delegated services provided in large hospitals for the population of the Integration Joint Board.

NHS Greater Glasgow and Clyde and East Renfrewshire Council will provide indicative three year rolling funding allocations to the Integration Joint Board to support the Strategic Plan and medium term planning process. Such indicative allocations will remain subject to annual approval by both organisations.

3.2 The Chief Officer and the Chief Financial Officer will develop a business case for the integrated budget based on the Strategic Plan and present it to NHS Greater Glasgow and Clyde and East Renfrewshire Council for consideration and agreement as part of each organisation's annual budget setting process. The business case should be



evidence based with full transparency on its assumptions and take account of:

- **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, East Renfrewshire Council and NHS Greater Glasgow and Clyde 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 East Renfrewshire Council and NHS Greater Glasgow and Clyde;
- **Legal requirements.** Legislation may entail expenditure commitments that should be taken into account in adjusting the payment;
- **Transfers to/from the notional budget for hospital services** set out in the Strategic Plan;
- **Adjustments to address equity.** East Renfrewshire Council and NHS Greater Glasgow and Clyde may choose to adjust contributions to smooth the variation in weighted capita resource allocations across partnerships; information to support this will be provided nationally by Information Services Division.

3.3 The Strategic Plan will determine the budgets allocated to each operational partner for operational service delivery in line with the Plan. The Integration Joint Board will publish its Strategic Plan as soon as practicable after finalisation of the plan.

#### 3.4 **Limits on Expenditure**

No expenditure will be incurred by the Integration Joint Board unless it has been included within the approved Integration budget and Strategic plan except:

- i. Where additional funding has been approved by NHS Greater Glasgow and Clyde and/or East Renfrewshire Council and the integrated budget/strategic plan has been updated appropriately;
- ii. Where a supplementary budget has been approved by the Integration Joint Board;
- iii. In emergency situations in terms of any scheme of delegation;
- iv. As provided in paragraph 3.5 below (Virement).

#### 3.5 **Virement**

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. Where resources are transferred between the two operational arms of the Integrated Budget this will require in-year balancing adjustments to the allocations from the Integration Joint Board to East Renfrewshire Council and NHS Greater Glasgow and Clyde i.e. a reduction in the allocation to the body with the underspend and a corresponding increase in the allocation to the body with the overspend.

- 3.6 Virements require approval and they will be permitted subject to any Scheme of Delegation of the Integration Joint Board as follows:
- i. 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.
  - ii. The Chief Officer will not be permitted to vire between the Integrated Budget and those budgets that are managed by the Chief Officer, but are outwith the scope of the Strategic Plan, unless agreed by East Renfrewshire Council and NHS Greater Glasgow and Clyde.
  - iii. Any virement over £50,000 requires the approval of the Integrated Joint Board.

### 3.7 **Budgetary Control**

It is the responsibility of the Chief Officer and Chief Financial Officer to report regularly and timeously on all budgetary control measures, comparing projected outturn with the approved financial plan, to the Integration Joint Board and other bodies as designated by NHS Greater Glasgow and Clyde and East Renfrewshire Council.

- The NHS Greater Glasgow and Clyde Director of Finance and the Section 95 officer of East Renfrewshire 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.

- 3.8 It is the responsibility of the Integration Joint Board Chief Financial Officer, in consultation with the NHS Greater Glasgow and Clyde and the Section 95 Officer of East Renfrewshire Council, to agree a consistent basis and timetable for the preparation and reporting of management accounting information.

- 3.9 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 the Financial Plan, it will be the duty of the Chief Officer and the Chief Finance Officer, in conjunction with the NHS Board Director of Finance and the Section 95 Officer of the Council, to report in accordance with the appropriate method established for that purpose by the Integration Joint Board, NHS Greater Glasgow and Clyde and East Renfrewshire Council, the details of the variance and any remedial action required. All actual or forecast variances over £50,000 will be reported to the Integrated Joint Board in financial monitoring reports.

### 3.10 **Reports to Integration Joint Board**

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.

## **4. Legality of Expenditure**

- 4.1 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 advisers of NHS Greater Glasgow & Clyde and East Renfrewshire Council before incurring expenditure. The legality of expenditure on new service developments, initial contributions to other organisations and responses to emergency situations which require expenditure must be clarified prior to being incurred.

## **5. Reviewing the Financial Regulations**

- 5.1 The Integration Joint Board Performance & Audit Committee will consider and approve any alterations to these Financial Regulations. The Integration Joint Board may also withdraw these financial regulations. If so, this will come into force from the first working day after the end of the Integration Joint Board meeting at which the change or withdrawal was approved.

## **6. Reserves**

- 6.1 Legislation, under Section 106 of the Local Government (Scotland) Act 1973 as amended, empowers the Integration Joint Board to hold reserves which should be accounted for in the financial accounts and records of the Integration Joint Board. The Integration Joint Board will develop a reserves policy and a reserves strategy which will include the level of reserves required and their purpose. This will be agreed as part of the annual budget setting process and will be reflected in the Strategic Plan agreed by the Integration Joint Board.

## **7. VAT**

- 7.1 HMRC has confirmed that there is no requirement to have a separate VAT registration for the Integration Joint Board as it will not be delivering any services within the scope of VAT. This situation should be kept under review by the 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.

## **8. Procurement/Commissioning of Services**

- 8.1 Public Bodies (Joint Working) (Integration Joint Boards) (Scotland) Order 2014/285 provides that the Health & Social Care Partnership Integration Joint Board may enter into a contract with any other person in relation to the provision of goods and services to the Integration Joint Board for the purpose of carrying out the functions conferred in it by the Act.
- 8.2 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 NHS Board Director of Finance, the Section 95 Officer of the Council and the Chief Financial Officer prior to any direct procurement exercise being undertaken.

## **9. Financial Reporting**

### **9.1 Accounting Procedures and Records**

All accounting procedures and records of the Integration Joint 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 Local Government (Scotland) Act 1973.

- 9.2 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 Chief Finance Officer to meet these targets and of the Chief Officer to provide any relevant information to ensure that NHS Greater Glasgow and Clyde and East Renfrewshire Council meet their respective statutory audit and publication requirements for their individual and group financial statements.
- 9.3 The Integration Joint Board Chief Financial Officer will agree the financial statements timetable with the external auditors of the Integration Joint Board, NHS Greater Glasgow and Clyde and East Renfrewshire Council.

## **10. Internal Audit**

### **10.1 Responsibility for Internal Audit**

It is the responsibility of the Integration Joint Board to 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.

- 10.2 The operational delivery of internal audit services within NHS Greater Glasgow and Clyde and East Renfrewshire Council will be covered by their respective internal audit

arrangements as at present.

- 10.3 A Chief Internal Auditor will be appointed to act as the Integration Joint Board Chief Internal Auditor in addition to their role as Chief Internal Auditor of their respective authority.
- 10.4 The Internal Audit Service will undertake their work in compliance with the Public Sector Internal Audit Standards.
- 10.5 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. The internal audit plan will consider:
- The Strategic Plan and planning process;
  - The financial plan underpinning the Strategic Plan; and
  - Relevant issues raised from the partner Health Board and Local Authority.
- It is recommended that the internal audit plan is shared with the relevant committees of the NHS Greater Glasgow and Clyde and East Renfrewshire Council.
- 10.6 The Integration Joint Board Chief Internal Auditor will report to the Integration Joint Board on the annual audit plan, delivery of the plan and recommendations and will provide an annual internal audit report including the audit opinion.
- 10.7 The Integration Joint Board annual internal audit report will be shared with the Audit Committees of NHS Greater Glasgow & Clyde and East Renfrewshire Council.
- 10.8 Internal audit reports carried out as part of the Integrated Joint Board internal audit plan will be submitted to the Chief Officer and the Integrated Joint Board Performance & Audit Committee for scrutiny.
- 10.9 Relevant internal audit activity carried out by partners will also be submitted to the Integration Joint Board Performance & Audit Committee for information and note. This activity will be agreed with partner auditors, the Chief Officer and / or Chief Executives of NHS Greater Glasgow & Clyde and East Renfrewshire Council.

## **11. External Audit**

- 11.1 The Accounts Commission will appoint the Auditors to the Integration Joint Board. This is specified under Section 13 of the legislation.
- 11.2 The Integration Joint Board should make appropriate and proportionate arrangements for consideration of external audit reports including those relating to the annual financial statements to ensure that they are compliant with relevant statutory provisions and Accounting Codes of Practice.
- 11.3 Reports on external audit activity will be submitted to the Chief Officer and the Performance & Audit Committee for scrutiny.

## **12 Audit Committee**

- 12.1 The Integration Joint Board will put in place an Audit Committee to ensure that an effective assurance process is in place that assesses the objectives, risks and performance of the Partnership. This will include consideration of any reports from auditors.
- 12.2 It will be the responsibility of the Integration Joint Board to agree the membership having regard to the agreed remit, skills and good practice for a the audit committee. It is anticipated that members of the Integration Joint Board will serve in this capacity.

## **13. Risk Management and Insurance**

### **13.1 Responsibility for Insurance and Risk**

The Integration Joint Board will make appropriate insurance arrangements for all activities of the Integration Joint Board in accordance with the risk management strategy.

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 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.

The NHS Greater Glasgow & Clyde Director of Finance and the Section 95 Officer of East Renfrewshire Council will ensure that the Chief Officer has access to professional support and advice in respect of risk management.

### **13.2 Risk Strategy and Risk Register**

The Chief Officer will be responsible for establishing the Integration Joint Board 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 Performance & Audit Committee.

NHS Greater Glasgow & Clyde and East Renfrewshire Council will continue to identify and manage within their own risk management arrangements any risks they have retained under the integration arrangements. The partners will continue to report risk management to the existing committees including the impact of the integration arrangements.

### **13.3 Notification of Insurance Claims**

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

## **14. Economy, Efficiency and Effectiveness (Best Value)**

- 14.1 The Chief Officer will ensure that arrangements are in place to maintain control and clear public accountability over the public funds delegated to the Integration Joint Board. This will apply in respect of:
- the resources delegated to the Integration Joint Board by NHS Greater Glasgow & Clyde and East Renfrewshire Council; and
  - the resources paid to NHS Greater Glasgow and Clyde and East Renfrewshire Council by the Integration Joint Board for use as directed and set out in the Strategic Plan.
- 14.2 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 board member involvement, in order to establish the systematic identification of priorities and realisation of Best Value in the delivery of services.
- 14.3 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 Integration Joint Board provides Best Value.
- 14.4 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.