



DUMFRIES AND GALLOWAY
Health and Social Care

Financial Regulations Guidance

Printed copies must not be considered the definitive version

DOCUMENT CONTROL			
Policy Group:	Integration Joint Board (IJB)		
Author:	K Lewis		
Reviewer:	K Lewis		
Scope: (Applicability)	IJB wide	Version no.	1.0
Status:	Final	Implementation date:	September 2016
Approved by:	Audit and Risk Committee	Last review date:	New Guidance
Impact Assessed:	Completed by Lynsey Fitzpatrick 13/03/17	Next review date	3 April 2019

Financial Regulations – Index

1.	What the Regulations Cover	1
2.	Financial Management and Performance	3
	Responsibility of the Chief Officer	3
	Responsibility of the Chief Finance Officer	4
	Responsibility of the NHS's Accountable Officer	4
3.	Financial Planning	5
	Strategic Planning and Integrated Budget	5
	Limits on Expenditure	6
	Virement	6
	Budgetary Control	7
	Management Accounting Reporting Consistency	7
	Over/Under Spends	8
4.	Reserves	8
5.	VAT	9
6.	Procurement/Commissioning of Services	9
7.	Financial Reporting	9
8.	Internal Audit	10
9.	External Audit	11
10.	Audit and Risk Committee	11
11.	Risk Management and Insurance	12
12.	Economy, Efficiency and Effectiveness (Best Value)	13
13.	Capital Planning and Expenditure	13
14.	Board Members' Expenses	14
15.	Equality and Diversity	14

Dumfries and Galloway 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 Dumfries and Galloway, the Financial Regulations (<http://www.dumgal.gov.uk/article/15139/Financial-regulations-and-codes>) of Dumfries and Galloway Council and the Integration Scheme (<http://www.dg-change.org.uk/wp-content/uploads/2015/07/Dumfries-and-Galloway-Integration-Scheme.pdf>) between the two parties.
- 1.3 The Regulations set out the respective responsibilities of the Chief Officer and the Chief Financial Officer of the Integration Joint Board and the financial regulations which have been established for the effective operation of the IJB in partnership with the NHS and Council.
- 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 Dumfries and Galloway Chief Executive, Dumfries and Galloway Council Chief Executive or another nominated or authorised person as appropriate to decide what action to take. For the Dumfries and Galloway Partnership the roles of the IJB Chief Finance Officer and the NHS Director of Finance are currently held by the same person.
- 1.6 These Regulations will be the subject of regular review by the Integration Joint Board Chief Financial Officer in consultation with the NHS Dumfries and Galloway Director of Finance and the Council's Section 95 Officer, and where necessary, subsequent adjustments will be submitted to the Integration Joint Board Performance and Audit and Risk Committee for approval.
- 1.7 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 Dumfries and Galloway and Dumfries and Galloway 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.

1.8 The Integration Joint Board Audit and Risk Committee will consider and approve these regulations any alterations to these Financial Regulations.

2. Financial Management and Performance

2.1 The Integration Scheme sets out the detail of the integration arrangement agreed between NHS Dumfries and Galloway and Dumfries and Galloway 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 Dumfries and Galloway and Dumfries and Galloway Council;
- The method for determining the resources to be made available by NHS Dumfries and Galloway and Dumfries and Galloway Council;
- The functions which are delegated to the IJB by NHS Dumfries and Galloway and Dumfries and Galloway Council.

Responsibility of the Chief Officer

2.2 The Chief Officer is the accountable officer of the Integration Joint Board in all matters except finance and will provide strategic leadership as a principal advisor to and officer of the IJB. The Chief Officer will discharge their duties in respect of the delegated resources by:

- Leading the development of the Strategic Plan and ensuring that it meets the requirement for economy, efficiency and effectiveness;
- Giving directions to NHS Dumfries and Galloway and Dumfries and Galloway Council that are designed to ensure resources are spent in accordance with the plan;

2.3 The Chief Officer will also hold an operational role in NHS Dumfries and Galloway and Dumfries and Galloway 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 Dumfries and Galloway for financial management of the operational budget; and
- Accountable to the Section 95 Officer of Dumfries and Galloway Council for financial management of the operational budget; and
- Accountable to the Chief Executive of NHS Dumfries and Galloway and the Chief Executive of Dumfries and Galloway Council for the operational performance of the services managed by the Chief Officer.

Responsibility of the Chief Finance Officer

- 2.4 The Integration Joint Board will appoint an officer responsible for its financial administration.
- 2.5 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;
 - Ensuring that the Strategic Plan meets the requirement for best value in the use of the Integration Joint Board's resources; and
 - Ensuring that the directions to NHS Dumfries and Galloway and Dumfries and Galloway Council require that the financial resources are spent according to the allocations in the Strategic Plan.

Responsibilities of the NHS's Accountable Officer (the Chief Executive) and the Council's Section 95 Officer

- 2.6 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 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.
- 2.7 The NHS Director of Finance and the Section 95 Officer of Dumfries and Galloway Council will provide specific advice and professional support to the Chief Officer and Chief Financial Officer to support the production of the Strategic Plan, to ensure that adequate systems of internal control are established by the Integration Joint Board and will provide ongoing support and advice to the Chief Officer of the IJB in the delivery of operational services within the NHS and the Council.

3. Financial Planning

Strategic Plan and Integrated Budget

- 3.1 The Integration Joint Board is responsible for the production of an annual Strategic Plan which sets out the needs, priorities and services for its population over the medium term (3 years). The resources within scope of the Strategic Plan are:
- The payment made to the IJB by Dumfries and Galloway Council for delegated social care services; and
 - The payment from NHS Dumfries and Galloway to the IJB for delegated health services;
- 3.2 NHS Dumfries and Galloway and Dumfries and Galloway 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.
- 3.3 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 Dumfries and Galloway and Dumfries and Galloway 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 IJB, Dumfries and Galloway Council and NHS Dumfries and Galloway 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 Dumfries and Galloway Council and NHS Dumfries and Galloway;
 - Legal requirements. Legislation may entail expenditure commitments that should be taken into account in adjusting the payment;
- 3.4 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.

Limits on Expenditure

- 3.5 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 Dumfries and Galloway and /or Dumfries and Galloway 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; Arrangements for incurring expenditure in an emergency are set out in a separate practice note. Both partner organisations have arrangements in place to manage this;
 - iv. As provided in the section covering virement (below).

Virement

- 3.6 Virement is the transfer of an underspend on one budget head to finance additional spending on another budget head in accordance with the Financial Regulations. Where resources are transferred between the two partner organisation of the Integrated Budget this will require in-year balancing adjustments to the allocations from the Integration Joint Board to Dumfries and Galloway Council and NHS Dumfries and Galloway 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.
- 3.7 Virements require approval and they will be permitted 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. Where the virement involves the transfer of less than £50,000 between operational budget headings and the transfer is not between the Council and NHS and will not affect the delivery of existing policy then the transfer will require the approval of the Chief Officer.
 - ii. Where the amount is over £50,000 but up to £500k the Chief Finance Officer and the Chief Officer will be required.
 - iii. Where the amount is over £500k the Integrated Joint Board must approve.

Budgetary Control

- 3.8 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 Dumfries and Galloway and Dumfries and Galloway Council.
- 3.9 All reports to the Integration Joint Board and any sub-committees 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.
- 3.10 The NHS Dumfries and Galloway Director of Finance and the Section 95 officer of Dumfries and Galloway 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. Consolidation of management accounting information will take place outwith the core ledgers of the parties.

Management Accounting Reporting Consistency

- 3.11 It is the responsibility of the Integration Joint Board Chief Financial Officer, in consultation with the NHS Dumfries and Galloway Director of Finance and the Section 95 Officer of Dumfries and Galloway Council, to agree a consistent basis and timetable for the preparation and reporting of management accounting information.
- 3.12 It is recognised that NHS Dumfries and Galloway and Dumfries and Galloway Council have different accounting and reporting methodologies. The health board accounts in-year are based on accrual accounting and management account reports are based on comparing period and year-to-date expenditure to budgets for the same timeframes. In the council, in-year accounts are based on cash accounting and the focus of management reports is predicted year-end outturn. Therefore, in-year numbers are not fully consistent.
- 3.13 At the council's year-end appropriate accruals are used, thus bringing both parties accounting bases to a consistent approach at year-end.
- 3.14 In the longer-term the IJB will seek to move towards a more consistent approach where both parties will budget on a monthly basis, report actuals on an accrual basis and regularly update budgets to forecast likely year-end outturn.

Over/Under Spends

3.15 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 Dumfries and Galloway and Dumfries and Galloway Council, the details of the variance and any remedial action required. All significant actual or forecast variances will be reported to the Integrated Joint Board in financial monitoring reports.

3.16 The process for resolving budget variances is laid out in the Integration Scheme. In summary, should overspend recovery plans be unsuccessful then, in 2016/17, the burden of the overspend will lie with the Party who originally delegated the overspent budget. This arrangement will continue until both parties agree to move towards a proportionate share based on overall contribution to the total IJB funding. In the event of underspends, in 2016/17, they will be repaid to the original funding Party. In future years the IJB will determine whether to use surplus funds to contribute to IJB reserves or to return the surplus to the Parties.

4. Reserves

4.1 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.

Criteria for establishing a Reserve Fund

4.2 Reserves can only be created from budget underspends generated from effective operational and financial management. The creation of any reserves will require the approval of the IJB. Reserves set aside must meet the following objectives:

- used to cover contingencies to cushion the impact of unexpected events or emergencies; or
- be established for specific policy purposes; or
- set up as a means of building up funds to meet future known or predicted requirements which may fall outwith other funding mechanisms.

Maintenance, Use and Reporting of Reserve Funds

4.3 Total reserves are restricted to a cap of 2% of the IJB's annual budget. Should this cap be exceeded then any excess funds should be repaid to the Parties in proportion to their input to the overall annual budget.

- 4.4 The utilisation of reserves will require the approval of the IJB following a clear statement of the purpose of the use and the reasons why other funding sources are not available.
- 4.5 The overall level of reserves will be included within the regular financial management information reported to the IJB together with a clear explanation of any movements in value.
- 4.6 As any underspend 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 NHS Dumfries and Galloway and Dumfries and Galloway Council.
- 4.7 In addition where funding is provided on a ringfenced basis to the IJB this can be carried forward by the IJB through reserves to ensure it is used for the original intended purpose and will be reported through the financial statements.

5. VAT

- 5.1 The VAT situation is being addressed centrally with HMRC. This situation will be kept under review by the Chief Financial Officer.

6. Procurement/Commissioning of Services

- 6.1 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.
- 6.2 As a result of any 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.
- 6.3 Under the Equality Act 2010, the IJB has a duty to consider award criteria and conditions in relation to public procurement. Where the IJB is the contracting authority and proposes to enter into a relevant agreement on the basis of an offer which is the most economically advantageous, it must have due regard to whether the criteria should include considerations to enable it to better perform the Public Sector Equality Duty (see section 15).

7. Financial Reporting

Accounting Procedures and Records

- 7.1 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.
- 7.2 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 Dumfries and Galloway and Dumfries and Galloway Council meet their respective statutory audit and publication requirements for their individual and group financial statements.
- 7.3 The Integration Joint Board Chief Financial Officer will agree the financial statements timetable with the external auditors of the Integration Joint Board, NHS Dumfries and Galloway and Dumfries and Galloway Council.

8. Internal Audit

Responsibility for Internal Audit

- 8.1 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.
- 8.2 The operational delivery of internal audit services within NHS Dumfries and Galloway and Dumfries and Galloway Council will be covered by their respective internal audit arrangements as at present.
- 8.3 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.
- 8.4 The Internal Audit Service will undertake their work in compliance with the Public Sector Internal Audit Standards.

- 8.5 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 by the partner Health Board and Local Authority.
- 8.6 It is recommended that the internal audit plan is shared with the relevant committees of the NHS Dumfries and Galloway and Dumfries and Galloway Council.
- 8.7 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.
- 8.8 The Integration Joint Board annual internal audit report will be shared with the Audit and Risk Committees of NHS Dumfries and Galloway and Dumfries and Galloway Council. 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 and Audit and Risk Committee for scrutiny.
- 8.9 Relevant internal audit activity carried out by partners will also be submitted to the Integration Joint Board Performance and Audit and Risk Committee for information and note. This activity will be agreed with partner auditors, the Chief Officer and/ or Chief Executives of NHS Dumfries and Galloway and Dumfries and Galloway Council.

9. External Audit

- 9.1 The Accounts Commission will appoint the Auditors to the Integration Joint Board. This is specified under Section 13 of the legislation.
- 9.2 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.
- 9.3 Reports on external audit will be submitted to the Chief Officer and the Performance and Audit and Risk Committee for scrutiny.

10. Audit and Risk and Performance Committee

- 10.1 The Integration Joint Board will put in place an Audit and Risk & Performance 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. The committee will have the following responsibilities:

- Governance, Risk & Control
- Internal Audit
- External Audit
- Financial Reporting
- Management Reporting

10.2 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 and Risk Committee.

11. Risk Management and Insurance

Responsibility for Insurance and Risk

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

11.2 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 Dumfries and Galloway Director of Finance and the Section 95 Officer of Dumfries and Galloway Council will ensure that the Chief Officer has access to professional support and advice in respect of risk management.

Risk Strategy and Risk Register

11.3 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 and performance reviewed by the Audit and Risk Committee.

11.4 NHS Dumfries and Galloway and Dumfries and Galloway 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.

11.5 The IJB will become a member of the Clinical, Negligence and Other Risks Scheme (CNORIS) – a risk sharing scheme. The requirement to be a member of this scheme will be reviewed annually.

Notification of Insurance Claims

11.6 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.

12. Economy, Efficiency and Effectiveness (Best Value)

12.1 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 Dumfries and Galloway and Dumfries and Galloway Council; and.
- the resources paid to NHS Dumfries and Galloway and Dumfries and Galloway Council by the Integration Joint Board for use as directed and set out in the Strategic Plan.

12.2 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.

12.3 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.

12.4 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.

13. Capital Planning and Expenditure

13.1 The IJB currently has no role in Capital Planning and Expenditure related to its activities and does not receive a capital funding allocation. As of 2016/17 these responsibilities remain with NHS Dumfries and Galloway and Dumfries and Galloway Council.

13.2 From 2016/17 the IJB will be directly involved with the preparation of an Annual Capital Plan to identify the asset requirements and make best use of available resources to support its Strategic Plan.

13.3 Business cases for individual projects within the span of activities of the IJB will be approved by the IJB prior to being progressed through the appropriate approval process in either Dumfries and Galloway Council or NHS Dumfries and Galloway. Any subsequent expenditure will be controlled by the parties in accordance with their own financial regulations.

14. Board Members' Expenses

14.1 Payment of Board Member's allowances will be the responsibility of the Members' individual Council or Health Board and will be made in accordance with their own schemes.

15. Equality and Diversity

15.1 Under the Equality Act 2010, the IJB is required to meet the needs of the Public Sector Equality Duty in terms of the nine protected characteristics (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation).

15.2 The three aims of this duty are to:

- Eliminate discrimination, harassment, victimisation or any other conduct prohibited by the Act;
- Advance equality of opportunity between those who share a protected characteristic and those who do not by removing or minimising disadvantage, meeting the needs of particular groups that are different from the needs of others and encouraging participation in public life;
- Foster good relations between those who share a protected characteristic and those who do not by tackling prejudice and promoting understanding.

15.3 In terms of financial planning, the IJB has a legal responsibility to carry out an equality impact assessment on all of the decisions which it makes, involving people from protected characteristic groups. There is a toolkit available to support this process and the results must be published on the website.