EAST AYRSHIRE INTEGRATION JOINT BOARD

FINANCIAL REGULATIONS

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EAST AYRSHIRE INTEGRATION JOINT BOARD

FINANCIAL REGULATIONS

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1 PURPOSE

1.1 These Financial Regulations establish the framework for the proper administration of the financial affairs of East Ayrshire Integration Joint Board ("the IJB") and provide the basis for sound financial governance, stewardship, accountability and internal control.

1.2 The Regulations are intended to ensure that public resources are managed lawfully, prudently, efficiently and effectively, and that financial decisions support the delivery of the IJB's Strategic Plan and statutory responsibilities.

1.3 These Regulations shall be read in conjunction with the Integration Scheme, Standing Orders, Scheme of Delegation and all relevant financial policies approved by the IJB.

2 SCOPE

2.1 These Financial Regulations relate specifically to the affairs of the IJB and are therefore limited and focused in scope.

2.2 East Ayrshire Council and NHS Ayrshire and Arran ("the Partner Organisations") each operate under their own approved Financial Regulations or Standing Financial Instructions in the operational delivery of services. All financial transactions enacted by the Partners, including all employees within the Health and Social Care Partnership, will be governed by their respective regulations.

2.3 The main objective of these Financial Regulations is to detail the financial responsibilities, policies and procedures that govern the IJB. Representatives and Committees of East Ayrshire IJB must comply with these Financial Regulations in dealing with the financial affairs of the IJB and its committees.

2.4 In circumstances where any Board Member or officer requires guidance on any financial aspect which is not specifically covered within these regulations, they must consult with the IJB Chief Financial Officer or the chief financial officer of the relevant Partner Organisation for advice.

2.5 IJB financial governance is informed by the Scottish Government's Finance Guidance (May 2015) produced by the Integrated Resources Advisory Group (IRAG), with particular attention to the guidance set out at paragraph 2.1.4 within the Executive Summary:

"The financial resources allocated to the Health Board and the Local Authority by the Integration Joint Board for the delivery of services are the responsibility of the Health Board Accountable Officer and the Local Authority Section 95 Officer, and the Chief Officer is accountable to them for the use of financial resources in his/her operational role in the Health Board and Local Authority".

3 RESPONSIBILITIES

3.1 Every person responsible for the management or use of IJB resources shall ensure that public funds are safeguarded and used only for approved purposes.

3.2 Board members' responsibilities with regard to financial matters are:

- Approving the Board's Strategic Plan and the arrangements for performance reporting.
- Approving the Board's short and medium term financial strategy, including the annual budget.
- Ensuring proper control is exercised over the Board's delegated resources through scrutiny of periodic financial reports comparing expenditure with budget, seeking explanations for any significant variances and approving actions required to recover any overspending.
- Approving the unaudited annual accounts prior to lodgement with external audit and subsequently approving the audited annual accounts as well as considering the external audit annual report.

3.3 The Director of Health and Social Care is the IJB's designated Chief Officer and, in terms of financial matters, is responsible for;

- Strategic leadership of the Health and Social Care Partnership with lead responsibility for the design and delivery of the services approved by the Integration Joint Board in its Strategic Plan;

- Allocating and managing budgets to services commissioned from the Council and NHS Ayrshire and Arran to provide resources required to meet the objectives agreed by the IJB;

- Management of effective delivery to ensure the financial targets are achieved within the resources available.

3.4 The Chief Financial Officer is the designated officer responsible for the administration of the IJB's financial affairs and is responsible for;

- leading the promotion and delivery of good financial management within all areas of the Health and Social Care Partnership so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

- Compiling the draft annual IJB budget in consultation with the Council and NHS chief financial officers.

- monitoring financial performance and reporting this to the IJB and its relevant committees throughout the year including any mitigating measures required to address budgetary pressures and advising on any proposed service delivery changes that will impact on policy.

- Preparing the IJB annual accounts in accordance with all formal accounting guidance and codes of practice.

- ensuring immediate and longer-term implications, opportunities and risks of business decisions are fully considered, and align with the IJB financial strategy.

- ensuring that the IJB Financial Regulations and any supplementary guidance documents are reviewed and updated as necessary.

4 FINANCIAL GOVERNANCE

4.1 The IJB shall exercise effective stewardship over the resources entrusted to it and shall maintain arrangements that promote sound financial management and effective governance.

4.2 The IJB may only make decisions within the powers conferred upon it by legislation and the Integration Scheme.

4.3 Where a proposal would have financial, legal, contractual, staffing or asset implications for a Partner Organisation in relation to, and beyond, those delegated to the IJB, implementation shall be subject to the approval of the relevant Partner Organisation in accordance with its governance and internal decision making arrangements

4.4 The Chief Officer and Chief Financial Officer shall ensure that reports to the IJB clearly identify where Partner Organisation approval has been obtained or is required before implementation of a relevant decision or proposal.

4.5 No officer shall incur expenditure, commit resources or enter into financial arrangements except in accordance with delegated authority approved by the IJB.

4.6 Delegated authority shall not extend to matters requiring approval by a Partner Organisation under the Integration Scheme or these Regulations.

5 THE STRATEGIC PLAN

5.1 The format and content of the Strategic Plan presented for the approval of the IJB will be determined by the Director of Health and Social Care taking into account legislative requirements, consultation outcomes, IJB guidance and approved policies of the IJB.

5.2 The Strategic Plan will incorporate a three-year medium term financial strategy that sets out the expected resource consequences of planned changes in capacity.

5.3 The IJB Chief Financial Officer will, on a rolling annual basis, update the three-year Medium-Term Financial Strategy for approval by the IJB in the first quarter of each financial year covering the following three years which will take account of the contents of the current Strategic Plan and will include explicit assumptions on;

- Demographic pressures
- Social care demand forecasts
- Pay and Prices Projections
- Funding projections of East Ayrshire Council and NHS Ayrshire & Arran
- Savings levels

5.3 It is accepted that these figures will be estimates based on explicit assumptions made at the time of preparation and will be firmed up as part of the annual budget process.

6 RESERVES

6.1 The IJB shall maintain reserves in accordance with an approved Reserves

Policy.

6.2 Reserves shall only be established, utilised or released with the approval of the IJB unless delegated authority has been granted.

7 BUDGETING

7.2 The Director of Health and Social Care and the IJB Chief Financial Officer will develop a draft integrated budget for the forthcoming financial year taking cognisance of the updated Medium Term Financial Strategy and present it to the Council and NHS Ayrshire & Arran by the end of September of the current year as part of the annual budget setting process for the following year. This will essentially be a proposal document to meet the objectives of the current Strategic Plan. It is designed to influence the Council and NHS annual budgets in line with their other service priorities and should be realistic in terms of the level of resources likely to be available to the Council and the Health Board as set out in the most recent medium term financial strategies of those organisations or as advised by their respective chief financial officers.

7.3 The IJB Chief Financial Officer will liaise closely with the chief financial officers of the Partner Organisations to get an early indication of the level of resources likely to be delegated to the IJB for the following financial year.

7.4 IJB Chief Financial Officer will present a budget strategy report for the forthcoming year to the IJB before the end of the calendar year. This will include the latest advice on the level of income likely to be available from the Partner Organisations for the year ahead together with an estimate of resources required, the consequential possible value of savings needed to balance the budget and a draft savings package to meet any gap for consideration by the IJB. This will ensure that there is sufficient time to plan the implementation of any savings actions in advance of the new financial year.

7.5 The IJB will aim to approve an annual revenue budget before the end of February preceding each financial year on the basis that the level of resources available has been confirmed by the Partner Organisations by that time.

7.6 Budget proposals shall be consistent with the Strategic Plan, medium-term financial strategy and available resources.

7.7 Any proposal requiring additional contributions from a Partner Organisation shall require the approval of that Partner Organisation before implementation.

8 BUDGET MANAGEMENT

8.1 The IJB Chief Financial Officer shall monitor expenditure and income throughout the financial year and shall maintain accurate forecasts of the anticipated year-end financial position.

8.2 Material variances together with proposed corrective action shall be reported promptly to the IJB by the IJB Chief Financial Officer. Material variances are those forecast or actual variances that exceed £0.100m or 5% of the relevant budget, whichever is lower, or any variances which, in the opinion of the IJB Chief Financial Officer, are likely to have a significant impact on the IJB's financial position, reserves, approved savings programme, or the financial interests of the Partner Organisations.

8.3 The Chief Financial Officer shall monitor the progress of savings initiatives included within the budget or in any subsequent in-year Financial Recovery plan. This will include quantative and well as financial targets. Progress will be reported to the IJB as part of the regular financial reporting.

8.4 It is accepted that in year there may be cause for variation in individual budget lines and virements of resources from one heading to another may be required to make best use of the overall resource.

8.5 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.

8.6 Authorisation for in year virements will be required from the Board for any proposed transfer in excess of £0.100m.

8.7 The Chief Officer must discuss, and agree, any in year virement proposal of any value with the Partner Organisation holding the funding to determine that the proposal is sound and will not adversely affect the financial position of the Partner Organisation. This will include determining that the funding is free for virement, that no funding conditions, regulations, or tax requirements would be breached by its proposed use and that there are no other unmanageable risks.

8.8 Where an overspend or financial pressure is identified, the IJB Chief Financial Officer will prepare a Financial Recovery plan in consultation with the Chief Officer for agreement with their financial counterpart in the relevant Partner Organisation. Once the Recovery Plan is agreed between the parties, it will then be presented to the IJB for approval.

8.9 In the event that the Recovery Plan is not successful, the IJB shall ask that the Partner Organisations consider making interim funds available based on the agreed percentage contribution for joint responsibilities set out within the Integration Scheme, with repayment in future years on the basis of a revised Recovery Plan agreed in accordance with section 8.8 above.

8.10 Where recovery proposals would materially affect either Partner Organisation financially or operationally, implementation shall be subject to approval by the relevant Partner Organisation in accordance with the Integration Scheme and their governance and internal decision-making arrangements. Any required approval should be obtained before such proposals are presented to the IJB.

8.11 No recovery proposal shall transfer unfunded financial commitments or liabilities to a Partner Organisation without its formal approval.

8.12 In year variances in Lead Partnership Services shall follow the requirements set out above. In the event of an overspend, the agreed Recovery Plan shall require the agreement of all relevant Integrated Joint Boards. Failure to reach agreement will require interim additional contributions in proportion to service usage pending final agreement of the Recovery Plan.

8.13 In year pressures in respect of Set Aside Budgets will be managed in year by the Health Board, with any recurring over or underspend being considered as part of the annual budget setting process.

9 FINANCIAL REPORTING

9.1 The Chief Finance Officer shall submit regular financial monitoring reports to the IJB on a quarterly or more frequent basis as appropriate.

9.2 Reports shall include:

- detailed comparison of annual budget against forecast outturn;
- explanation of all significant budget variances;
- progress on delivery of approved savings;
- any proposals on use of reserves;
- a report on emerging financial risks; and
- any matters requiring approval and/or action by the Partner Organisations.

10 FINANCIAL CONTROL

10.1 No cash transactions are made or received by the Integration Joint Board. Allocations from the Partner Organisations will be ledger transactions. All other income will be processed by the Partner Organisations and governed by their own Financial Regulations or Standing Financial Instructions.

10.2 The IJB does not make payments directly to suppliers, employees or other third parties.

Expenditure approved by the IJB will be incurred and settled by the relevant Partner Organisation in line with provisions within their own Financial Regulations or Standing Financial Instructions.

The Chief Officer shall ensure that expenditure is authorised within approved budgets, is within delegated authority, is lawful and represents value for money.

The Chief Officer will ensure that appropriate records are maintained to record and support all expenditure incurred on behalf of the Integration Joint Board and provide the Chief Financial Officer with all necessary financial reporting information on a timely basis.

11 PROCUREMENT AND CONTRACTS

11.1 All procurement activity shall comply with relevant legislation, the procurement arrangements of the Partner Organisations and the Scheme of Delegation.

11.2 The IJB shall not enter into contractual commitments that create liabilities for a Partner unless the relevant Partner Organisation has confirmed the necessary approval.

12 CAPITAL PLANNING

12.1 The IJB does not receive a direct capital allocation and does not own operational assets. Responsibility for capital investment, property and asset management remains with the Partner Organisations in accordance with their statutory responsibilities.

12.2 The Chief Officer shall be a member of the capital planning groups of both Partner Organisations and will work collaboratively with Partner Organisations to identify capital investment requirements necessary to support delivery of the

Strategic Plan and Medium-Term Financial Strategy.

12.3 Where the IJB identifies a requirement for capital investment, prior to implementation of the proposal, it shall remit to the Chief Officer and Chief Financial Officer to prepare an outline business case on the IJB's behalf and submit this to the relevant Partner Organisation in accordance with its capital planning, governance and internal decision making arrangements for approval.

12.4 The IJB may recommend capital investment priorities but shall not approve capital expenditure or commit a Partner Organisation to capital investment.

12.5 Any proposal involving:

- acquisition or disposal of land or buildings;
- significant refurbishment or construction;
- ICT infrastructure requiring capital investment;
- leases or other arrangements giving rise to a capital or long-term financial commitment; or
- changes affecting the use, ownership or value of Partner Organisation assets,

shall require the approval of the relevant Partner Organisation before implementation.

12.6 The Chief Officer shall ensure that all proposals submitted to the IJB clearly identify:

- any capital implications;
- the organisation responsible for funding the investment;
- any ongoing revenue consequences; and
- whether approval by a Partner Organisation has been obtained or is required prior to implementation of the proposal.

13 RISK MANAGEMENT AND INTERNAL CONTROL

13.1 The Partner Organisations are responsible for the delivery of effective implementation of risk management arrangements in relation to their respective service areas and for ensuring its effectiveness and review on an ongoing basis.

13.2 The IJB Chief Officer is responsible for establishing the IJB's risk strategy and profile and ensuring effective risk management arrangements are in place.

13.3 The IJB Chief Officer will make appropriate provision for insurance according to the risk management strategy.

13.4 There will be regular, at least annual reporting on risk management to the Board.

14 FRAUD PREVENTION

14.1 The IJB adopts a zero-tolerance approach to fraud, bribery and corruption.

14.2 All suspected irregularities shall be reported immediately and investigated in accordance with appropriate approved policies.

15 AUDIT

15.1 The Integration Joint Board shall maintain effective arrangements for internal and external audit to provide independent assurance on the adequacy and effectiveness of governance, risk management, and internal control.

15.2 Internal Audit

The internal audit service will be provided jointly by the internal audit teams of the Partner Organisations in accordance with the Global Internal Audit Standards in the UK Public Sector (GIAS). The Chief Internal Auditor of East Ayrshire Council will act as the IJB Chief Internal Auditor.

Internal auditors shall have unrestricted access to all premises, records, systems, assets, information, and officers as necessary to discharge their responsibilities.

Officers shall provide auditors with such explanations, information and assistance as may reasonably be required and shall implement agreed audit recommendations within the timescales determined by management. Progress in implementing recommendations shall be monitored and reported to the Audit and Performance Committee.

15.3 External Audit

The accounts and financial affairs of the Integration Joint Board shall be subject to external audit by the auditor appointed by the Accounts Commission for Scotland.

All Members and officers shall cooperate fully with the external auditor and provide unrestricted access to records, information and explanations required to fulfil their statutory responsibilities.

15.4 Audit and Performance Committee (APC)

The Audit and Performance Committee shall oversee the effectiveness of the Board's governance, risk management, and internal control arrangements.

In carrying out this role, the Committee shall:

- consider reports from internal and external audit;
- monitor implementation of agreed audit recommendations;
- review the adequacy of the Board's governance and assurance arrangements;
- through the annual APC Chair's report provide assurance in respect of the adequacy of the governance and internal controls of the IJB to support the Annual Governance Statement included in the Annual Accounts; noting that the APC members are also members of the IJB and
- consider reports relating to fraud, irregularity, financial control or governance as appropriate.

15.5 Responsibilities of Officers

The Chief Officer shall ensure that appropriate systems of internal control operate within all areas of the Health and Social Care Partnership and shall take prompt action to address weaknesses identified through audit work.

The Chief Finance Officer shall report significant audit findings and any material control weaknesses to the Audit and Performance Committee and, where appropriate, to the Integration Joint Board and the Partner Organisations.

16 ANNUAL ACCOUNTS

16.1 The Chief Finance Officer shall prepare the Annual Accounts in accordance with applicable legislation, the current Code of Practice on Local Authority Accounting in the United Kingdom and all relevant accounting standards.

16.2 The Annual Accounts shall be submitted to the IJB for approval in line with statutory requirements prior to and following completion of the external audit process.

17 COMPLIANCE AND REVIEW

17.1 These Regulations shall be reviewed periodically by the Chief Finance Officer and approved by the IJB to ensure they remain current and reflect changes in legislation, accounting standards and governance requirements.

17.2 Failure to comply with these Regulations may result in disciplinary action, referral to the appropriate professional body or other action considered appropriate by the Chief Officer or the IJB.

17.3 Officers shall immediately report any actual or suspected breach of these Regulations to the Chief Financial Officer.

17.4 Significant breaches shall be reported to the Chief Officer, the Audit and Performance Committee and the IJB as appropriate.

END