

Shetland Islands Integration Joint Board

Financial Regulations

May 2021



1. SCOPE AND OBSERVANCE

2. Shetland Islands Integration Joint Board (IJB) 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 IJB, 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 are part of the supplementary documentation to the Integration Scheme and are aligned to CIPFA's Financial Management Code (FM Code) and The Public Bodies (Joint Working) (Scotland) Act 2014.
 4. These financial regulations should be read in conjunction with the standing financial instructions of NHS Shetland and the Financial Regulations and Codes of Financial Practice of Shetland Islands Council.
 5. Elected and appointed Members of the 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.
 6. 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; and
 - Regular comparisons of actual and forward projection of financial performance with planned/budgeted performance that are reported to the IJB, NHS Shetland and Shetland Islands Council.

7. FINANCIAL MANAGEMENT AND PERFORMANCE

8. Responsibility of IJB

9. The Integration Scheme sets out the detail of the integration arrangement agreed between NHS Shetland and Shetland Islands Council. In relation to financial management it specifies:

- The financial management arrangements including treatment of budget variances;
- Reporting arrangements between the IJB, NHS Shetland, and Shetland Islands Council;
- The method for determining the resources to be made available by NHS Shetland and Shetland Islands Council to the IJB; and
- The functions which are delegated to the IJB by NHS Shetland and Shetland Islands Council.

10. The IJB will lead the preparation/update of the Strategic Plan with other stakeholders. The requirements include:

- The payment from Shetland Islands Council to the IJB for delegated social care services managed by the Chief Officer;
- The payment from NHS Shetland to the IJB for delegated primary and community healthcare services and for those delegated hospital services managed by the Chief Officer; and
- The amount set aside by NHS Shetland for delegated service provided in acute services for the population of the IJB.

11. Responsibility of Chief Officer

12. The Chief Officer is the accountable officer of the IJB. 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 IJB resources; and
- Giving Directions to NHS Shetland 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.

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

- Accountable to the Chief Executive of NHS Shetland, via the Director of Finance, for financial management of the operational budget;
- 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 Local Authority and Chief Executive of the Health Board for the operational performance of the services managed by the Chief Officer.

14. Responsibility of the IJB Chief Financial Officer

15. The IJB will appoint an officer responsible for its financial administration.

16. The Chief Officer may be appointed to this role if the IJB 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 IJB with financial advice from a qualified person.

17. In appointing the Chief Financial Officer the IJB has regard to CIPFA guidance on the ‘Role of the Chief Financial Officer in Local Government’.

18. The IJB Chief Financial Officer and Chief Officer will discharge their 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 IJB’s resources.

19. Responsibility of the NHS Shetland Director of Finance & Council Section 95 Officer (Chief Financial Officer)

20. The NHS Shetland Director of Finance and the Council’s Section 95 Officer discharge their responsibility - as it relates to the resources that are delegated to the IJB - 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. The NHS Shetland Director of Finance and the Local Authority Section 95 Officer are responsible for the resources that are paid by the Integration Joint Board to

the Health Board and Local Authority in support of the Directions for operational delivery. As such, the NHS Shetland Director of Finance and the Council's Section 95 Officer will have ultimate responsibility for the financial management of their respective organisations' transactions that are connected to the delegated functions.

- 22.** The NHS Shetland 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 IJB.
- 23.** The NHS Shetland 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 NHS Shetland and the Council.

24. FINANCIAL PLANNING

- 25.** The IJB is responsible for the production of a Strategic Plan – setting out the services for their population over the medium term (3 years). This should be accompanied by a medium term financial plan (MTFP) for the resources within the scope of the Strategic Plan.
- 26.** NHS Shetland and Shetland Islands Council will provide indicative three year rolling funding allocations, where possible, to the IJB to support the Strategic Plan and medium term financial planning process. Such indicative allocations will remain subject to annual approval by both organisations.
- 27.** With the overview of the IJB Chief Officer, service managers will build up their service plans and budget requirements together with their relevant finance teams. Needs assessments will inform this process to ensure there is a clear link between service plans, finances and the IJB's priorities as set out in the Strategic Plan. This process will consider the following factors:
 - 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, Shetland Islands Council and NHS Shetland 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 Islands Council and NHS Shetland;
- Legal requirements. Legislation may entail expenditure commitments that should be considered in adjusting the payment; and
- Adjustments to address equity. Shetland Islands Council and NHS Shetland 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.

28. These service plans, including associated budgets, will then inform the Directions which are issued to NHS Shetland and Shetland Islands Council.

29. The IJB will be updated regularly during the budget setting process and will ultimately be asked to approve the IJB delegated budget prior to the start of each financial year.

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

31. Limits on Expenditure

32. No expenditure will be incurred by the IJB unless it has been included within the approved integration budget and Strategic Plan, except:

- Where additional funding has been approved by NHS Shetland and/or Shetland Islands Council and the integrated budget/Strategic Plan updated appropriately;
- Where a supplementary budget has been approved by the IJB;
- In emergency situations in terms of any Scheme of Delegation; and
- As provided for in paragraph 33 below (Virement).

33. Virement

34. 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.

35. Virements require approval and they will be permitted subject to the standing financial instructions of NHS Shetland and the Financial Regulations and Codes of Financial Practice of Shetland Islands Council as follows:

- Virements 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 IJB policy, the transfer will be approved jointly by the 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 IJB policy, the prior approval of the IJB will be required; and
- 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.

36. Reserves

37. Reserves will be managed in line with the IJB Reserves Policy.

38. Budgetary Control

39. It is the joint responsibility of the Chief Officer and Chief Financial Officer to report regularly and timeously on all budgetary control matters, comparing projected outturn with the approved financial plan to the IJB and other bodies as designated by NHS Shetland and Shetland islands Council.

40. The Director of Finance (NHS Shetland) and the Chief Financial Officer (Section 95) of Shetland Islands Council will, along with the IJB 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 IJB in aggregate.

41. It is the responsibility of the IJB Chief Financial Officer, in consultation with the Director of Finance (NHS Shetland) and the Chief Financial Officer (section 95) of Shetland Islands Council, to agree a consistent basis and timetable for the preparation and reporting of management accounting information.

42. Variances

43. 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 IJB Chief Financial Officer, in conjunction with the NHS Shetland Director of Finance and Section 95 Officer of the Council, to report in accordance with the appropriate method established for that purpose by the IJB, NHS Board and Council, the details of the variance and any remedial action required.

44. Reports to IJB

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

46. LEGALITY OF EXPENDITURE

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

48. TREASURY MANAGEMENT

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

50. As any underspend will be held by the Council on behalf of the IJB and only adjusted through subsequent allocations from the IJB no interest will be credited to the IJB for balances held.

51. VAT

52. HM Revenues and Customs have confirmed that there is no requirement for a separate VAT registration for the IJB as it will not be delivering any services within the scope of VAT. This position will require to be kept under review by the IJB Chief Financial Officer, should the operational activities of the IJB change and a need to register be established. HMRC guidance will apply to Scotland which will allow a VAT neutral outcome.

53. PROCUREMENT/COMMISSIONING OF SERVICES

54. The IJB may enter into a contract with any other person in relation to the provision to the IJB of goods and services for the purpose of carrying out the functions conferred on it by the Public Bodies (Joint Working) (Scotland) Act 2014. In practice, the IJB acts as a commissioning body and therefore does not

itself enter into such contracts. Instead, NHS Shetland and Shetland Islands Council, as the delivery partners, enter into such contracts, provided they represent best value in delivering the desired outcomes of the Strategic Plan.

55. All procurement will be made via the normal procurement route of the delivery partners and in accordance with the standing financial instructions of NHS Shetland and the Financial Regulations and Codes of Financial Practice of Shetland Islands Council.

56. In the event the IJB does enter into contracts itself, as a result of specific VAT (see Section 50 above) and accounting issues associated with the IJB contracting directly for the provision of goods and services, the Chief Officer is required to consult with the NHS Shetland Director of Finance, the Chief Financial Officer (section 95 officer) of the Council and the IJB Chief Financial Officer prior to any procurement exercise being undertaken.

57. ACCOUNTING

58. Accounting Procedures and Records

59. All accounting procedures and records of the IJB will be determined by the IJB Chief Financial Officer. These will also be subject to discussion with the Chief Financial Officer of the NHS Board/Council.

60. Legislation provides that the IJB 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 IJB whilst complying with the requirement for transparency and true and fair reporting in the public sector.

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

62. Financial Statements of the IJB

63. The reporting requirements for the IJB 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.

64. 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 IJB Chief Financial Officer to meet these targets and of the Chief Officer to provide any relevant information to ensure that NHS Shetland and Shetland Islands Council meet their respective statutory and publication requirements for the single entity and group accounts.

65. The IJB Chief Financial Officer will agree the financial statements timetable with the external auditors of the IJB, NHS Shetland and Shetland Islands Council

66. INTERNAL AUDIT

67. Responsibility for Internal Audit

68. The IJB 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 IJB and nominating a Chief Internal Auditor.

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

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

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

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

73. The IJB Chief Internal Auditor will submit an annual audit report of the Internal Audit function to the Chief Officer and the IJB 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 NHS Shetland and Shetland Islands Council.

74. Authority of Internal Audit

75. The person appointed by the IJB 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 IJB;
- 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 IJB;
- Be provided with a separate log-in to any computer system used by the partners of the IJB 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.

76. RISK MANAGEMENT AND INSURANCE

77. Responsibility for Insurance and Risk

78. The IJB will make appropriate insurance arrangements for all activities of the IJB in accordance with the risk management strategy.

79. 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 IJB and for which it is the general custom to insure. This will include the provision of appropriate insurance in respect of Members of the IJB acting in a decision making capacity.

80. Legislation provides that the IJB 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 IJB Chief Financial Officer will review the requirement for membership of CNORIS on an annual basis.

81. The NHS Shetland Director of Finance and the Chief Financial Officer (Section 95) of the Council will ensure that the Chief Officer has access to professional support and advice in respect of risk management.

82. Risk Strategy and Risk Register

83. The Chief Officer will be responsible for establishing the IJB'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 IJB.

84. NHS Shetland 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.

85. Notification of Insurance Claims

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

87. ECONOMY, EFFICIENCY AND EFFECTIVENESS (BEST VALUE)

88. The Chief Officer will ensure that arrangements are in place to maintain control and clear public accountability over the public funds delegated to the IJB. This will apply in respect of:

- The resources delegated to the IJB by the partner Local Authority and Health Board; and
- The resources paid to the partner Local Authority and Health Board by the IJB for use as directed and set out in the Strategic Plan.

89. The IJB 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.

90. 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.

91. PARTNERSHIPS

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

93. OBSERVANCE OF FINANCIAL REGULATIONS

94. Responsibility of Chief Officer and the IJB Chief Financial Officer

95. It will be the duty of the Chief Officer assisted by the IJB Chief Financial Officer to ensure that these Regulations are made known to the appropriate persons within the IJB and to ensure that they are adhered to.

96. Breach of Regulations

97. Any breach of these regulations should be reported immediately to the Chief Financial Officer, who may then discuss the matter with the Chief Officer, NHS Board Chief Executive, Local Authority Chief Executive or another nominated or authorised person as appropriate to decide what action to take.

98. Review of Financial Regulations

99. These Regulations will be the subject of regular review by the IJB Chief Financial Officer in consultation with the NHS Shetland Director of Finance and the Council's Section 95 Officer, and where necessary, subsequent adjustments will be submitted to the IJB Audit Committee for approval.

Document History

Version 1 – July 2015

Version 2 – May 2021