

# **Perth and Kinross Integration Joint Board**

## **Financial Regulations**

**Version 12 (20 March 2024)**

## PREFACE

The Integration Scheme for Perth & Kinross was approved by Cabinet Secretary for Health, Wellbeing and Sport on 27 August 2015. An Order to establish the Integration Joint Board was laid before the Scottish Parliament on 4 September (The Public Bodies (Joint Working) (Integration Joint Board Establishment) (Scotland) Amendment (No.3) Order 2015). The Integration Joint Board was established on 3 October 2015. An updated Integration Scheme received ministerial approval in November 2022. While the Financial Regulations have been updated to reflect the new Integration Scheme, there are no fundamental changes due to the new Integration Scheme.

Both NHS Tayside (NHST) and Perth and Kinross Council (PKC) have delegated functions and resources to the Perth and Kinross Integration Joint Board (IJB). The IJB will direct PKC and NHST on how resources will be spent in line with the approved Strategic plan and allocate resources back to them in accordance with this direction.

Both PKC and NHST operate under Financial Regulations/Standing Orders for the operational delivery of services. As this service delivery will continue to be carried out within NHST and PKC, these Financial Regulations relate specifically to the affairs of the IJB, and therefore are more limited and focused in scope. All operational and transactional finance matters for the delivery of services of the IJB will comply with the respective PKC Financial Regulations and NHST Standing Financial Instructions.

The IJB 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.

Under the Scottish Government Regulations, for all IJBs in Scotland, the Chief Officer, supported by the Chief Financial Officer must ensure that there are adequate systems and controls in place for the proper management of its financial affairs. These Financial Regulations detail the responsibilities of the IJB and serving members for its own financial affairs. The Chief Officer and the Chief Financial Officer and other officers supporting the IJB will follow these Regulations at all times in relation to the conduct of the IJB's own financial affairs.

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## **1 GENERAL**

- 1.1 The preparation and circulation of Financial Regulations assists organisations in fulfilling their obligations in respect of corporate governance, ensuring that stakeholders understand their responsibilities and a framework within which to discharge them. For this reason, Financial Regulations must be relevant to the needs of users, kept up-to-date and allow for controlled flexibility. A process of ongoing review and monitoring will be maintained to ensure this (See 1.3). Clarification on the interpretation of the Financial Regulations will be issued as required and identified for inclusion in a subsequent review. Clarification of any matter concerning the Financial Regulations shall be undertaken in conjunction with the Integration Joint Board (IJB) (as represented by the Audit and Performance Committee), Chief Officer (IJB CO) and Chief Finance Officer (IJB CFO).
- 1.2 Aspects of the operation of the IJB have been set out in an Integration Scheme, some of which is pertinent to the Financial Regulations. Wording in “quotations” within the Financial Regulations is taken from the Integration Scheme, the relevant section is referenced after the quote in brackets for ease of use.
- 1.3 The IJB CFO will regularly review the IJB Financial Regulations, in consultation with NHS Tayside’s Director of Finance and the Council’s section 95 Officer, and where necessary submit recommendations to the IJB for amendments to be Financial Regulations. The IJB will review and consider any amendments considered necessary to these Financial Regulations as recommended and approve the periodic revisions and issue an updated version encompassing such amendments.

## **2. SCOPE AND OBSERVANCE**

- 2.1 All members of 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.

- 2.2 The key controls and control objectives for financial management standards are:
- the promotion of the highest standards of financial management by the IJB,
  - appropriate assurance mechanisms to ensure compliance with the financial regulations,
  - comparisons of actual and forward projection of financial performance with planned/budgeted performance that are reported to the IJB; and
  - The Audit and Performance Committee of the IJB fulfilling its duties to develop and maintain effective scrutiny arrangement on the decision making of the IJB.
- 2.3 In all matters to do with the management and administration of the Integrated Budget by the IJB and its officers exercising such delegated powers as the IJB has agreed in this regard, these Financial Regulations will apply in all circumstances.
- 2.4 Prior to any funding being passed by one of the Parties to the IJB as part of the Integrated Budget, the Financial Regulations or Standing Financial Instructions of the relevant Party will apply. Similarly, once funding has been approved from the Integrated Budget by the IJB and directed by it to the Council or the NHS for the purposes of service delivery, the Standing Financial Instructions or Financial Regulations of the relevant Party will then apply to the directed sum, which will be utilised in accordance with the priorities determined by the IJB in its Strategic Plan.

### **3 IJB MEMBERS RESPONSIBILITY**

- 3.1 The members of the IJB are responsible for ensuring that, through the IJB's Chief Finance Officer, there is proper administration of the IJB's financial affairs, and that proper accounting records are kept for the IJB, which disclose the true and fair financial position and enable the preparation of financial statements that comply with the applicable Code of Practice.

## 4 CHIEF OFFICER (IJBCO)/ FINANCE OFFICER (IJCFO) RESPONSIBILITIES

### Joint Responsibilities

- 4.1 The IJBCO and IJCFO shall comply with the internal control procedures prevailing within their host organisation regarding their operational activities e.g., segregation of duties, procurement of goods / services, control of assets, etc.
- 4.2 The IJBCO and IJCFO shall comply with the internal control procedures prevailing within their employing organisation regarding their personal work-related activities e.g., travel and subsistence, codes of conduct, declarations, etc.
- 4.3 Where the IJBCO or IJCFO delegate any of their responsibilities the nature and extent of this should be set out in a Scheme of Delegation.

### Chief Officer Responsibilities

- 4.4 The IJBCO will ensure that the decisions of the IJB are carried out and has a direct line of accountability to the Chief Executives of NHST and PKC for the delivery of integrated services. The IJBCO is responsible for ensuring that service delivery is in accordance the Strategic Plan to support the national and local outcomes, any locally delegated responsibilities for health and wellbeing and for measuring, monitoring and reporting on the underpinning measures and indicators (including financial) that will demonstrate progress.
- 4.5 The IJBCO is the accountable officer of the IJB in all matters except finance. The IJBCO will discharge his/her 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 NHST and PKC that are designed to ensure resources are spent according to the Strategic Plan. It is the responsibility of the IJBCO to ensure that the provisions of the directions enable the Parties to discharge their responsibilities regarding the provisions of the directions.

4.6 In their operational role within NHST and PKC, the IJBCO has no “accountable officer” status but is:

- accountable to the Chief Executive of PKC and Chief Executive of NHST for the operational performance of the services managed by the IJBCO.
- accountable to the Chief Executive of NHST for financial management of the operational budget and is advised by the NHS Director of Finance.
- accountable to the Chief Financial Officer (section 95 officer) of PKC for financial management of the operational budget.

#### Chief Finance Officer Responsibilities

4.7 The Integration Scheme notes that the IJBCFO is “accountable to the Chief Officer and the Integration Joint Board for the Annual Accounts, Financial Plan (including the Annual Financial Statement as required under Section 39 of the Act) and providing financial advice to the Integration Joint Board. The Chief Finance Officer will provide financial advice and support to the Chief Officer and the Integration Joint Board on the financial resources used for operational” (9.1). In pursuit of this the IJBCFO will ensure that suitable accounting records are maintained, that resources are utilised in accordance with the Strategic Plan and that this plan delivers Best Value.

4.8 As the IJB is legally constructed as per a Local Authority, the Chief Finance Officer will be the Section 95 Officer for the IJB. Section 95 of the Local Government (Scotland) Act 1973 notes “Financial administration - ... 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.”

- 4.9 At the point when the IJB provides Direction to the Parties, for the operational delivery of services, the NHST Director of Finance and PKC's Section 95 officer are responsible for ensuring governance of these resources in accordance with their own organisation's financial governance documents.

## **5 BUDGET PREPARATION**

### The Integrated Budget

- 5.1 The resources within scope of the IJB's Integrated Budget are those local authority social care services, and primary, community healthcare and hospital services delegated in accordance with the Integration Scheme. The Integrated Budget will be the aggregate of payments to the IJB for services delegated by PKC and NHST.

### The Strategic Budget

- 5.2 The resources within scope of the IJB's Strategic Budget are those within the Integrated Budget together with those in respect of large hospitals set aside in accordance with the Integration Scheme, termed "Large Hospital Set Aside". The budget for Large Hospital services is included within the IJB's Integrated Budget for direction via the Strategic Commissioning Plan. Future changes agreed by the IJB and NHST will determine the movement between the Integrated Budget and the Large Hospital Set Aside budget.

### The Strategic Plan

- 5.3 The IJBSCO will submit annually to the IJB a Strategic Plan setting out proposals for the delivery of services within the remit of the IJB for, at minimum, the next three years. This will include the Integrated Budget and the notional budget for Large Hospital Set Aside i.e., the Strategic Budget.
- 5.4 The Strategic Plan will detail the reason for any projected surplus or deficit and how this will be used/addressed. The Strategic Plan will confirm the Integrated Budget including the resources previously subject to resource transfer.



### Budget Preparation / Requisitions

- 5.5 In accordance with the Integration Scheme the IJBCO “will make annual budget Requisitions to the Parties in line with their respective budget setting timetables. The budget Requisitions will be calculated with initial reference to the pertinent year of the latest Strategic Plan agreed by the Integration Joint Board and in line with agreement by the Parties and will include the costs of the Integration Joint Board, External Audit, the Chief Officer, Chief Finance Officer and any other relevant costs” (9.5).
- 5.6 Thereafter, “Where any adjustments are made from the proposals/assumptions contained in the Strategic plan, this will be made clear in the budget requisition made by the Chief Finance Officer to the Parties” (9.7).
- 5.7 “The Parties will engage with the Chief Officer and Chief Finance Officer while considering these Requisitions through their respective budget setting processes” (9.6).
- 5.8 “The Parties will confirm the payments to be made to the Integration Joint Board within a suitable timescale to enable the Integration Joint Board to agree it’s Integrated Budget by the 31st March preceding the start of the new financial year” (9.9).

### Directions

- 5.9 Following agreement of the Strategic Plan by the IJB, and confirmation of the requisitions from the Parties, in accordance with the Integration Scheme the IJB “approve and provide Direction to the Parties before the start of the Integration Joint Board financial year, in the relevant year, regarding the functions that are being commissioned, how they are to be delivered and the resources to be used in delivery” (9.9). This direction is with a view to ensuring that resources are utilised in accordance with the objectives of the Strategic Plan.

- 5.10 The Integration Scheme notes that in “In the event that a material calculation error in the spending Directions provided by the Integration Joint Board to the Parties is discovered, this will be adjusted for and revised Directions issued to the Parties” (9.25).

## **6 BUDGET MONITORING AND CONTROL**

### Budget Monitoring

- 6.1 In accordance with the Integration Scheme the IJBCFO will “ensure routine financial reports are available to the Chief Officer and the Integration Joint Board on a timely basis and include, as a minimum, annual budget, full year outturn projection and commentary on material variances. All Integration Joint Board finance reports will be shared with the Parties simultaneously (9.17)”. The frequency, form and content of reports will be agreed by the IJB. These reports will cover the financial performance of the Integrated Budget and the Strategic Budget together with projections for the full financial year and any implications for the following financial years.
- 6.2 Where a year end overspend in the IJB’s budget is projected the IJBCO and the IJBCFO must “present a recovery plan to the Integration Joint Board and the Parties to address in year overspends and any recurring overspends for future financial years” (9.18).

### IJB Reports

- 6.3 The IJBCFO will be consulted on all reports being submitted to the IJB to ensure that any financial implications arising have been considered. Each IJB report should include a Financial Implications section.
- 6.4 It is a requirement of the Public Bodies (Joint Working) (Scotland) Act 2014 that an Annual Performance Report is presented to the IJB which will include provisions on the financial performance and Best Value.
- 6.5 It will be the responsibility of the IJBCO and IJBCFO to provide relevant information and reports to ensure PKC and NHST performance reporting arrangements are complied with.

### Reserves Movement (Between Financial Years)

- 6.6 The Strategic Plan and budget requisitions will detail the planned reserves transfer that is proposed to be undertaken between each financial year in respect of both the Integrated Budget and large hospital services set aside. The extent of reserves movement will be confirmed following completion of the IJB annual accounts.

### Budget Adjustments (In Year) – Integrated Budget

- 6.7 The IJBCO, in consultation with the IJBCFO, can undertake adjustments between headings in the Integrated Budget under delegated authority subject to this virement not impacting upon current IJB, Council or NHS policies.
- 6.8 It may be necessary for the IJBCO to issue a revised direction to the Parties as a result of an in-year budget adjustment. The process for this will be set out in annual directions to the Parties.
- 6.9 The IJBCO will not be permitted to undertake adjustments between the Integrated Budget and those budgets managed by the IJBCO, but which are not delegated to the IJB, unless agreed by the IJB and the relevant partner organisation.

## Budget Adjustment (In Year) – Large Hospital Set Aside

- 6.9 All budget adjustments in respect of Large Hospital services will require approval of the IJB and the NHST and the reasons for this adjustment will be detailed in such a request e.g., changes in the timing of planned capacity changes from that outlined in the Strategic Plan.

## Year End Budget Variances

- 6.10 Any surplus or deficit arising at the financial year-end on the Integrated Budget will be addressed in accordance with the provisions for this detailed within the Integration Scheme as follows:

### **Deficit**

- Uncommitted Reserves held by the IJB would firstly be used to address any overspend (9.19).
- Via the risk sharing provisions between the Parties as set out in the Integration (9.20).

### **Surplus**

Retained in Reserves as set out in the Integration Scheme (9.21)

## Reserves

- 6.11 The IJB is able to retain Reserves albeit these will be notional as the IJB will not hold cash balances. The IJB is therefore required to set out and agree, a Reserves policy and strategy in the Strategic Plan.

## **7 ANNUAL ACCOUNTS**

- 7.1 The annual accounts for the IJB are required to be prepared subject to the provisions of Section 106 of the Local Government (Scotland) Act 1973. As such the annual accounts – including a Governance Statement and Best Value

Statement - will be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

- 7.2 The IJBCFO will arrange for the preparation and submission of the IJBs annual accounts by the statutory deadline and sign the annual accounts.
- 7.3 The draft annual accounts and final accounts should be submitted to the Audit and Performance Committee of the IJB for scrutiny and review.

## **8 EXTERNAL AUDIT**

- 8.1 The IJB will be subject of external audit by auditors appointed by the Accounts Commission. The IJB, IJBCO and IJBCFO are required to comply with all reasonable requests made by the auditors in completion of their external audit.
- 8.2 The IJBCFO will be the initial point of contact with external auditors for all matters in relation of the IJB's annual accounts.

## **9 TREASURY MANAGEMENT**

- 9.1 The IJB will not undertake any cash transactions but rather these will be on a notional basis through the direction of expenditure undertaken by the Parties. Any cash correction resulting from variance between the Requisitions from and Directions to the Parties will be co-ordinated by the IJBCFO and undertaken directly between the Parties without any adjustment for interest.
- 9.2 In light of the above the IJB will not operate a bank account.

## **10 PROCUREMENT**

- 10.1 The Public Bodies (Joint Working) (Scotland) Act 2014 provides that the IJB may be empowered to contract itself to carry out the functions delegated to it.
- 10.2 Until such agreement is available, procurement activity will be undertaken by the respective Parties and in accordance with the guidance prevailing in the organisation to which the IJB has given operational direction for the use of financial resources. The IJBCO and IJBCFO will give ongoing consideration to whether there are financial or other benefits for either of the Parties to be directed to undertake particular areas of spends.

## **11 CHARGES FOR SERVICES**

- 11.1 The IJB will not charge for services. These will rather be undertaken by the organisation to which the IJB has given operational Direction to deliver the services for which a charge is made in accordance with local policy and national guidance.

## **12 VALUE ADDED TAX (VAT)**

- 12.1 The IJB is not currently delivering any supplies that are within the scope of VAT and is, therefore, not registered for VAT.
- 12.2 The IJBCO and IJBCFO must remain cognisant of possible VAT implications arising from the delivery of the Strategic Plan. The Parties will be consulted in early course on proposals which may have VAT related implications.

## **13 INSURANCE AND RISK MANAGEMENT**

- 13.1 The IJB must maintain a system of risk management and a risk register for the functions delegated to it. This will ensure that risks faced by the IJB are identified and quantified and that effective measures are taken to reduce, eliminate or insure against them.
- 13.2 The IJB must make appropriate provision for insurance (e.g. the Clinical Negligence and Other Risks Indemnity Scheme) according to the extent of risk exposure of the IJB itself and in light of the risk management strategy applied by the IJB. These should be reviewed periodically.
- 13.3 The IJBCO will notify the IJB as soon as reasonably possible of any incidents of loss, damage or injury, which may give rise to a claim by or against the IJB.

## **14 INTERNAL AUDIT**

- 14.1 The IJB shall establish adequate and proportionate internal audit arrangements for review of the adequacy of the arrangements for risk management, governance, and control of the allocated resources. This will include determining who will provide the internal audit service for the IJB and nominating a Chief Internal Auditor.
- 14.2 The provision of internal audit services within NHST and PKC will be contained within their respective and established arrangements. The IJB and partners should maintain an agreed Internal Audit output sharing protocol.
- 14.3 The Internal Audit Service will undertake its work in compliance with the Public Sector Internal Audit Standards and will be required to provide assurance to the Audit Committee regarding this.

- 14.4 On or before the start of each financial year, the IJB's Chief Internal Auditor will prepare and submit a strategic risk-based audit plan to the Audit and Performance Committee for approval.
- 14.5 The IJB's Chief Internal Auditor will submit an annual audit report of the Internal Audit function to the Chief Officer and the IJB (or Audit and Performance Committee) indicating the extent of audit cover achieved, a summary of audit activity during the year, and providing an opinion on the reliance placed on the risk management and governance arrangements and on the systems of internal control.
- 14.6 The IJB, IJB CO and IJB CFO have a duty to inform PKC's Chief Internal Auditor and the NHS Counter Fraud Service of any suspicion of fraud, irregularity or any other matter concerning the contravention of the Financial Regulations affecting assets of the IJB or the Parties. The Chief Internal Auditor of the IJB will be notified by the Partners to be aware of any control weaknesses.

## **15 BREACH OF REGULATIONS**

- 15.1 A breach of these Financial Regulations must be reported immediately to the Chief Officer, who may then discuss the matter with the NHST Chief Executive, PKC's Chief Executive or another nominated or authorised person as appropriate to decide what action to take.
- 15.2 The Audit and Performance Committee will be notified of any material breach of the Financial Regulations.

## **16 BOARD MEMBERS' EXPENSES**

- 16.1 Payment of IJB Board Members' allowances, travel and subsistence expenses will be the responsibility of the Members' individual Council, NHS or employing organisation, and will be made in accordance with their own Schemes as required



to reflect the capacity of the role being discharged e.g. Lead Clinician, third sector representative

## GLOSSARY

**“The Act”** means the Public Bodies (Joint Working) (Scotland) Act 2014;

**Integration Scheme** – this is a document agreed jointly by Perth and Kinross Council and NHS Tayside which details the joint working procedures to be followed by Perth and Kinross IJB

**Parties** – these are Perth and Kinross Council and NHS Tayside

**“Integrated Functions”** means those functions and services delegated to the IJB by virtue of this Scheme;

**“Integration Joint Board Order”** means the Public Bodies (Joint Working) (Proceedings, Membership and General Powers of Integration Joint IJBs) (Scotland) Order 2014;

**“IJB”** means the Integration Joint Board to be established by Order under section 9 of the Act, abbreviated to **“IJB”**

**IJB Chief Officer (IJBCO)** – that individual appointed by the Integrated Joint IJB to ensure delivery of the IJB’s Strategic Plan

**IJB Finance Officer (IJBCFO)** – that individual appointed by the Integrated Joint IJB to ensure governance of the IJB’s financial resources and provide financial advice to the IFBCO and IJB

**Local Authority Section 95 Officer** – this is the individual occupying the post within the local authority with responsibility for governance of financial resources in accordance with Section 95 of the Local Government (Scotland) Act 1973

**Health Director Of Finance** – that individual occupying the post within NHS Tayside with accountability for governance of financial resources

**Requisition** – this is the financial resources devolved by each of the Parties to the Integrated Joint IJB

**Direction** – this is the instruction from the IJB to each of the Parties to undertaken operational provision of services and the related financial resource level to undertake this (issued under section 26 of the Act)

**“Payment”** Term used in the legislation to describe the Integrated Budget contribution to the Integration Joint Board and does not require that a bank transaction is made. In addition, the term used to describe the resources paid by the Integration Joint Board to the Health Board and the Local Authority for carrying out the directed functions.

**Integrated Budget:** Budget for the delegated resources for the functions set out in the Integration Scheme as specified in legislation (See “notional budget”).

**Notional Budget:** Activity based budget for commissioned hospital services used by the IJB population as set out in the Strategic Plan. This is the amount required to be set aside by the Health Board for use by the IJB.

**Strategic Plan** – means the plan which the IJB is required to prepare and implement in relation to the delegated provision of health and social care services to adults in accordance with section 29 of the Act.

**Virement** – the transfer of an under spend on one budget head to finance additional spending on another budget head. For the purposes of the IJB, represents the transfer of budget from one “subjective” spend to another, i.e. staff costs, employee costs, property costs, etc. or the transfer of budget between Parties.

**“Acute services”** means those services set out in Part 2 of Annex 1 to the Scheme which are delivered within Ninewells Hospital and Perth Royal Infirmary, except medicine for the elderly services delivered at Perth Royal Infirmary (for which the Integration joint IJB will have operational delivery responsibility);

**“Large Hospitals”** means those hospitals which fall within the definition set out in section 1(14) of the Act; Means the functions that a Health Board proposes to delegate under an integration scheme which are carried out in the area of the Health Board and are provided for the areas of two or more local authorities. **(Section 1 (14))**. Note that it is possible that this definition could be interpreted as referring to community hospitals that provide care to people from more than local authority but this is not the intention of the legislation and will be clarified in the explanatory notes.

**“Outcomes”** means the Health and Wellbeing Outcomes prescribed by the Scottish Ministers in Regulations under section 5(1) of the Act;

**“Perth and Kinross”** means the local government area of Perth and Kinross as defined in the Local Government Etc. (Scotland) Act 1994;

**VAT:** Health Boards and Local Authorities have a different VAT status under the VAT Act 1994. Local Authorities have Section 33 status whereby they can recover VAT on non-business activities; and Health Boards have Section 41 status, whereby they can typically only recover VAT incurred on services (in accordance with contracted out services regulations). Local Authorities typically recover a greater proportion of VAT than Health Boards.