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WESTERN ISLES HEALTH AND SOCIAL CARE PARTNERSHIP

Integration Joint Board – Financial Regulations

PURPOSE OF REPORT

1. To set out the Financial Regulations of the Western Isles Joint Integration Board that apply from 1 April 2016 and the arrangements for the proper administration of the financial affairs of the Board.

COMPETENCE

2. The Joint Integrated Board is required to approve the Financial Regulations of the Board.

STATUTORY RESPONSIBILITY AND APPLICATION

3. The legislation requires that the Board is subject to the audit and accounts provisions of a body under Section 106 of the Local Government (Scotland) Act 1973. This will require 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).
4. The Board is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards and that public money is safeguarded, properly accounted for and used economically, efficiently, effectively, equitably and ethically. The Board's activities are furthermore guided by the Scheme of Delegation which sets out the underlying principles and responsibilities of openness, integrity and accountability.
5. In discharging these responsibilities, Board members and senior officers are responsible for implementing effective arrangements for governing the Boards' affairs and facilitating the effective exercising of its functions including arrangements for managing risk.
6. As a consequence of these responsibilities, the Board must regulate the actions taken on its behalf that carry financial implications to provide assurance of their propriety and consistency. It is furthermore a requirement of these regulations that all financial transactions instructed by the Board are within the legal powers of the Board. These Financial Regulations therefore form a key element of the maintenance of a robust, clear and accountable governance framework for the Board.
7. The Board has designated the Chief Officer (CO) as having responsibility for the preparation, implementation and reporting of the Board's Strategic Plan and the delivery of all delegated services.
8. The Board's Chief Financial Officer (CFO) will be responsible for the administration of the financial affairs of the Board and will support the CO in this respect.



COMHARLE NAN EILEAN SIAR



CÙRAM IS SLÀINTE NAN EILEAN SIAR

WESTERN ISLES HEALTH AND SOCIAL CARE PARTNERSHIP

9. The financial statements of the Board will be prepared according to the Local Authority Accounting Code of Practice (UK). The CFO will be responsible for signing the financial statements.
10. Any non-compliance or material breach of these regulations or the associated finance rules, procedures or policies issued under their authority must be reported immediately to the CFO, who may consult others as appropriate to determine the proper action.
11. The financial regulations will be reviewed at least annually by the CFO, in consultation with the partners, and presented to the Board for approval if required.

RESPONSIBILITES

12. Chief Officer – Board’s Scheme of Delegation

Chief Finance Officer (CFO)

13. The Board’s CFO has been designated responsible for the administration of the Board’s financial affairs. The CFO is responsible for advising the Board on all financial matters and for monitoring and reporting on the Board’s financial performance and position.
14. This officer will also oversee the development and implementation of appropriate strategies to manage risk, control the delegated resources and comply with governance standards.
15. With the exception of urgent decisions, which must be taken in accordance with the Board’s Scheme of Delegation to Officers, authority to discharge financial-related responsibilities must be delegated formally in writing by the CFO.

NHS Western Isles and Comhairle nan Eilean Siar Partners.

16. NHS Western Isles and Comhairle nan Eilean Siar remain fully accountable for the financial performance of their service areas against the budget allocated. They may incur revenue expenditure in furtherance of agreed Board policies only to the extent that budgetary provision has been made.
17. The Health Board and Comhairle will formally report major financial issues to the CO and the CFO, who will instruct appropriate action. Section 5 provides further details.
18. It will remain the duty of the Comhairle Section 95 Officer and the NHS Accountable Officer to monitor and regulate the financial performance of their respective share of the resources available to the Board during each reporting period, throughout the financial year. On a day



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WESTERN ISLES HEALTH AND SOCIAL CARE PARTNERSHIP

to day basis the financial responsibilities of the NHS Accountable Officer are delegated to the NHS Director of Finance.

Board Members

19. Board members' responsibilities with regard to financial matters are:

- approving the Board's financial strategy, including the partnership priorities and budget-setting;
- approving the Board's strategic direction and overseeing arrangements for securing and demonstrating best value;
- ensuring proper control is exercised over the Board's delegated resources through scrutiny of periodic financial reports comparing expenditure with the level of budgetary provision; and
- ensuring the development of service targets and performance measurements of a financial and non-financial nature to monitor service achievements.

20. In this regard, the respective remits and key functions of the Board, including audit matters, are set out in the Board's Terms of Reference and Delegated Functions.

Following the Public Pound

21. The Board's CFO will establish arrangements to maintain control and clear public accountability over the use of resources identified as within the scope of the Board, as directed and set out in the Strategic Plan.

Internal and External Audit

22. The Board will make appropriate and proportionate arrangements to review and consider all key matters and outputs relating to internal and external audit provision in line with relevant good governance standards in the public sector.

23. The Board will arrange for the establishment of adequate and proportionate internal arrangements in line with Public Sector Internal Audit Standards. Detailed arrangements for the production and delivery of the Internal Audit plan and associated reporting shall be submitted to the Board annually for approval.

24. The Board will approve unsigned and audited accounts by the 30 June and 30 September each year respectively. The Accounts Commission will periodically appoint the external auditors to the Board who will undertake their duties in accordance with relevant auditing standards and the Audit Scotland Code of Audit Practice. All significant External Audit outputs will be reported to the next subsequent meeting of the Board.



COMHAIRLE NAN EILEAN SIAR



CÙRAM IS SLÀINTE NAN EILEAN SIAR

WESTERN ISLES HEALTH AND SOCIAL CARE PARTNERSHIP

Risk Management

25. The Health Board and Comhairle nan Eilean Siar are responsible for the delivery of effective implementation of risk management arrangements in relation to their respective service areas and for ensuring their effectiveness and review on an ongoing basis.
26. The CO is responsible for establishing the Board's risk strategy and profile and ensuring effective risk management arrangements are in place.
27. There will be bi-annual reporting on risk management to the Board
28. The CO will make appropriate provision for insurance according to the risk management strategy.

THE STRATEGIC PLAN

29. The Strategic Plan will be underpinned by a financial plan that sets out the expected resource consequences of planned changes in service.
30. The Board will approve the Strategic Plan after consultation with its stakeholders, in line with legislation. The resources in the Strategic Plan will comprise:
 - the budget allocation made to the Board by Comhairle nan Eilean Siar for delegated adult social care services;
 - the budget allocation made to the Board by the Health Board for delegated healthcare services; and
 - the amount set aside by the Health Board for any delegated services provided in the Western Isles Hospital for the population of the Board.

FINANCIAL PLANNING/ BUDGETING

31. The Board will publish an annual budget, setting out the total resources included in the Strategic Plan for that year. The first year will be based on the existing budget contributions from the Health Board and the Comhairle.
32. The resources in the first year of the Board should be based on the due diligence carried out in the shadow year. The due diligence process should be based on the existing financial



COMHAIRLE NAN EILEAN SIAR





CÙRAM IS SLÀINTE NAN EILEAN SIAR

WESTERN ISLES HEALTH AND SOCIAL CARE PARTNERSHIP

plans and actual spend of the Health Board and the Comhairle including planned savings; other agreed adjustments; the performance during the shadow period; and on past financial performance in recent years.

33. The CO and the CFO will develop resource plans and budget for the Board's resources in line with the method set out in the Integration Scheme.
34. The legislation requires that in order to determine payments from the Board to the Health Board and the Comhairle, a direction will be given. The direction should be in writing and must include information on the integrated functions that are being directed and how they are to be delivered along with the amount of and method of determining the payment to carry out the delegated functions.
35. A direction from the Board will take the form of a report from the CO to the Health Board or the Comhairle referring to the arrangements for delivery set out in the Strategic Plan. Once issued they can be amended or varied by a subsequent direction.
36. The Local Authority Section 95 Officer and the Health Board Accountable Officer will consult first with the CFO about any proposal that has financial implications for the Board before submitting the proposal to their respective Committees for approval.
37. All reports to the Board shall contain a paragraph in respect of the main risks associated with the financial information contained within the report.
38. The Board will allocate the resources identified as in scope by the Health Board and the Comhairle in line with the Strategic Plan as part of the annual budget process.
39. The annual budget will be built up from a base budget and will consider inflation, demand and other known pressures. This will then be adjusted as appropriate to take account of efficiency saving requirements.
40. 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. In-year virement of budgets after the financial plan has been set will require to be specified in the Scheme of Delegation for each partner. Authorisation for in-year virements will be required from the Board for any proposed transfer in excess of £0.100m.
41. The CO must discuss any in-year virement proposals with the partner holding the funding to determine whether the proposal is sound. 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 not other unmanageable risks against which the funding should be held.



COMHAIRLE NAN EILEAN SIAR



CÙRAM IS SLÀINTE NAN EILEAN SIAR

WESTERN ISLES HEALTH AND SOCIAL CARE PARTNERSHIP

42. Having determined that the proposed virement is feasible the following delegated authorities exist:

- Where the proposal for virement exceeds £0.100m, the CO requires the Board's approval to proceed. In taking the proposal to the Board the virement request should reflect any transfer between partners, any potential impact on either partner, and any concerns raised by either partner;
- for virements below £0.100m between lines within the same partner's budgets which have no likely service impact on the other partner, the CO may proceed providing they have agreement from the relevant accountable officer for that body that the virement is feasible. This would be the Accountable Officer of the Health Board and the Section 95 Officer in the case of the Comhairle;
- It would be for the partner's Scheme of Delegation to determine a proportionate and reasonable mechanism for seeking agreement for virements under £0.100m. In the event of a difference of opinion between the CO and the relevant partner's accountable officer as to whether the virement is feasible, the proposed virement should be referred to the Board for a decision. The Board cannot compel the partner to execute a virement that would lead it to be in breach of regulations, funding requirements, its overall budget limits or other duties. In other circumstances the Board may direct the partner to execute the virement but in doing so would also have to agree how the Board would manage the consequences of any residual risk flagged by the partner;
- for virements below £0.100m which are likely to have a service impact on the other partner or which are between partners' budgets the above applies but is widened to take account of both partners' views; and
- if the virement has revenue implications for future years, the virement will firstly be approved by the affected partner's appropriate Committee and thereafter approved by the Board.

MANAGING FINANCIAL PERFORMANCE/ FINANCIAL MONITORING

43. The Health Board and the Comhairle Directors of Finance and the CFO will establish a process of regular in-year reporting and forecasting to provide the CO with management accounts for both arms of the operational budget and for the Board as a whole.
44. The detailed procedures for, and the form of, the financial reporting arrangements for the Board will be determined by the CFO in accordance with the general directions of the Local Authority Section 95 Officer and the Health Board Accountable Officer.



COMHAIRLE NAN EILEAN SIAR



CÙRAM IS SLÀINTE NAN EILEAN SIAR

WESTERN ISLES HEALTH AND SOCIAL CARE PARTNERSHIP

45. It will remain the duty of the Local Authority Section 95 Officer and the Health Board Accountable Officer to monitor or regulate the financial performance of their respective share of the resources available to the Board during each reporting period throughout the year. Budgetary control information will be provided to the CFO on a monthly basis. The CFO will be responsible for reporting the financial performance to the IJB for its scrutiny and review.
46. It will be the responsibility of the Local Authority Section 95 Officer and the Health Board Accountable Officer to comply with the agreed reporting timetable and to make available to the CFO in good time the relevant financial information required for the financial reporting. This will include such details as may be required for the purpose of reporting to the IJB on the financial planning of revenue expenditure including data on levels of existing services and the development of the strategic commissioning plan and the annual report.
47. Quarterly management reports will be prepared and presented to the Board for scrutiny and review. The format and details of the report will be agreed by the Board. The existing budgetary control frameworks adopted by each partner will form the basis of generating the required financial and performance monitoring information.
48. The CFO will review the financial performance against the agreed planned outcomes as set out in the Strategic Plan and ensure respective financial plans are updated as necessary to support their achievement.
49. The budget for the Board will be set as a balanced budget.
50. The Local Authority Section 95 Officer and the Health Board Accountable Officer will not incur, nor will they cause or allow to be incurred, additional expenditure chargeable to the Board which has not been included in the total resources available to the Board without discussion with the CFO.
51. Any item of expenditure of an emergency nature will be dealt with by the partner for that service in line with their arrangements for emergency expenditure.
52. The Board will approve a Reserve Policy to enable the Board to use its power to hold reserves. The reserves policy and reserves strategy will detail the level of reserves required and their purpose.
53. In order to allow a valid comparison of actual results with estimated income and expenditure of the service, it shall be the responsibility of the Local Authority Section 95 Office and the Health Board Accountable Office to provide such information as may be required for this purpose to the CFO.
54. Where it appears that the amount of income received or expenditure made has or may significantly deviate from that included in the total resources included in the Strategic Plan,



COMHARLE NAN EILEAN SIAR

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CÙRAM IS SLÀINTE NAN EILEAN SIAR

WESTERN ISLES HEALTH AND SOCIAL CARE PARTNERSHIP

resulting in a significant change to the Boards' overall financial position, or impacting upon the policy of the Board, or revenue implications for future years, it will be the responsibility of the Local Authority Section 95 Officer and the Health Board Accountable Officer to consult with the CFO in good time and identify and advise of solutions to remedy the variance. The responsibility for and management of these variances remain with the partner incurring the additional spend. Should an overspend be as a result of action taken by the other partner, then the partners should agree a remedial plan.

55. If the Board's CFO is advised that a significant change is likely to the Board's overall financial position, and that the deviation requires a change of policy of the Board, or results in revenue implications for future years, a report will be provided for the Board in good time detailing the financial consequences to enable appropriate action to be taken timeously.
56. If an overspend is forecast on either partner's in scope budget, the CO and the Board's CFO will agree a recovery plan with the relevant partner to balance the overspending budget and to determine the actions required to deliver the recovery plan. If the overspend arises from the assumptions in the Board's strategic plan on the impact of service changes that are not realised as anticipated this should be subject to a report and corrective action. This corrective action may include a recovery plan which should consider revisions to the commissioning of services and or financial plans to account for the changed circumstances and the use of any available reserves.
57. The CO will determine the actions required to be taken to deliver the recovery plan in conjunction with all relevant parties. These actions should be approved by the Board as advised by the CFO.
58. In exceptional circumstances, should the Comhairle nan Eilean Siar or the Western Isles Health Board require the Board to identify resources to offset an in-year overspend they (i.e. the partner) must do this by amending their contributions to the Board.
59. Subject to discussion and consultation with the Health Board and the Comhairle, the Board may increase the payment to the affected body by utilising any balance on the general fund, if available, in line with the reserves policy. This may require adjustments to the allocations from the Board to these bodies to reflect the recovery plan agreed.
60. If the recovery plan is unsuccessful and there are insufficient general fund reserves to fund a year end overspend, then the overspending partner has the option to:
 - make additional one-off adjustment to the resources it is making available to the Board, or
 - provide additional resources to the Board which are then recovered in future years from subsequent underspends in that partners contribution, (subject to scrutiny of the reasons for the overspend and assurance that there is a plan in place to address this).



COMHAIRLE NAN EILEAN SIAR

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Western Isles



CÙRAM IS SLÀINTE NAN EILEAN SIAR

WESTERN ISLES HEALTH AND SOCIAL CARE PARTNERSHIP

61. Unplanned underspends effectively represent overfunding by the Comhairle or the Health Board with respect to planned outcomes and could either be returned to the Local Authority or Health Board in-year through adjustments to their respective contributions to the Board and recurrently through the process for subsequent year adjustments or maintained by the Board to be carried forward through the General Fund Balance.

SET ASIDE BUDGET FOR DIRECTED HOSPITAL SERVICES

62. In respect of resources for delegated functions that are provided in the Western Isles Hospital, these will be excluded from the aligned budget of the Board and instead retained and set-aside for direction by the Board through the Strategic Plan. These will be termed Set Aside Budgets.
63. Any proposal to transfer resources between the set-aside budget and the directly managed budget will require modeling by the Health Board and approval of the IJB. The financial implications must be set out in the Strategic Plan of the Board. It must also be demonstrated by the Health board that the planned capacity change has actually been delivered.
64. This applies to both reductions and increases in hospital capacity. Transfers from the set-aside budgets to the directly managed budget will require an increase in the allocation from the Health Board to the Board; conversely transfers from the directly managed budget to the set aside budget will require an increase in the allocation from the Board to the Health Board.
65. Any virement of budget between the Board's directly managed budget and the notional set-aside budget will require full prior agreement by the relevant partner.

ACCOUNTING SYSTEMS AND RECORDS

66. It is the responsibility of the CFO to determine the appropriate accounting policies for the Board. The Accounting Standards as adapted for the public sector will apply to the Board. The Code of Practice on Local Authority Accounting in the UK will be the applicable guidance for their interpretation. Accounting records are required to be kept in line with best practice.
67. The Board's financial statements will be completed in compliance with the audit and publication timetable specified in regulations (Local Authority Accounts (Scotland) Regulations 2014). The IRAG guidance states that there should be agreement of in-year transactions and year end balances between the Comhairle and the Health Board by 30 April each year.
68. The CFO must provide any relevant information required by the Health Board and the Comhairle to enable their statements to be prepared within the statutory timetable for the preparation and publication of the financial statements.



COMHAIRLE NAN EILEAN SIAR



CÙRAM IS SLÀINTE NAN EILEAN SIAR

WESTERN ISLES HEALTH AND SOCIAL CARE PARTNERSHIP

69. Where there is an in-year variance in the Board's annual accounts, either an overspend or underspend on service expenditure, the Health Board and the Comhairle should agree the creditor/debtor with the Board as part of the year end close down procedures.
70. Initially, recording of financial information in respect of the Board will be processed via the local authority ledger. This will be reviewed periodically to ensure this remains an appropriate solution.
71. The financial ledger transactions relating to the Board will be carried out prior to the end of the financial year with post year-end adjustments for material information only. Yearend balances and transactions will be agreed timeously in order to allow completion of the accounts in line with the required timescales to be agree annually by the Board.

CAPITAL

72. At present the Board will not be empowered to own capital assets. The ownership of assets and associated liabilities will remain with each of the partners.
73. In preparing the Strategic Plan the CO will consider all of the resources which are required to deliver the integration outcomes including the relevant assets owned by the Health Board and the Comhairle.
74. The Board or partners should identify the asset requirements to support the Strategic Plan. This will enable the CO to identify capital investment projects or business cases to submit to the Comhairle or Health Board for consideration as part of their capital planning processes, recognising that partnership discussion would be required at an early stage if a project was to be joint funded.
75. If a partner proposes capital investment relative to the Board's activities, a process of consultation with the Board should be undertaken.

TAXATION

76. HMRC have confirmed that the Board is not a taxable person under the VAT Act 1994 as it will not provide services directly. This is on the basis that the Board is not delivering any supplies that fall within the scope of VAT.
77. Although the Board will be responsible for producing the Strategic Plan for the delivery of services by the Comhairle and the Health Board, the Board will not be responsible for the actual delivery of delegated services and as there is no consideration received by the Board for the production of the plan this will not alter the VAT registration position.



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