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## **INTEGRATED RESOURCES ADVISORY GROUP PROFESSIONAL GUIDANCE UPDATE**

**Report by the Chair of the Finance Integration Group**

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### **INTEGRATION JOINT SHADOW BOARD**

**18 April 2014**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 **To provide the Integration Joint Shadow Board with a summary of the latest professional guidance from the Integrated Resources Advisory Group (IRAG) on the financial implications of integrating health and social care.**
- 1.2 The IRAG was established by the Scottish Government to consider the financial implications of integrating health and social care, and to help develop professional guidance. The latest guidance was issued on the 28 March 2014 and has considered the following areas:
- The functions which are to be delegated to the Integration Joint Board.
  - Financial management arrangements
  - Reporting arrangements between the Integration Joint Board, Health Board and Local Authority
  - The method for determining the resources to be available to the Integration Joint Board

#### **2 RECOMMENDATIONS**

- 2.1 **It is recommended that the Integration Joint Shadow Board:-**
- (a) **Notes the summary guidance from IRAG.**
  - (b) **Agrees that the Integration Finance working group continues to review the full guidance and will update the agreed integration programme plan with progress at the next meeting covering**
    - a) **Financial governance**
    - b) **Financial assurance and reporting**
    - c) **Financial planning**
    - d) **Capital planning**

### **3 BACKGROUND**

- 3.1 The Public Bodies (Joint Working) (Scotland) Bill was passed by the Scottish Parliament on 25 February 2014. It establishes the framework for the integration of health and social care in Scotland. The Scottish Government established the Integrated Resources Advisory Group (IRAG) to consider the financial implications of integrating health and social care, and to help develop professional guidance. This guidance and advice addresses financial matters and is being issued to assist Health Boards and Local Authorities in preparing for integration. Statutory guidance to support the legislation, on financial and other matters, will be developed during 2014, with stakeholders, to support the implementation of integration. A summary of the key financial issues and recommendations by IRAG are set out in this report.

### **4 DELEGATION TO AN INTEGRATION JOINT BOARD**

- 4.1 The Integration Joint Board, via the process of delegation from the Health Board and Local Authority and its Chief Officer, has responsibility for the planning, resourcing and operational delivery of all integrated services. Decisions on integrated services are joint and integrated, and made by the Integration Joint Board, which produces the Strategic Plan. The Board will give direction and make payment, through the transfer of resources, for the delivery of the services in line with the Strategic Plan. The resources in the Strategic Plan will comprise:
- a) The payment made to the Integration Joint Board by the Local Authority for delegated adult social care services;
  - b) The payment made to the Integration Joint Board by the Health Board for delegated healthcare services; and
  - c) The amount set aside by the Health Board for any delegated services provided in large hospitals for the population of the Integration Joint Board.

The Integration Joint Board will be able to allocate resources between these three components (a) to (c), above in line with the Strategic Plan.

#### **4.2 Financial Governance**

The Integration Joint Board is required to appoint a Chief Officer and an officer responsible for its financial administration (the Section 95 Officer). This role can be appointed to from the senior finance teams of either the Health Board or the Local Authority. Alternatively, the Chief Officer can be appointed to this role, and should this be the case it is recommended that arrangements are put in place to provide him/her and the Integration Joint Board with financial advice from a suitably qualified person.

The financial officer of the Integration Joint Board is responsible for the administration of the financial resources delegated to it and will discharge this duty by:

- Establishing financial governance systems for the proper use of the delegated resources;
- Ensuring that the Strategic Plan meets the requirement for best value in the use of the Integration Joint Board's financial resources; and
- Ensuring that the directions to the Health Board and Local Authority require that the financial resources are spent according to the allocations

in the Strategic Plan.

The Chief officer is accountable to the Local Authority Section 95 Officer and the Health Board Accountable Officer for the use of financial resources.

#### 4.3 **Finance assurance and reporting**

The Integration Joint Board will need to put in place systems to establish good governance arrangements, including proportionate:

- Financial regulations;
- Risk management and insurance provision; and
- Internal audit arrangements.

The Integration Joint Board is subject to the audit and accounts regulations and legislation of a body under Section 106 of the Local Government (Scotland) Act 1973. This determines that the Integration Joint Board will produce audited accounts, that the external audit will be undertaken by auditors appointed by the Accounts Commission and that the financial statements will be prepared according to the Code of Practice in Local Authority Accounting in the UK.

#### 4.4 **Financial Planning**

The Strategic Plan will incorporate a medium term financial plan for the resources within the scope of the Strategic Plan. The Integration Joint Board will publish an annual financial statement setting out the total resources included in the plan for that year. A process of regular in-year reporting and forecasting needs to be established to provide the Chief Officer with management accounts for both arms of the operational budget and for the Integration Joint Board.

The Chief Officer and the Integration Joint Board Financial Officer will develop a business case for its resources. The resources in the first year should be based on the due diligence carried out during the shadow period.

#### 4.5 **VAT status**

HMRC have confirmed that the Integration Joint Board is not a taxable person under the VAT Act 1994 as it will not provide services directly.

#### 4.6 **Capital and asset management**

In preparing the Strategic Plan the Chief Officer will consider all of the resources which are required to deliver the integration outcomes including the relevant non-current assets owned by the Health Board and Local Authority. It is recommended that the Chief Officer develops business cases for capital investment for consideration as part of their respective capital planning processes.

### 5 **NEXT STEPS**

- 5.1 The Integration Finance Group will carry out a full review of the latest guidance issued from IRAG to inform a project plan to ensure timely implementation of Financial governance, Financial assurance & reporting, Financial planning and Capital planning for both the shadow year then full. This plan will be presented at the next meeting of the Integration Joint Shadow Board.

**Approved by**

David Robertson

**Chair of the Finance Integration Group    Signature .....**

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