

**HEALTH AND SOCIAL CARE INTEGRATION INTEGRATED RESOURCES ADVISORY GROUP****PROFESSIONAL GUIDANCE, ADVICE AND RECOMMENDATIONS FOR SHADOW INTEGRATION ARRANGEMENTS****COMPLIANCE ASSESSMENT AND PROGRESS TO DATE WITHIN THE SCOTTISH BORDERS PARTNERSHIP****Aim**

- 1.1 The aim of this report is to provide an assessment of the progress made within the Scottish Borders Health and Social Care Integration (H&SCI) programme in establishing the finance-related arrangements recommended by the Integrated Resources Advisory Group (IRAG). This was a body established by the Scottish Government to develop and promote best practice in relation to a range of financial matters relating to preparation for integration, the shadow procedures required and the financial governance arrangements which require to be in place prior to the 1<sup>st</sup> April 2016. Scottish Borders were represented as part of this group and contributed to the development of the guidance and recommendations.

**Background**

- 2.1 During 2015, the Scottish Government issued Regulations, secondary legislation to The Public Bodies (Joint Working) Scotland Act 2014. These Regulations included a number of detailed recommendations in relation to the financial planning, management, reporting and governance arrangements, largely drawing on the work of the Integrated Resources Advisory Group undertaken during 2014. This is consistent in full with the guidance and recommendations published by IRAG which comprehensively references the requirements of the Public Bodies Act.
- 2.2 Whilst not all financial matters within the guidance, those both mandatory and recommended, have been addressed in full at this stage with work still in progress for some areas, as the end of the IJB shadow year approaches, an assessment of the state of readiness of financial matters, specific to the recommendations issued, has been undertaken. This provides assurance over the appropriateness and comprehensiveness of work to date and identifies any areas where further work requires delivery and agreement, prior to the 1<sup>st</sup> April 2016 or in the first full year of the Integration Joint Board. This report provides a summary of the work completed and identifies those areas where remaining work packages require completion, and where necessary, require agreement and approval by the IJB.
- 2.3 Specific to the establishment of an integration model for the Scottish Borders – delegation to a (body corporate) Integration Joint Board – there are 69 key provisions/recommendations within the IRAG guidance that require addressing from a financial arrangements perspective and against which progress has been evaluated. These considerations cover a number of key matters relating to sound governance and robust financial management including the model of integration proposed, assurance and governance over it, delegation of functions to it and the use of resources supporting it to deliver its objectives expressed within the Strategic

Plan, Financial Planning and Management processes and Statutory and Management Reporting.

- 2.4 Fundamental to the establishment of good financial governance are arrangements for financial/performance planning, management and reporting processes of the partnership's medium-term Strategic Plan and the robustness of the provisions agreed within the Partnership's Scheme of Integration approved by the Scottish Government. These form a key part of the review of overall progress made in establishing proper and effective financial management and governance arrangements during the shadow year leading to full integration on 1<sup>st</sup> April 2016 and the establishment of the Integration Joint Board.

## Summary

- 3.1 The Scottish Borders Integration Joint Board is a legal entity in its own right created by Parliamentary Order following Ministerial approval of its Integration Scheme. It will operate under public sector good practice governance arrangements which are proportionate to its transactions and responsibilities.
- 3.2 The IJB's Scheme of Integration sets out the detail of the integration arrangement, as agreed by NHS Borders and Scottish Borders Council. It covers a number of matters provided for by Regulations supplementing the legislation. For finance-related matters, these include:
- Financial management arrangements including budget variances;
  - Reporting arrangements between the Integration Joint Board, Health Board and Local Authority;
  - The method for the determination of the resources to be made available by the NHSB and SBC to the Integration Joint Board; and
  - The functions which are to be delegated to the Integration Joint Board by NHSB and SBC
- 3.3 In addition to the specific provisions included within the Scheme of Integration, a considerable amount of work has been completed, or is in progress, to ensure a full framework of financial governance, planning, management and reporting is in place for the IJB by 1<sup>st</sup> April 2016. Since the inception of the Finance workstream of the programme a number of key milestones have been reached and provisions and processes implemented following approval by the Board. A summary of the progress made and key deliverables is contained within this report.
- 3.4 In order to provide full assurance to members of the Board over this progress, a compliance review has been undertaken against the recommended best practice which formed the basis of the Regulations supplementing the legislation. A summary of compliance by the Scottish Borders partnership with the recommended requirements is detailed in *Appendix 1* to this report. Progress made to date has been specifically identified to ensure that all the required provisions in relation to the financial arrangements required by the Act, or desired locally, will ensure robust governance over the operations of the IJB. This includes the affordability of the Strategic Plan, the adequacy of levels of delegated resources and controls over how they are managed and assessment of the impact on NHS Borders and Scottish Borders Council that may have arisen as a result, have all been considered.

- 3.5 Following this compliance review, the Finance Workstream Action Plan has been updated and a number of further deliverables (financial statement and assurance on sufficiency of resources) will be reported to the IJB prior to the 1<sup>st</sup> April 2016 in order to ensure that all required arrangements are approved and established, supplemented by an ongoing programme of development during the first year of operation of the IJB. The updated Action Plan is detailed in *Appendix 2* to this report.

### **Progress to-date**

- 4.1 Since the inception of the H&SC Integration Programme during 2014, the Finance workstream has progressed the development and implementation of a range of provisions, processes and governance arrangements supporting the establishment of the IJB and its state of readiness for 1<sup>st</sup> April 2016. This work has been fully incorporated across other workstreams within the programme and in leading to the development of the Strategic Plan and the Scheme of Integration for the Scottish Borders partnership.
- 4.2 The Finance workstream in the Scottish Borders programme has also been represented on the IRAG committee which developed the national guidance over the 18 months leading up to its launch in 2015 and the publication of supplementary Regulations to the legislation, in addition to contributing to the development of specific recommendations for inclusion therein. Information and knowledge sharing as part of a wider network of NHS, Local Authority and CIPFA Directors of Finance and H&SCI workstream leads has also informed the development of proposed arrangements for the Scottish Borders partnership
- 4.3 Building on the arrangements in place supporting the Scottish Borders Community Health and Care Partnership, a number of pieces of work were completed as a preliminary stage of the Finance workstream. These work packages included:
- Identification and agreement of budgets for which it is proposed form part of the shadow integrated budget
  - Development of a schedule of joint financial management reporting to the shadow IJB and the H&SCI Programme Board / Executive Management Team
  - Development of a single joint monitoring report to the IJB and exception report to the H&SCI Programme Board / Executive Management Team
  - Defining all integrated budget holders and budget responsibilities
- 4.4 Further work has been completed since, or remains ongoing, to ensure that adequate financial governance, planning, management and reporting systems are in place prior to the 1<sup>st</sup> April 2016, the key elements of which can be summarised within the following 7 headings:
- Governance Structure
  - Assurance and Governance
  - Financial Reporting
  - Financial Planning and Financial Management
  - VAT
  - Capital and Asset Management

- Accounting Standards

A full analysis of the assessment of progress made to date against the recommended provisions within the professional guidance forms *Appendix 1* to this report and a summary of the progress made and remaining planned actions is detailed below, with the latter forming the basis of an Action Plan for delivery contained in *Appendix 2*.

#### Governance Structure

- 4.5 The recommended practice contains a number of provisions relating to the structure of governance within the IJB and partner organisations. These specifically relate to the Scheme of Integration and the Strategic Plan, the appointment and roles and responsibilities of the Chief Officer, the Integration model established and strategic Financial Governance.
- 4.6 Many of the provisions relating to the structure of governance are covered by the Scottish Borders partnership's Scheme of Integration which received ministerial approval in February 2016 and within which the functions to be delegated, how resources supporting them have been calculated, including the proportion of large hospitals set-aside and financial management and reporting arrangements have been specified. These also explicitly define which budgets are delegated to the IJB and support the delivery of the Strategic Plan and although not currently relevant, provide for the Chief Officer to manage non-integrated budgets should the situation be required in future.
- 4.7 Work is continuing on a number of elements in this area and the key actions which require to be completed prior to the start of the new financial year and during year one of the IJB relate to:
  1. The appointment to the role of Chief Financial Officer by the IJB (prior to 1 April 2016)
  2. During year one the publication of written Directions from the IJB to NHS Borders and Scottish Borders Council detailing the duties of the IJB and partners and amount of delegated budget/set-aside and how it will be used, a description of services together with any supplementary provisions
  3. The development, publication and approval by the IJB of a Financial Statement (1 year + 2 indicative years) outlining the resources delegated to support the Strategic Plan
  4. Assurance to the IJB over the 'sufficiency of resources' included within the Financial Statement, relative to the Strategic Plan's projected requirements and any inherent risks and mitigating arrangements put in place (prior to 1 April 2016).

These actions are included in more detail within the Action Plan in *Appendix 2*.

#### Assurance and Governance

- 4.8 A significant number of the financial provisions contained within the Scheme of Integration, Financial Regulations and professional guidance relate to the areas of assurance and governance. This is an area of particular importance, since it requires the clear setting out of the arrangements through which confidence over all

aspects of the IJB's operations can be demonstrated. This covers a number of areas including financial assurance, risk management and insurance, the arrangements for internal and external audit, including the establishment of an audit committee and the need to demonstrate best value in the use of public resources.

- 4.9 To date, a number of work packages across assurance and governance have been completed, including ensuring a number of provisions are specified within the Scheme of Integration including performance monitoring systems and processes and the provisions for the IJB addressing key risks identified. KPMG, Scottish Borders Council's External Auditors have also been appointed as External Auditors to the IJB.
- 4.10 A number of further pieces of work remain ongoing and requiring completion by the end of this financial year, both in relation to the IJB itself and to NHS Borders and Scottish Borders Council. In summary, these are:
  5. NHS Borders and Scottish Borders Council are in the process of reviewing their respective organisation's own Financial Regulations to ensure they are consistent with and complement the new proposed Financial Regulations of the IJB
  6. Completion of the risk analysis process (for both the IJB and NHSB/SBC – updated risk registers for both the latter organisations) is required and a Risk Register and Risk Management Strategy both require completion
  7. A proposed strategy for Insurance over the activities of the IJB still requires agreement and approval
  8. The Chief Internal Auditor's appointment to the IJB requires formal approval \*
  9. The IJB's Internal Audit Plan for 2016/17 still requires developing and approval by the IJB
  10. The arrangements over the establishment and operations of an IJB Audit Committee require to be defined \*
  11. A report to the IJB over the approach taken to provide the board with assurance over the sufficiency of resources for 2016/17-18/19 is still required

\* Actions 8 and 10 have now been approved by the IJB at its meeting of 1<sup>st</sup> February 2016.

#### Financial Reporting

- 4.11 In relation to Financial Reporting, there are no immediate outstanding issues requiring action. For noting however, it is likely that 2015/16 accounts will have to be produced to accompany the 2016/17 accounts for comparative purposes due to the 1<sup>st</sup> April being the establishment date of the Integration Joint Board and accordingly, no transactions will be formally undertaken in respect of its operations prior to this date.

#### Financial Planning and Management

- 4.12 Defined processes are in place for the calculation of partners' respective contributions to the Integrated Budget although the calculation of the large hospitals

budget set-aside remains a work in progress, although the IJB will be asked to review and approve an initial draft financial statement in March 2016:

12. Refinement of and quality assurance over large hospitals budget set-aside remains ongoing following and will be incorporated into any revised financial statement
- 4.13 The key Financial Management work package requiring approval is the production of the Financial Statement to support the Strategic Plan. This has been produced approaching the conclusion of both NHS Borders and Scottish Borders Council's 2016/17 Financial Planning process and the finalisation of the medium-term Integrated Budget for the IJB 2016/17-2018/19, the duration of the IJB's first Strategic Plan.
13. Production of the Financial Statement for the IJB 2016/17 is complete and to be approved at the March meeting, accompanied by a due diligence report providing assurance over the sufficiency of resources made available to the IJB to support the delivery of the Strategic Plan. The allocation of resources within the outcomes of the Strategic Plan requires to be developed further also
- 4.13 There is defined provision within the Scheme of Integration and Financial Regulations for how the Integrated Budget is calculated and the IJB has been operating in a shadow year with a shadow Integrated Budget developed within this prescription since 1<sup>st</sup> April 2015. Monthly monitoring reports, either in full or by exception, have been prepared and approved by the IJB/Integration Programme Board to date respectively and where significant variances have arisen in year, these and their required remedial actions have also been reported in detail with full agreement by the Chief Officer who takes responsibility for all budget areas within the Integrated Budget. Moving forward, a more structured and inclusive approach specific to the development of the IJB's budget is required across all 3 entities. Financial Regulations also include specific provisions for spending limits and the process and limits for budget virement.
14. An integrated Financial Planning process, involving the IJB Chief Officer, within each organisation, which takes account of priorities and results in a negotiated contribution from each partner to the IJB's Integrated Budget, must further be developed for 2017/18.
  15. Further development of an IT single entity reporting solution is required in order to simplify and make the production of monitoring reports to joint-budget holders and the IJB more consistent and streamlined
- Written Directions over how the resources should be used will also be issued by the IJB during the first year.
16. Further work is also required in relation to clear identification of the nature, value, source and services supported by current Health Board Resource Transfer which will then require to be accounted for in the method of calculating the Integrated Budget of the IJB. Similarly, further work is also required in relation to hosted services.

- 4.14 Agreement and clear definition of the treatment of variances within the Integrated Budget in-year has been made both within the SOI and the Financial Regulations. This will be subject to review going forward and where appropriate, these arrangements may change as flexibility within the Integrated Budget evolves and managing risk within it develops.

17. At an operational financial management level, a policy on the application of monthly accrual accounting requires further discussion and agreement

- 4.15 Work will continue in 2016/17 to further develop robust financial arrangements for the IJB, following the appointment of the Chief Financial Officer.

18. A Financial Strategy will be developed which will cover a number of key areas including forecast funding levels for the Integrated Budget, priority areas for investment and disinvestment and identification of financial risks and an approach to a strategy for building and managing IJB reserve levels

### VAT

- 4.16 It is fully anticipated that there will be no specific impact on the IJB or NHSB/SBC from a VAT perspective as a result of any arrangements put in place. Any VAT risks identified will be addressed through the development of an appropriate solution to ensure that all transactions and the supply of services remain VAT neutral.

### Capital and Asset Management

- 4.17 The Strategic Plan considers all of the resources available to deliver the objectives approved within the Integration Scheme including non-current assets owned by the Health Board and Local Authority. In the short term the Integration Joint Board will not be empowered to own capital assets and the VAT regimes of the Local Authority and Health Board will apply to capital assets used to provide the delegated services.

19. The Integration Joint Board, going forward, will identify the asset requirements to support the Strategic Plan. This will enable the Chief Officer to identify capital investment projects, or business cases to submit to NHSB/SBC for consideration as part of each organisation's capital financial planning processes

20. The Integration Joint Board, NHS Borders and Scottish Borders Council continue to identify all non-current assets which will be used in the delivery of the Strategic Plan

### **Recommendation**

It is recommended that the Health & Social Care Integration Joint Board **note** the progress made to date in the development and implementation of the key financial arrangements following recommended best practice and compliance with legislation which require to be in place prior to the 1<sup>st</sup> April 2016 and beyond and agree the plan of actions for the remaining work requiring completion and approval.

<b>Policy/Strategy Implications</b>	The recommendation made within the report is wholly consistent with professional
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	guidance and the partnership's Scheme of Integration and is intended to provide assurance over the deliverability of the Strategic Plan through robust financial governance, planning, management and reporting.
<b>Consultation</b>	The Scheme of Integration has been consulted widely in line with the Public Bodies Act and where
<b>Risk Assessment</b>	A detailed risk log is maintained for the Integration Programme and reported through the Executive Management Team. The approach to risk management is set out in the Scheme of Integration.
<b>Compliance with requirements on Equality and Diversity</b>	The integration of health and social care aims to overcome some of the current barriers between health and social care services, to improve pathways of care and outcomes to the population of the Scottish Borders
<b>Resource/Staffing Implications</b>	None

**Approved by**

<b>Name</b>	<b>Designation</b>	<b>Name</b>	<b>Designation</b>
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