

# IJB Audit Committee

## Health and Social Care Integration – Update: Progress to Date and Compliance Assessment with Legislation/Recommended Best Practice

### **Aim**

The aim of this report is to provide further update of the progress made within the Scottish Borders Health and Social Care Integration (H&SCI) programme in relation to compliance with the legislative provisions within The Public Bodies (Joint Working) Scotland Act 2014 and the subsequent recommended best practice guidance issued by the Scottish Government / Integrated Resources Advisory Group (IRAG).

These provisions relate to the establishment of the arrangements for Financial Governance and Management within NHS Borders, Scottish Borders Council and the Scottish Borders Health and Social Care partnership.

### **Background**

Previous reports to the audit committee have identified that specific to the establishment of an integration model within the Scottish Borders – delegation to a (body corporate) Integration Joint Board – there are 69 key financial-related provisions / recommendations within the IRAG guidance that require to be considered.

An updated summary of progress by the Scottish Borders partnership, with the recommended requirements, is detailed in Appendix 1 to this report.

This report updates the previous report to the Audit Committee in April 2016.

### **Summary**

The 69 provisions considered cover a range of areas across financial governance and management:

- Governance Structure
- Assurance and Governance
- Financial Reporting
- Financial Planning and Financial Management
- VAT
- Capital and Asset Management
- Accounting Standards

In undertaking the evaluation and monitoring progress against the provisions, review of progress has been against a “RAG” rating (Red, Yellow, Amber, Green, Grey) applied against each provision. These were defined as:

Actions Complete
Actions Complete, Minor Remaining Actions Profiled
Actions On Track, Actions Planned
Requires Further Action to be Instigated
Does Not Currently Apply – No Actions Currently Required

At the end of March 2016:

- 32 provisions were assessed as Green
- 11 provisions were assessed as Yellow
- 14 provisions were assessed as Amber
- 4 provisions were assessed as Red
- 8 provisions remained grey as not requiring any action currently

### Update on all Outstanding Provisions

At the time of reporting, 4 provisions were reported as having just been completed. These related to the approval by the IJB on 30 March 2016 of the 2016/17 Financial Statement and the process of due diligence leading to the provision of financial assurance over the sufficiency of resources. These are therefore now green and complete.

In respect of the remaining 25 provisions, the following updated position is presented in order of those requiring timely action or where no plans / progress was in place / being made.

Review of NHS Borders' and Scottish Borders Council's Financial Regulations and Schemes of Delegation	Materiality / Risk:  <div style="text-align: center; border: 1px solid black; border-radius: 50%; width: 40px; height: 20px; background-color: #ffa500; margin: 0 auto;">Med</div>	Provision Refs: <div style="text-align: center; border: 1px solid black; border-radius: 50%; width: 40px; height: 20px; background-color: #ff0000; color: white; margin: 0 auto;">18</div> <div style="text-align: center; border: 1px solid black; border-radius: 50%; width: 40px; height: 20px; background-color: #ffff00; margin: 0 auto;">59</div>
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Both NHS Borders and Scottish Borders Council have continued to update Financial Regulations during the financial year. Specific to ensuring linkage to and appropriate consideration of the impact of health and social care integration however, a final version requires approval by both partners' board/council. It is expected that this will happen for both organisations in late 2016.






*Timescale: 31 December 2016*

Internal Audit Arrangements and Audit Plan	Materiality / Risk:  <div style="text-align: center; border: 1px solid black; border-radius: 50%; width: 40px; height: 20px; background-color: #ff0000; color: white; margin: 0 auto;">High</div>	Provision Refs: <div style="text-align: center; border: 1px solid black; border-radius: 50%; width: 40px; height: 20px; background-color: #ffff00; margin: 0 auto;">24</div> <div style="text-align: center; border: 1px solid black; border-radius: 50%; width: 40px; height: 20px; background-color: #ff0000; color: white; margin: 0 auto;">25</div>
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The Chief Internal Auditor to the partnership was appointed at the IJB meeting of the 07 March 2016, when the Local Code of Governance was also approved. Audit Committee membership was subsequently agreed at the IJB meeting on 20 June 2016. It is expected





that the inaugural meeting of the partnership Audit Committee will take place at the end of September 2016, when a draft Audit Plan for the remainder of 2016/17 will be presented. This will complete the two required actions within the provisions.

*Timescale: 30 September 2016*

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	Materiality / Risk:  	<u>Provision Refs:</u>    
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The IJB approved the issue of Directions on 18 April 2016, following which formal written direction was made to each of NHS Borders and Scottish Borders Council. These Directions met each of the required provisions within the guidance and included a list of all directed functions and the amount and method of payment made to fulfil these functions.

*Timescale: Complete*

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.	Materiality / Risk:  	<u>Provision Refs:</u>   
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Work is ongoing to analyse and agree the basis for and amount of Resource Transfer. Significant detail has been examined during the summer of 2016 and a number of discussions have taken place between partners. This is expected to conclude by agreement shortly. Work on hosted services remains ongoing.

*Timescale: 30 September 2016*

An integrated Financial Planning process, involving the IJB, within each organisation, which takes account of priorities and results in a negotiated contribution from each partner must further be developed for 2017/18	Materiality / Risk:  	<u>Provision Refs:</u>  
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This work will now commence during the Autumn of 2016 as part of the 2017/18 Financial Planning process. This will ensure that the 2017/18 Financial Plan for the partnership is based on the current year budget adjusted incrementally to reflect:

- Partners' absolute level of funding by the Scottish Government
- Past performance and known areas of financial pressure arising due to cost, demand, legislative and other factors
- Efficiencies and other required savings delivery to ensure overall affordability
- New priorities as expressed within partners' plans and the Integration Joint Board's Strategic Plan
- Other emerging areas of financial impact

In order to enable this, there is clear provision within the partnership's Scheme of Integration (SOI) (8.4.1) in relation to payment to the IJB for delegated functions beyond year 1, whereby the partnership Chief Financial Officer will develop a case for the Integrated Budget based on the Strategic Plan, recognising the financial parameters within which both partners are required to operate within and reflecting such within the Integrated Budget. The SOI also states that both partners, when considering the Strategic Plan, will consider factors such as government financial settlements / funding uplift and required efficiencies and it is only through a process of joint discussion and planning between all partners that the financial plan can be agreed and delivered in support of the partnership's strategic aims and objectives.

*Timescale: October 2016 to March 2017*

The allocation of resources within the outcomes of the Strategic Plan requires to be developed further	Materiality / Risk:  <b>Med</b>	<u>Provision Refs:</u>  <b>55</b>
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This is a key piece of work scheduled for the second half of 2016. This will clearly show how component elements of both the delegated and set-aside budgets financially support the delivery of the partnership's strategic plan. It will also provide the baseline position against which future resource shifts can be planned and measured.

This piece of work also links to the locality planning workstream of the integration programme and specifically will contribute to the development of a financial plan for each of the 5 localities across the Scottish Borders.

*Timescale: October 2016 to March 2017*

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	Materiality / Risk:  <b>Med</b>	<u>Provision Refs:</u>  <b>57</b>
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This work will be undertaken during the remainder of this financial year and reported to the IJB as part of the process of approving its Financial Statement for 2017/18.

*Timescale: 31 March 2017*

The Integration Joint Board will identify the asset requirements to support the Strategic Plan to enable the Chief Officer to identify capital investment projects, or business cases to submit for consideration as part of each organisation's capital financial planning processes	Materiality / Risk:  <b>Med</b>	<u>Provision Refs:</u>  <b>68</b>
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The Health Board and Local Authority may make use of non-current assets, owned or otherwise, to deliver the services in scope of the Strategic Plan. Arrangements for Capital Financial Planning require to be developed post April 2016	Materiality / Risk:  Med	Provision Refs: 13 67
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Capital Planning will be undertaken as part of the integrated approach to the 2017/18 Financial Planning process which is planned to commence in Autumn 2016. The IJB does not receive any capital allocations or grants, nor can it borrow to invest like a local authority. All fixed assets remain owned by NHS Borders and Scottish Borders Council and as such, it is only through accessing partners' capital funding allocations that any capital investment requirements can be met. Where the Chief Officer identifies as part of the Strategic Plan new capital investment requirements, a business case will be developed for the proposal for both partners to consider and local agreement between the partners here in the Scottish Borders as to approval and funding of any proposal will be sought.

*Timescale: 31 March 2017*

A proposed strategy for Insurance over the activities of the IJB still requires agreement and approval	Materiality / Risk:  Med	Provision Refs: 23
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Both partner organisations operate under the same insurance arrangements as previously. Whilst a separate legal entity, it is not anticipated that there will be any significant insurance implications for the partnership, although a review of these arrangements is planned as part of corporate services planning during the remainder of 2016/17.

*Timescale: 31 March 2017*

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	Materiality / Risk:  High	Provision Refs: 19 20 22
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The partnership approved its Risk Management Strategy as part of its Code of Corporate Governance in March 2016. Since then, work has been undertaken to develop both Strategic and Operational Risk Registers for the partnership and these are scheduled to be reported to its next meeting on 17 October 2016 for approval and onward management.

*Timescale: 17 October 2017*

At an operational financial management level, a policy on the application of monthly accrual accounting requires further discussion and agreement	Materiality / Risk:  Med	Provision Refs: 54
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Currently NHS Borders operates a monthly accrual policy whilst Scottish Borders Council only accrues outstanding receipts and payments at year-end. It is the aspiration of the partnership to implement a consistent policy of monthly accrual accounting across all delegated and set-aside budgets. Scottish Borders Council are currently considering this option as part of its migration to a new ledger system and its supporting processes within its Digital Transformation agenda, due to go live on 1<sup>st</sup> April 2017. No decision in respect of this accounting policy has yet been made although functionality is clearly possible and going forward, the partnership's Chief Financial Officer will work with key Finance officers within the authority to ensure that consistency of this fundamental accounting policy requirement is implemented for all health and social care functions.

*Timescale: 31 March 2017*

Refinement of and quality assurance over large hospitals budget set-aside remains ongoing following and will be incorporated into any revised financial statement	Materiality / Risk:  	<u>Provision Refs:</u>  
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From October 2016, monitoring of both the delegated budget and large hospital budget set-aside will be reported to the IJB. Further work developing and interpreting the latter will also take place during the remainder of 2016/17 and incorporated into future years' financial statements.

*Timescale: 31 March 2017*

The IJB Chief Financial Officer will be appointed on a permanent basis by 31st August 2016	Materiality / Risk:  	<u>Provision Refs:</u> 
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The interim arrangement over the appointment of the partnership's Chief Financial Officer is ongoing and will continue to apply until formal permanent recruitment to the post is made during the Autumn of 2016 following agreement between partners over the basis and role of the post.

*Timescale: 31 October 2017*

### Other Information

At the time of reporting last to the Audit Committee in April, it was stated that at that point in time, it was unclear as to whether statutory reports and financial accounts for the partnership would be required for 2015/16. This was in direct response to the financial provisions within IRAG relating to:

- Statutory Accounts (10, 30,32)
- Additional Disclosures within Partners' Accounts (11,31)

These form 5 of the 8 provisions previously classified as “grey - not requiring any action currently”.

Subsequently to the April report, confirmation was required that accounts relating to the operating costs of the partnership for the period between its establishment on 06 February 2016 and 31 March 2016 would be required. These were completed within the statutory timescale and are currently being audited. The final audited accounts will be reported to the 17 October meeting of the IJB for approval. Both partners included an additional disclosure within the notes to its 2015/16 accounts in relation to the existence and operation of the health and social care partnership.

At the end of August 2016 therefore:

- 46 provisions are now assessed as Green
- 8 provisions are assessed as Yellow
- 10 provisions are assessed as Amber
- 2 provisions are assessed as Red
- 3 provisions remain grey

## Recommendation

The IJB Audit Committee is asked to:

- **Note the further progress made to date in the development and implementation of the financial arrangements which require to be in place prior across NHS Borders, Scottish Borders Council and the Health and Social Care Partnership**
- **Note the plan of actions for the remaining work requiring completion during the remainder of 2016/17**

## Approved by

Name	Designation
Paul McMenamin	Interim Chief Financial Officer IJB

## Author(s)

Name	Designation
Paul McMenamin	Interim Chief Financial Officer - IJB

**Date: 01 September 2016**