
To: **Shadow Integration Joint Board**

Item 3

Subject: **Financial Governance Arrangements**

On: **19 June 2015**

Report by: **Chief Officer Designate**

1. **Summary**

1.1. At the meeting of voting members of the shadow Integration Joint Board on 20 March 2015, a number of reports were considered which set out the requirements for local implementation of integrated health and social care services in terms of the Public Bodies (Joint Working)(Scotland) Act 2014. The progress in the development of key elements of the legislation including the Integration Scheme and the Strategic Plan are the subject of separate reports to this meeting of the Board.

1.2. This report outlines the current status and planned action in relation to the development of sound financial governance arrangements for the Integration Joint Board which will underpin and provide assurance around the operational delivery and strategic planning arrangements of the Partnership.

2. **Recommendation**

That the Shadow Integration Joint Board

- a) note the progress to date on putting in place sound financial governance arrangements, and on planned activity up to 1 April 2016.
- b) agree that the IJB takes up membership of the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS).

3. **Background**

3.1. The Public Bodies (Joint Working)(Scotland) Act 2014 and supporting statutory and non statutory guidance set out a number of provisions relating to good governance, proportionate to the breadth and scale of the legislative changes both operationally and financially.

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- 3.2. This paper provides an update to shadow Board members on the local development of the following aspects of financial governance:
- The formal appointment of the Chief Finance Officer for the Renfrewshire Health and Social Care Partnership
 - The Financial Assurance/Due Diligence process
 - Audit requirements, both internal and external
 - Financial Regulations for the IJB
 - Finance policies and procedures
 - Ongoing budget scrutiny arrangements and timelines
 - Risk management arrangements
- 3.3. Other aspects of good governance including the range of preparatory activity being taken forward through a structured programme of work by the Partnership are outlined in other reports being considered by the Board at this meeting.

4. Chief Finance Officer

- 4.1. The Chief Finance Officer (CFO) is one of the two officer appointments (the other being the Chief Officer) required by the legislation. The CFO is the accountable officer for the financial administration and performance of the services delegated to the Health and Social Care Partnership. Following interviews on 12 May 2015, Sarah Lavers, Social Work Finance Manager was appointed Chief Finance Officer (CFO) Designate. As with the Chief Officer position, the Board will be asked to ratify the appointment of the Chief Finance Officer once it is legally constituted. The CFO will support the Chief Officer in putting in place both appropriate operational finance arrangements, and in developing the financial plan which underpins the strategic planning process for the Partnership. She will take up post on 15 June and transition fully into her new role as part of a phased and managed handover process by the end of August.

5. Financial Assurance Process

- 5.1. National guidance on Financial Assurance has been issued by Scottish Government. It recognises that although IJBs will not be able to formally participate in the financial assurance process until they are legally constituted, one of the most important items of business at that point will be to obtain assurance that its resources will be adequate for

the discharge of its functions. In line with the guidance, the Chief Officer is working with the NHS Board and the Council's Director of Finance in carrying out the assurance work as follows:

- A template has been prepared and populated with budget and actual spend over the past three years and budget figures for 2015/16 for both partner organisations, and work has been done to share detail of the figures and the underlying assumptions. This includes the identification and assessment of material non-recurring funding and the associated risks, and savings and efficiency plans and targets.
- A due diligence framework has been developed which mirrors the national guidance in order to record the outcome of the recommended assurance checks and evidence the work as part of an auditable process.
- The assurance process will also include consideration of the calculation of the amount Set Aside for the consumption of hospital services (specifically those which are most impacted by unplanned admissions). This information is awaited and is expected shortly.

5.2. It is anticipated that the assurance work will take place over the course of 2015/16, with updates to the IJB. The process will be subject to internal audit scrutiny.

6. Audit Requirements

6.1. The internal audit requirements for the IJB are set out below:

- The IJB must appoint a chief internal auditor and national guidance recommends that this role is undertaken by the existing chief internal auditor of either the Council or the NHS Board. The Chief Officer has met with the internal auditors of both organisations to discuss the requirement for, and implications of, such an appointment. No decision has yet been made on this matter.
- The IJB must establish an Audit Committee. Proposals are being developed which will recommend that the audit committee will comprise a subset of the Integration Board members, and meet either immediately before or after the scheduled meetings of the Board. A terms of reference for the audit committee will be brought to the next meeting of the Integration Joint Board for consideration.
- An internal audit plan must be developed for the IJB.

6.2. As indicated in paragraph 5 above, there is an expectation that the NHS Board and the Council internal auditors will provide a report to their respective organisations' audit committees on the assurance

process that has been carried out. There is no expectation that internal audit will express a view on the adequacy of the budgets being delegated to the IJB. Both sets of internal auditors are aware of this work for Renfrewshire, which will be taken forward at or nearer to the completion of the assurance work itself.

6.3. External Audit

- In terms of legal status, the IJB has been classified as a body under Section 106 of the Local Government (Scotland) Act 1973, and will require to produce its own statutory accounts. These will be subject to external audit. It is anticipated that for 2015/16 a 'de minimus' set of accounts will be produced in view of the fact that current timelines are for formal delegation of services in Renfrewshire from 1 April 2016, and therefore only a minimal number of transactions being recorded for financial year 2015/16. The preparation of the Accounts will be taken forward by the Chief Finance Officer.
- The Chief Officer has met with both national and local external auditors. It is anticipated that there will be a national review of the processes and procedures in place to support the IJB and local integrated working arrangements which would involve more detailed examination of a number of Partnerships. At this stage the extent of Renfrewshire's involvement in any such review is not known, however the Partnership continues to make progress on the key elements of implementation within a structured programme of work which would provide a sound evidence base for external scrutiny

7. Financial Regulations

- 7.1. As a separate legal entity, the Integration Joint Board requires to put in place its own set of Financial Regulations which will incorporate an appropriate set of controls. They will reference but will not cover the aspects which relate to operational service delivery as these will continue to be reflected in the Financial Regulations of the Council and the Standing Financial Instructions of the Health Board. Officers from Renfrewshire have worked with finance colleagues across the NHS Board area to develop a standard set of IJB Financial Regulations. These will now be tailored as necessary for Renfrewshire by the Chief Finance Officer, for approval by the IJB.

8. Finance Policies and Procedures

- 8.1 As with the Financial Regulations above, a series of standard financial policies and procedures which reflect national guidance have been

developed in collaboration with colleagues across the NHS Board area. There is now a programme of work underway to tailor these for implementation in Renfrewshire.

9. Budget Scrutiny Arrangements

9.1 The Chief Officer, supported by the Chief Finance Officer, will be responsible on behalf of the the IJB for managing the NHS and Council budgets for functions delegated to it, and for remaining within those allocated budgets. He will also be accountable to the IJB for financial probity and performance. The Integration Scheme sets out reporting requirements to the IJB on these matters, and reporting timetables and formats are being developed to support this.

9.2 At an operational level detailed financial delegation and monitoring arrangements are being put in place to ensure clarity in terms of lines of accountability and appropriate levels on ongoing scrutiny.

10. Risk Management Arrangements

10.1 The Chief Officer is responsible for establishing the IJB's risk policy and risk management plan. Templates have already been developed in collaboration with colleagues across the NHSHealth Board area which will now be tailored to reflect circumstances in Renfrewshire. These will be brought for approval to the IJB once legally constituted.

10.2 Given that operational service delivery will remain within the Council and the NHS Board, the two parent organisations will continue to monitor their own risk management arrangements, and continue to report on risk management matters through existing governance structures. This will include the impact of the integrated arrangements.

10.3 In terms of insurance cover specifically for the members of the IJB in the discharge of their responsibilities, the following is the position:

- The Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) is a risk transfer and financing scheme which was established in 1999 for NHS organisations in Scotland, the primary objective of which is to provide a cost effective risk pooling and claims management arrangement for those organisations which it covers.
- The Regulations governing the CNORIS Scheme have been amended so that Integration Joint Boards and Local Authorities may apply to the Scottish Ministers to become members of the Scheme. This amendment came into force on 3 April 2015.

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- CNORIS provides indemnity to member organisations in relation to Employer's Liability, Public/ Product Liability and Professional Indemnity type risks (inter alia) no less wider than that generally available within the commercial insurance market. CNORIS also provides cover in relation to Clinical Negligence, although this aspect is not relevant to IJB members.
 - NHS Greater Glasgow and Clyde (through CNORIS) and Renfrewshire Council (through AIG) already have relevant insurance cover in place; this will remain in place to cover the employees who are employed by and the services that are delivered by those organisations. An application by the IJB to join CNORIS will only require to provide cover for Board members at this stage.
 - It is the recommendation of the Director of Finance for NHS Greater Glasgow and Clyde that all six IJBs that fall within the NHS Board area should apply for CNORIS membership. Further, the Director of Finance for NHS GGC has confirmed that the NHS Board will meet the financial contribution to join the scheme, which is presently set at £3,000 per annum per IJB.

Implications of the Report

1. **Financial** – the report covers the financial governance arrangements being developed to support effective joint working within allocated budgets.
2. **HR & Organisational Development** – n/a
3. **Community Planning** - n/a
4. **Legal** – The financial governance arrangements support the implementation of the provisions of the Public Bodies (Joint Working) (Scotland) Act 2014.
5. **Property/Assets** – property remains in the ownership of the parent bodies.
6. **Information Technogloy** – n/a
7. **Equality & Human Rights** – The recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.
8. **Health & Safety** – n/a
9. **Procurement** – n/a.
10. **Privacy Impact** – n/a.

List of Background Papers – none

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