



Item No. 7

Meeting Date Wednesday 13th June 2018

Glasgow City Integration Joint Board Finance and Audit Committee

Report By: Chief Internal Auditor to the Integration Joint Board

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REVIEW OF FINANCIAL PLANNING

Purpose of Report:	To present to the IJB Finance and Audit Committee the main findings of the following audit report that was issued recently: <ul style="list-style-type: none">• Review of Financial Planning
Background/Engagement:	The review was undertaken as part of the agreed 2017/18 Internal Audit Plan.
Recommendations:	The IJB Finance and Audit Committee is asked to: <ul style="list-style-type: none">a) note the content of the report.

Relevance to Integration Joint Board Strategic Plan:

To provide assurance that there are adequate financial planning arrangements in place to facilitate the delivery of the strategic plan.

Implications for Health and Social Care Partnership:

Reference to National Health & Wellbeing Outcome:	None
Personnel:	None
Carers:	None
Provider Organisations:	None
Equalities:	None
Financial:	None
Legal:	None
Economic Impact:	None
Sustainability:	None
Sustainable Procurement and Article 19:	None
Risk Implications:	None
Implications for Glasgow City Council:	The current internal auditors of the Council will continue to report to the Council on operational matters relating to Social Care services.
Implications for NHS Greater Glasgow & Clyde:	The current internal auditors of the NHSGG&C will continue to report to the NHS Board on operational matters relating to NHS services.



Glasgow City Integration Joint Board

Review of Financial Planning Arrangements

Final Report

Internal Audit

May 2018



ISO 9001: 2008



**Glasgow City Integration Joint Board
Review of Financial Planning Arrangements**

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Glasgow City Integration Joint Board Review of Financial Planning Arrangements

1. Introduction

- 1.1 As part of the 2017/18 Internal Audit plan, we have carried out an Internal Audit review of the financial planning arrangements in place within the Glasgow City Integration Joint Board, hereafter referred to as the IJB.
- 1.2 The functions delegated from the Council to the Integration Joint Board (IJB) represent almost all social care functions of the Glasgow City Council Social Work Services (GCC SWS), along with the budget for these functions. A similar range of health functions along with the budget for these, are also delegated to the IJB by NHS Greater Glasgow and Clyde (NHSGGC). In addition there is the set-aside budget (amount set aside for directed hospital services to improve the arrangements for cross-sector local joint strategic commissioning of health and social care services and to shift the balance of care) which should be delegated by NHSGGC to the IJB. The budget available to the Glasgow City IJB in 2017/18 was £1.164bn (excluding acute hospital activity). NHSGGC and GGC SWS are hereafter referred to as the partner organisations.
- 1.3 Strong financial planning and management needs to underpin everything that the IJB does to ensure that the finite resources are targeted to maximise the contribution to the strategic plan. The scope of the audit was to gain assurance that there were adequate arrangements in place at the strategic level for overall financial planning of the IJB. This included a review of:

- The process for financial planning;
- The arrangements for incorporating the large hospital set-aside budget and any non-recurring savings;
- The arrangements for identifying any additional investment requirements associated with the delivery of the strategic plan;
- The governance arrangements in place in relation to financial planning;
- The arrangements for ongoing dialogue between the Chief Officer Finance and Resources and the chief finance officers within the partner organisations;
- The arrangements for recognising and taking action to mitigate risks affecting the financial stability of the IJB; and
- The arrangements for the IJB determining its financial requirements and negotiation arrangements with the partner organisations.

2. Audit Opinion

- 2.1 Based on the work carried out a limited level of assurance can be placed upon the control environment. The audit has identified scope for improvement in existing arrangements and two recommendations which management should address

3. Main Findings

- 3.1 The IJB has been operational for almost two years and has had to set two annual budgets. The arrangements to be followed for financial planning are set out in the IJB's documented Integration Scheme and Financial Regulations. Further direction on the process to be followed has also been provided through the Integrated Resources Advisory Group (IRAG) guidance produced by the Scottish Government.

- 3.2 We found that the 2017/18 budget for GCC SWS was approved before the start of the financial year in line with requirements of the Integration Scheme (IS). The documented guidance in place sets out the arrangements to be followed in relation to additional investment costs and we found arrangements to be in place to identify additional investment needs through the IJB Property Strategy Board and Capital Investment Boards of the partner organisations. The documented guidance in place also sets out the arrangements to be followed in terms of financial risk. We identified that a process was established for recognising and taking action to mitigate risks that may affect the financial stability of the IJB and we found evidence to show that financial risks associated with the financial planning arrangements were included in the most recent risk register presented to the IJB Board. A reserves policy is in place which sets out the arrangements in terms of the use and holding of reserves in compliance with the requirements of the Integration Scheme.
- 3.3 The IJB Strategic Plan covers a three year period. We found that the current plan in place only contained agreed financial information for the first year. The IRAG guidance referred to above suggests that the partner organisations should, through the budget setting and financial planning process, aim to provide the IJB with an indicative three year allocation which covers the period of the strategic plan (subject to annual approval); however the current financial planning arrangements in place are limited to the development and agreement of a one year financial budget.
- 3.4 For 2017/18, the NHSGGC proportion of the IJB budget was not approved by the IJB Board until September 2017. We recognise that there are timing difficulties in relation to the

approval of the overall NHSGGC budget which causes knock on difficulties in agreeing an overall IJB budget in advance of the financial year. An initial draft budget proposal for NHSGGC was sent to the IJB in January 2017 however, the approval of the IJBs 2017/18 budget was delayed due to concerns raised at the IJB Board that the draft proposed budget communicated by the NHSGGC was not: (i) in compliance with the requirements of the Integration Scheme (ii) in compliance with the guidance from the Scottish Government, (iii) failed to agree budgets in respect of set-aside hospital functions, and (iv) failed to agree the treatment of non-recurring savings. This means that the IJB was operating with an unapproved budget over this period, potentially impacting on the IJBs ability to deliver on the strategic plan.

- 3.5 It should also be recognised that further work has still to be progressed to agree the set aside budget for 2017/18 and in relation to ongoing treatment of non-recurring savings. The 2017/18 IJB budget from the NHSGGC to the IJB includes a notional amount for the set aside budget however, this is not being reported during the current year as more work on behalf of NHSGGC is being undertaken in this area.
- 3.6 For 2018/19, although there were improvements to the timescales, the IJB only received the award letter from NHSGGC in early May 2018 and this again contained a notional budget for set-aside. This contravenes the national commitment that from 2018/19 the set aside budget would be agreed, and no longer a notional budget.

3.7 Although arrangements are in place to ensure that the large hospital set-aside budget is included within the financial plans, the IJB has highlighted concerns around the methodology that is currently applied to the calculation of the set aside budget which may have an impact on the IJBs ability to meet service delivery costs. We understand that this is currently being considered by the Scottish Government as a national issue. IJB senior officers are involved in those discussions and it is therefore recommended that the IJB stands ready to respond to the findings arising from the national review once it is finalised.

3.8 An action plan is provided at section four outlining our observations, risks and recommendations. We have made two recommendations for improvement. The priority of each recommendation is:

Priority	Definition	Total
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	1
Medium	Less critically important controls absent, not being operated as designed or could be improved.	1
Low	Lower level controls absent, not being operated as designed or could be improved.	0

3.9 The audit has been undertaken in accordance with the Public Sector Internal Audit Standards.

3.10 We would like to thank officers involved in this audit for their cooperation and assistance.

3.11 It is recommended that the Head of Audit and Inspection submits a further report to the Finance and Audit Committee on the implementation of the actions contained in the attached Action Plan.

4. Action Plan

Title of the Audit: Glasgow City Integration Joint Board – review of financial planning arrangements

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Adequate financial planning arrangements are in place.				
1	<p>For 2017/18, the NHSGGC proportion of the IJB budget was not approved by the IJB Board until September 2017. It had been delayed due to some material concerns raised at the IJB Board, including:</p> <p>The failure to agree the treatment of non-recurring savings is an issue specific to NHSGGC.</p> <p>The failure to agree arrangements for operation of set-aside hospital functions is a national issue, subject to ongoing discussions at the Scottish Government. IJB senior officers are involved in those discussions.</p> <p>The IJB had therefore been unable to agree a balanced budget in line with the requirements of the Integration Scheme and Scottish Government guidance. However a balanced budget was subsequently approved in September 2017.</p>	<p>The Chief Officer, Finance and Resources should:</p> <ul style="list-style-type: none"> • Liaise with the Director of Finance at NHSGGC to obtain a permanent agreed solution to the issue of the non-recurring savings to ensure that this issue does not arise again, and • Continue to work with NHS colleagues and the Scottish Government as part of the national discussions to reach an agreement on a mechanism for calculation and operation of set-aside budgets for the IJB. 	High	<p>Budget proposals for 2018/2019 include a permanent solution for non-recurring savings. These were presented to the IJB Board in March 2018.</p> <p>Set aside budgets is an ongoing national issue and will be reported back once the solution is agreed.</p> <p>Officer Responsible for Implementation: Chief Officer (Finance and Resources)</p> <p>Timescale for Implementation: March 2018</p>

No.	Observation and Risk	Recommendation	Priority	Management Response
2	<p>The IJBs Strategic Plan covers a three year period however it only contains the financial information for the first year. The IRAG guidance referred to above suggests that the partner organisations should, through the budget setting and financial planning process, aim to provide the IJB with an indicative three year allocation (subject to annual approval); however the current financial planning arrangements in place are limited to the development and agreement of a one year financial budget. Current arrangements increase the risk that the budget is not aligned to the strategic plan deliverables.</p>	<p>The IJB should develop an indicative three year budget allocation which is aligned to the strategic plan, in compliance with the IRAG guidance.</p>	<p>Medium</p>	<p>The Strategic Plan is currently being refreshed for 2019-2021. This recommendation will be addressed as part of the refresh process.</p> <p>Officer Responsible for Implementation: Assistant Chief Officer Finance</p> <p>Timescale for Implementation: April 2019</p>