



Item No. 15

Meeting Date

Wednesday 19th April 2023

**Glasgow City
Integration Joint Board
Finance, Audit and Scrutiny Committee**

Report By: Sharon Wearing, Chief Officer, Finance and Resources

Contact: Sharon Wearing

Phone: 0141 287 8838

CIPFA Financial Management Code

Purpose of Report:

The purpose of this report is to update IJB Finance, Audit and Scrutiny Committee on a new CIPFA Financial Management Code and an assessment for compliance of the IJB.

Background/Engagement:

CIPFA has published a Financial Management Code which is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.

Governance Route:

The matters contained within this paper have been previously considered by the following group(s) as part of its development.

- HSCP Senior Management Team ☐
Council Corporate Management Team ☐
Health Board Corporate Management Team ☐
Council Committee ☐
Update requested by IJB ☐
Other ☐
Not Applicable ☒

Recommendations:

The IJB Finance, Audit and Scrutiny Committee is asked to:

- a) note the requirements of the CIPFA Financial Management Code; and
- b) note the assessment of compliance for the IJB and the developments recommended for progression.

OFFICIAL

Relevance to Integration Joint Board Strategic Plan:

This report outlined the financial management arrangements which are in place to support delivery of the Strategic Plan.

Implications for Health and Social Care Partnership:

Reference to National Health & Wellbeing Outcome:

This financial framework for the Partnership contributes to the delivery of the 9 national health and wellbeing outcomes that health and social care partners are attempting to achieve through integration.

Personnel:

None.

Carers:

None.

Provider Organisations:

None.

Equalities:

None.

Fairer Scotland Compliance:

None.

Financial:

None.

Legal:

The Financial Management Code is a series of financial management standards which set out the professional standards needed if an IJB is to meet the minimal standards of financial management acceptable to meet fiduciary duties to taxpayers and customers. Since these are minimum standards CIPFA's judgement is that compliance with them is obligatory if an IJB is to meet its statutory responsibility for sound financial administration. Beyond that, CIPFA members must comply with it as one of their professional obligations.

Economic Impact:

None.

Sustainability:

The Financial Management Code has been developed to support organisations to maintain financial management standards which will assist with an organisation remaining financial sustainable.

Sustainable Procurement and Article 19:

None.

Risk Implications:

Failure to comply with the Financial Management Code would be considered as a breach of the IJBs statutory responsibilities for sound financial administration.

Implications for Glasgow City Council:

None.

OFFICIAL

OFFICIAL

Implications for NHS Greater Glasgow & Clyde:	None.
---	-------

1. Purpose

- 1.1. The purpose of this report is to update IJB Finance, Audit and Scrutiny Committee on a new CIPFA Financial Management Code and an assessment for compliance of the IJB.

2. Background

- 2.1. The tight fiscal landscape has placed the finances of local government bodies under intense pressure. Where finance in local government bodies works well there is often a common understanding and ownership of issues supported by good financial management. Good financial management is an essential element of good governance and longer-term service planning which are critical in ensuring local service provision is sustainable.
- 2.2. CIPFA has published a Financial Management Code which is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.

3. The Financial Management Code

- 3.1 The Financial Management Code is a series of financial management standards which set out the professional standards needed if an IJB is to meet the minimal standards of financial management acceptable to meet fiduciary duties to taxpayers and customers. Since these are minimum standards CIPFA's judgement is that compliance with them is obligatory if an IJB is to meet its statutory responsibility for sound financial administration. Beyond that, CIPFA members must comply with it as one of their professional obligations.
- 3.2 The code recognises the diversity of the organisations which exist in the public sector and is therefore not prescriptive. It is for each organisation to determine what is right for them in order to comply.
- 3.3 The underlying principles which inform the code are outlined below:-
- **Organisational leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
 - **Accountability** – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
 - Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.

OFFICIAL

OFFICIAL

- Adherence to professional **standards** is promoted by the leadership team and is evidenced.
- Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
- The long-term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

3.4 The IJB is compliant with the Financial Management Code and Appendix 1 details this. This also highlights some areas for development which will be progressed in the coming months.

4. Recommendations

4.1. The IJB Finance, Audit and Scrutiny is asked to:

- a) note the requirements of the CIPFA Financial Management Code; and
- b) note the assessment of compliance for the IJB and the developments recommended for progression.

Appendix 1 CIPFA Financial Management Code

CIPFA Financial Management Code – Self Assessment and Action Plan

FM Ref	Requirement	What we are currently doing	Areas for Development
1. The responsibilities of the chief finance officer and leadership team			
A	The leadership team can demonstrate that the services provided by the IJB provide value for money	• The IJB has the following in place to ensure best value:- • Monthly reports to the IJB, IJB Finance, Audit and Scrutiny in relation to financial performance • All reports to the IJB for decisions are clear and can include:- ○ Options available including a value for money assessment ○ Implications for service users and patients ○ Results of consultations ○ Equality impacts ○ Financial consequences and how these will be funded ○ Where relevant contribution to current and future saving plans • The IJB receives reports on the outcome of key tender exercises such as the 2019 Framework for purchased services • External inspection reports for services such as care services are reported to the IJB Finance, Audit and Scrutiny Committee • The IJB receives quarterly performance reports, and a statutory Annual Performance Report is produced, in which performance activity is mapped against the 9 national health and wellbeing outcomes, so that performance management activity across the Partnership is effectively focussed on outcomes.	

OFFICIAL

		• The IJB has a culture of continuous improvement supported by the Integration Transformation Board which develops and monitors the IJBs transformation agenda which seeks to identify service improvements and secure best value. • Annually External Audit assess these arrangements to ensure best value is delivered for the IJB. The most recent audit concluded that the IJB has put in place appropriate arrangements to demonstrate the achievement of Best Value, supported by performance management activity which is effectively focussed on national health and wellbeing outcomes.	
B	The IJB complies with the CIPFA Statement on the Role of the Chief Finance Officer (CFO) in Local Government (2016)	• The CFO is a key member of the HSCP's Executive Leadership Team. • The CFO is actively involved in all material business decisions and offers challenge and influence on decisions made. This is evidenced through the CFO's attendance and participation at key business meetings such as the IJB, Senior Management Team, Integration Transformation Board, HSCP Business Meeting, Partner Body meetings as required and individual transformation programme boards to support major programmes. • The CFO champions the promotion and delivery of good financial management. This is reflected in the management structure within the organisation and the reporting of financial performance to all key management groups. The Integration Transformation Board provides a forum for a strategic overview of financial management	

OFFICIAL

OFFICIAL

		as well as offers strategic oversight for future financial management. • The IJBs Financial Regulations clearly outlines the role and responsibilities of the Chief Officer, Chief Finance Officer and all budget holders in relation to financial management. • The CFO is a professionally qualified accountant with significant experience as a CFO. The HSCP's finance team is suitably resourced and experienced in support of the CFO undertaking their role. There are well established training programmes in place to ensure the continuous learning development and resilience of the team.	
2. Governance and financial management style			
C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.	• The IJB and Executive Team has a shared vision and commitment to deliver outcomes in line with the IJBs strategic plan. • Behaviours are underpinned by various codes of conduct developed for both IJB Board Members and HSCP employees. • The importance of governance and internal controls is reflected in the HSCP's Scheme of Delegation which has clear responsibilities defined for all staff members and establishes the levels at which financial management responsibilities lie in terms of decisions and approvals of spend. This covers all levels of staff including those with the highest position in the organisation.	• Continue to review outcome of internal audit reviews of internal controls taking remediation actions where required.

OFFICIAL

OFFICIAL

		• An annual assessment of compliance with governance and internal controls is undertaken by the Executive Team for both partner bodies and is part of the annual assurance for both internal and external auditors. • Internal audit reviews provide assurance on a range of internal controls. The outcome of these is reported to IJB Finance, Audit and Scrutiny Committee with actions identified where required and progress in delivering actions monitored. • Annually External Audit assess these arrangements to ensure arrangements are appropriate and operate effectively. The most recent audit concluded that there were no issues with arrangements in place.	
D	The IJB applies CIPFA/SOLACE "Delivering Good Governance in Local Government: Framework (2016)".	• The IJB has adopted governance arrangements consistent where appropriate with the six principles of the CIPFA/SOLACE framework "Delivering Good Governance in Local Government Framework. The system of internal control is designed to manage risks to a reasonable level based on a risk based approach. • The Annual Governance Statement outlines how the IJB has complied with its Code of Corporate Governance. The statement for 2021/22 confirmed there were no new significant governance concerns. The governance issue remains in relation to financial planning and the process of receiving funding allocations from partner bodies prior to the budget being considered by the IJB. Funding offers received from NHS Greater Glasgow and Clyde continues to be indicative at the time of setting the	• Discussions with NHS Greater Glasgow and Clyde will continue to seek final allocations prior to the IJB budget setting, where this can be done.

OFFICIAL

OFFICIAL

		budget.	
E	The Financial Management style of the IJB supports financial sustainability	• The IJB's financial management style can be describes as 'enabling transformation' using the CIPFA FM Financial Management hierarchy Model. • The IJB has a framework in place to manage its financial affairs including:- • Financial regulations • Scheme of delegation • Financial regulations and standing orders of both Partner Bodies • Medium Term Financial Outlook • Reserve Strategy • The Executive Team has a collaborative approach to developing financial strategies for financial sustainability and this can be evidenced in the way the budget and medium term financial outlook are updated and developed each year with active participation and support from all services. • The Finance Team support all services in developing financial strategies and reporting and advising on all finance matters. Operational teams are also supported by the availability of training to support their financial skills to assist them with managing budgets and financial performance. • The IJB has a culture of continuous improvement supported by the Integration Transformation Board which develops and monitors the IJBs transformation agenda	• Given the scale of the financial challenge, a review of the Scheme of Delegation will be undertaken to ensure levels are still appropriate in light of the financial pressures being faced. This work has already commenced.

OFFICIAL

OFFICIAL

		and seeks to identify service improvements and secure best value. • The IJB has set a balanced budget in each year of its existence. • The Medium Term Financial Outlook considers the sustainability of the IJB over the medium term, including an assessment of funding, cost and demand pressures and the risks over the medium term. This includes a review of reserves. The annual budget process for 2023-24 identified a risk in relation to the level of general reserves and the scale of risk which exists for the IJB both in 2023-24 and over the medium term. • There is a scheme of delegation in place for the HSCP which has clear responsibilities defined for all staff members and establishes the levels at which financial management responsibilities lie in terms of decisions and approvals of spend.	
3. Medium to long term financial management			
F	The IJB has carried out a credible and transparent financial resilience assessment	• The Medium Term Financial Outlook considers the sustainability of the IJB over the medium term, including an assessment of funding, cost and demand pressures and the risks over the medium term. This includes a review of reserves. • The Medium Term Financial Outlook includes sensitivity analysis which identifies the implications if planning assumptions change and what the impact of this would be for the financial position of the IJB.	• The outturn report which will be presented to the IJB in June will include a review of all reserves including proposals, where available, to increase the level of general reserves to a level which will offer the IJB a greater level of financial sustainability.

OFFICIAL

OFFICIAL

		• The Medium Term Financial outlook describes the strategy available to the IJB to deliver financial sustainability over the medium term including targets for each element. It also recognises the scale of the financial gap is such that discussions need to continue with Partner Bodies in relation to funding. • The annual budget process for 2023-24 identified a risk in relation to the level of general reserves and the scale of risk which exists for the IJB both in 2023-24 and over the medium term. • The IJB also has an established reserves policy which is reviewed annually.	
G	The IJB understands its prospects for financial sustainability in the longer term and has reported this clearly to members.	• The IJB's Annual Budget, Annual Accounts, Medium Term Financial Outlook and Risk Register reflect the main risks to sustainability. These are subject to regular review to ensure these remain robust and relevant for the IJB. The frequency of these reports are annually to the IJB, with the exception of the risk register which is taken quarterly. • The Medium Term Financial Outlook assesses both cost and demand pressures and forecasts for funding and uses this to develop a financial strategy over the medium term to address these risks. This is used by the Executive Team to support the development of plans which aim to deliver financial balance over the longer term. This is monitored through the Integration Transformation Board.	

OFFICIAL

OFFICIAL

		• The Medium Term Financial Outlook includes sensitivity analysis which identifies the implications if planning assumptions change and what the impact of this would be for the financial position of the IJB. • Development Sessions with IJB members and the Executive Team are undertaken as part of the annual budget process and these include an overview of the longer term financial sustainability and risks based on the Medium Term Financial Outlook. In addition, this is updated and reported to the IJB on an annual basis.	
H	The IJB complies with the CIPFA Prudential Code for Capital Finance in Local Authorities	This is not relevant as the IJB does not have capital programmes or borrowing powers.	
I	The IJB has a rolling multi-year medium-term financial plan consistent with sustainable service plans.	• The IJB has a Medium Term Financial Outlook which is reviewed and updated annually and presented to the IJB for approval in support of delivering the IJBs strategic plan. • The Medium Term Financial Outlook is underpinned by a range of other strategies including commissioning strategies, workforce planning and property and ICT strategies which also support delivery of the IJBs strategic plan. • The Medium Term Financial Outlook is prepared in conjunction with all service areas and reflects all significant demand and cost pressures being experienced	

OFFICIAL

OFFICIAL

		both at a local and national level. The plan also considers the strategy for responding to the challenges including targets for each of the different savings categories which are central to the strategy. • The Medium Term Financial Outlook includes sensitivity analysis which identifies the implications if planning assumptions change and what the impact of this would be for the financial position of the IJB.	
4. The annual budget			
J	The IJB complies with its statutory obligations in respect of the budget setting process.	• The IJB is fully aware of the need to set a balanced budget as established in s108(2) of the Local Government (Scotland) Act 1973 and s93(3) of the Local Government Finance Act 1992. The need to meet this requirement is set out within the annual budget report. • A balanced budget was agreed by the IJB on 22/03/2023 for 2023/24.	
K	The budget report includes a statement by the CFO on the robustness of the estimates and the statement on the adequacy of the proposed financial reserves.	The requirement for a CFO statement in relation to this is a specific legislative requirement in England and Wales, but not in Scotland. • The 2023/24 Budget report includes a statement from the CFO on the implications of the budgets on general reserves and the adequacy of these reserves in relation to the financial risks which face the IJB. • This report also highlights where there are risks linked to financial estimates. An example of this in 2023/24 is the uplift to the NCHC contract where the negotiations had	

OFFICIAL

OFFICIAL

		not been concluded when the IJB considered the budget. • The Medium Term Financial Outlook includes sensitivity analysis which demonstrates the implications if estimates differ from assumptions and the potential impact this could have on IJB finances. • The IJB has a reserve policy which is based on national recommended practice. The Medium Term Financial Outlook, the budget report and the IJB outturn report provide information on levels of general reserves and whether they are sufficient to ensure ongoing sustainability. These reports include actions where these are required to improve the position.	
5. Stakeholder engagement and business cases			
L	The IJB has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.	• The IJB undertakes comprehensive engagement with all stakeholders when it develops its strategic plan which determines the strategic priorities which the IJB sets out to deliver over the medium term. This engagement provides stakeholders to have their say on what their priorities are and this is used to shape the strategic plan, which is then used in shaping the budget both annually and over the medium term. • The IJB engages with stakeholders in developing its annual budget. This can be in relation to specific budget proposals, for example where stakeholders are part of the development of transformation plans and also where the impact of savings require detailed EQIAs and therefore consultation with stakeholders.	

OFFICIAL

OFFICIAL

		- Stakeholders are well represented on the IJB and annually participate in the discussion as plans are developed and presented to the IJB both in terms of the annual budget and the medium term financial outlook. As well as formal reporting this is included in development sessions with IJB members as the budget develops. - In preparing the annual budget each year, the Executive Team engage fully with both Partner Bodies to ensure that pressures are fully understood as well as the implications of changes to funding for services.	
M	The IJB uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	- As part of the annual budget process consideration is given to options for savings. This process includes a detailed assessment which includes an assessment of impacts on service users, patients, operational delivery and financial risks. Where relevant this will also include a consideration of options and a recommendation in relation to the preferred option. - Option appraisal is also used as part of capital planning for the IJB when making investment decisions. This is well documented and business case and options appraisal follow project management methodology in line with the processes established by both the Council and Health Board, which includes project management documentation, governance and review meetings and a lesson learned process on follow up post completion which reviews value received and benefit realisation. - Options appraisals are also used, where relevant, as part of transformation programmes. These are well	

OFFICIAL

OFFICIAL

		documented and where relevant are reported to the IJB with a clear assessment and recommendation for the IJB to consider. • In line with best practice all options appraisals include both qualitative and quantitative assessments of options.	
6. Monitoring financial performance			
N	The leadership team takes action using reports, enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.	• The Medium Term Financial Outlook is prepared in conjunction with all service areas and leadership teams are asked to identify any emerging risks for consideration as part of the annual budget strategy and the medium term financial outlook. • This discussion is also used to identify specific pieces of work required to mitigate risks moving forward and to agree actions to deliver on this. • Financial performance reports are presented monthly to a variety of leadership groups including Core Leaderships, SMT, the IJB and IJB Finance and Audit which identify major areas of variations from budget plans. These are discussed and remediation identified where required to bring income or expenditure back in line with expectations. • Deeper dive meetings take place around areas of significant pressure and this includes analysis of historic trends and forecasting of future trends. These meetings also review the impact of actions taken to reduce expenditure to understand the impact being achieved.	

OFFICIAL

OFFICIAL

		• Financial forecasting is undertaken during the year to understand changes to in year budget plans and the impact on financial sustainability. This is reported formally to the IJB and provides the IJB with an opportunity to agree a financial strategy to resolve issues in year. This is further updated and reported when final actuals are known at year end. • All teams review risk on a regular basis and this is recorded on the risk register. This is reviewed and reported regularly to the SMT and IJB to ensure oversight and governance. This is used to highlight emerging risks including those which would impact on the budget.	
O	The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.	• Monthly reports are produced in relation to the balance sheet showing the movement in balances. This is used to ensure that historical balances are reviewed and debtor and creditor balances remain under constant review. • A more detailed report is provided in respect of reserves, detailing all draw down of reserves. • Financial reports include an update to the IJB and IJB Finance Audit and Scrutiny Committee on the level of reserves drawn down and or contribution to reserves. The use of reserves also referenced in the budget report, outturn report, annual accounts and the medium term financial outlook.	

OFFICIAL

OFFICIAL

7. External Financial Reporting			
P	The chief finance officer has personal responsibility for ensuring that the statutory accounts provided to the local IJB comply with the Code of Practice on Local IJB Accounting in the United Kingdom.	• The IJBs CFO is responsible for the preparation of the IJBs annual accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom and by the deadlines set in legislation. These responsibilities are set out in the Statement of Responsibilities included in the annual accounts, which is signed by the CFO. • The CFO oversees the production of the accounts and ensures those completing them gave access to the Code of Practice and are trained and offered professional guidance as required. • These responsibilities are also included in the CFO's job description. • The IJB has met all of its statutory reporting deadlines for the submission of draft accounts to the external auditor by 30 June (even during the pandemic when deadlines were relaxed).	
Q	The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions.	• The IJBs financial outturn for year is presented to the IJB along with a comprehensive analysis of variations to budget and the drivers of any such variation. • Information from the final outturn is used strategically to inform future budget-setting exercises.	

OFFICIAL