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Agenda Item: 8

Integration Joint Board – Audit Committee

Date of Meeting: 17 September 2020.

Subject: Internal Audit of the Integration Joint Board Budgetary Process.

1. Summary

1.1. An internal audit was carried out by Orkney Islands Council Internal Audit Service, on the Integration Joint Board's (IJBs) Budgetary Process.

2. Purpose

2.1. This report has been prepared to present the internal audit report relating to the IJB Budgetary Process.

3. Recommendations

The Integration Joint Board – Audit Committee is invited to note:

3.1. That an internal audit has been undertaken in respect of the IJB Budgetary Process.

3.2. The findings contained in the internal audit report, attached as Appendix 1 to this report, in respect of the IJB Budgetary Process.

3.3. That an action plan to address the improvements identified and included within the internal audit report has been agreed with responsible officers.

It is recommended:

3.4. That the Audit Committee review the audit findings to obtain assurance that action has been taken or agreed where necessary.

4. Background

4.1. The funding available to the Orkney IJB is dependent on the funding available to Orkney Islands Council and NHS Orkney and the corporate priorities of both. As agreed within the Orkney Integration Scheme both parties should provide indicative three-year allocations to the IJB subject to annual approval through the respective budget setting processes.

4.2. The Orkney Integration Scheme also requires that comprehensive financial monitoring reports, including for the sum set aside should be presented to the Orkney IJB. The reports should set out information on actual expenditure and budget for the year to date and forecast outturn against annual budget together with explanations of significant variances and progress with achievement of any budgetary savings required.

4.3. In recent years the Orkney IJB has agreed to receive but has not formally approved annual budgets due to uncertainties around funding allocations from its partners, NHS Orkney and Orkney Islands Council. The risks in not timeously approving annual budgets include the Orkney IJB not being able to conclude its financial priorities for each financial year and introduces the possibility of uncertainty or a difference amongst partners as to budget allocations.

4.4. The Orkney IJB faces a savings target of £4,200,000 on baseline budgets to be achieved by the end of 2022/23 Financial year.

5. Audit Findings

5.1. Our review provides **limited** assurance and highlights significant weaknesses in the IJB Budgetary Process.

5.2. The audit report includes four high and three medium priority recommendations, detailed in the action plan on pages 12-15 of the report.

6. Contribution to quality

Please indicate which of the Orkney Community Plan 2019 to 2022 visions are supported in this report adding Yes or No to the relevant area(s):

Resilience: To support and promote our strong communities.	No.
Enterprise: To tackle crosscutting issues such as digital connectivity, transport, housing and fuel poverty.	No.
Equality: To encourage services to provide equal opportunities for everyone.	No.
Fairness: To make sure socio-economic and social factors are balanced.	Yes.
Innovation: To overcome issues more effectively through partnership working.	Yes.
Leadership: To involve partners such as community councils, community groups, voluntary groups and individuals in the process.	Yes.
Sustainability: To make sure economic and environmental factors are balanced.	Yes.

7. Resource implications and identified source of funding

7.1. There are no resource implications associated directly with the recommendations to this report.

8. Risk and Equality assessment

8.1. There are no risk or equality implications associated with this report.

9. Direction Required

Please indicate if this report requires a direction to be passed to:

NHS Orkney.	No.
Orkney Islands Council.	No.
Both NHS Orkney and Orkney Islands Council.	No.

10. Escalation Required

Please indicate if this report requires escalated to:

NHS Orkney.	No.
Orkney Islands Council.	No.
Both NHS Orkney and Orkney Islands Council.	No.
Integration Joint Board.	Yes.

11. Authors

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13. Supporting documents

13.1. Appendix 1: Internal Audit Report - IJB Budgetary Process.



Internal Audit

Audit report

IJB – Budgetary Processes

Draft issue date: 23 June 2020

Final issue date: 18 August 2020

Distribution list:	IJB Chief Officer
	IJB Chief Finance Officer

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Audit Opinion

Based on our findings in this review we have given the following audit opinion.

Limited

There are significant weaknesses in the framework of governance, risk management and control such that it could be or become inadequate and ineffective.

A key to our audit opinions and level of recommendations is shown at the end of this report.

Executive Summary

Our review has considered the budget setting processes of the Orkney IJB, known as Orkney Health and Care or OHAC, working with its partners, NHS Orkney and Orkney Islands Council.

Since the introduction of the Orkney IJB, from 1 April 2016, it has successfully managed expenditure in balance with its revised budgets. However, budgets have been revised after partners have provided needed additional funding, either during, or at the end of the financial year.

The review found good practice of, clear and concise budget monitoring reports being presented regularly to the Orkney IJB, for baseline health and care services, with detailed scrutiny carried out by board members.

However, the review identifies the urgent need for progress to be made so that the budget setting process and the delivery of identified savings targets are carried out timeously and effectively.

The scope of the review is limited to a financial review of the budget setting process. Data collected and published by the Information Service Department (ISD) in 2019 ranked the Orkney IJB highly against both all IJBs across Scotland and against its peer group.

The report includes seven recommendations which have arisen from the audit. The number and priority of the recommendations are set out in the table below. The priority headings assist management in assessing the significance of the issues raised.

In recent years the Orkney IJB has agreed to receive but has not formally approved annual budgets due to uncertainties around funding allocations from its partners, NHS Orkney and Orkney Islands Council. The risks in not timeously approving annual budgets include the Orkney IJB not being able to conclude its financial priorities for each financial year and introduces the possibility of uncertainty or a difference amongst partners as to budget allocations.

The Orkney IJB faces a savings target of £4,200,000 on baseline budgets to be achieved by the end of 2022/23. Financial year.

At the time of this report, only £144,000 or 3.4% of these baseline savings have been identified.

In addition to the baseline budget savings requirement the set-aside indicative allocation of £7,409,000 towards unscheduled care for 2020/2021 is £1,208,000 less than the £8,617,000 of set aside expenditure for 2019/20.

It is vital that the Orkney IJB and its partners, prioritise progress towards identifying and implementing baseline and set-aside savings. Failure to act collaboratively and strategically in adopting a detailed medium-term financial plan risks the Orkney IJB not being able to deliver on its challenging strategic plan.

A further risk, in the event of a budget deficit, will be the need to adopt a recovery plan, or a cut to subsequent years' funding allocations, which would only compound the funding gap.

Responsible officers will be required to update progress on the agreed actions via Aspireview.

Total	High	Medium	Low
7	4	3	0

The assistance provided by officers contacted during this audit is gratefully acknowledged.

Introduction

The funding available to the Orkney IJB is dependent on the funding available to Orkney Islands Council and NHS Orkney and the corporate priorities of both. As agreed within the Orkney integration scheme both parties should provide indicative three-year allocations to the IJB Board subject to annual approval through the respective budget setting processes.

The Orkney integration scheme also requires that comprehensive financial monitoring reports, including for the sum set aside should be presented to the Orkney IJB. The reports should set out information on actual expenditure and budget for the year to date and forecast outturn against annual budget together with explanations of significant variances and progress with achievement of any budgetary savings required.

This review was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

Audit Scope

The audit reviewed controls in place to ensure that:

- Budgets for the financial year are set timeously and are approved by the commencement of the financial year.
- Performance against budgets is reported frequently and accurately, with adequate monitoring and scrutiny.
- The set aside budget for acute care has been delegated to the IJB in accordance with the expectation of legislation and effectively as a mechanism for shifting the balance of care.
- Savings for the 2019/20 and 2020/21 financial years in order to maintain balanced budgets are identified in sufficient detail.
- Recovery plans, if necessary are defined in adequate detail.

Audit Findings

1.0 Budget Setting Process

- 1.1. The Public Bodies (Joint Working) (Scotland) Act 2014 (the 'Act') required local authorities and health boards to jointly prepare an Integration Scheme, which sets out how health and social care integration is to be planned, delivered and monitored within their local area.
- 1.2. The legislation requires that a method for calculating the payment made to the host partner is included in the Integration Scheme.
- 1.3. The Orkney Integration Scheme under Resources delegated to the Board relating to the 2nd and subsequent years, states that *"the funding available to the Board shall be dependent on the funding available to Orkney Islands Council and NHS Orkney and the corporate priorities of both"*.
- 1.4. Timeous setting and approval of the annual budget allocation for the Orkney IJB, in common with other IJBs throughout Scotland has been challenging. It is estimated that the Orkney IJB

is one of five IJBs within Scotland who still are not approving annual budgets before the beginning of the financial year.

- 1.5. On 9 April 2020 a report was presented to the Integration Joint Board, inviting it to, *“determine whether to approve the budget for financial year 2020/21”*. The report also stated that *“the total budgets for the functions delegated to the IJB should be allocated prior to the start of each financial year, including the budgets for acute services advised as an unplanned admissions sum”*.
- 1.6. The report proposed that the Orkney IJB baseline budget for 2020/21 would be £46,724,000 with partner resources from NHS Orkney to be £26,381,000 and Orkney Islands Council to be £20,343,000. As any new allocations become known to Orkney all resources received that relate to the delegated functions would be passed to the IJB as an additional allocation. The baseline did not include the set aside budget.
- 1.7. The Orkney IJB Board resolved at the meeting of 9 April 2020, *“to **receive** the budget for financial year 2020/21”*. The board did not approve the budget following discussion on a number of outstanding issues, including the set aside (unscheduled care) allocation and that NHS Orkney had yet to formally approve its budget.
- 1.8. On 12 May 2020 an update report to the board noted, that the 2020/21 budget, had no identified date to be presented to NHS Orkney Board for approval, due to Covid-19.
- 1.9. Audit Scotland’s annual audit report for Orkney IJB 2018/19, issued August 2019 gave a key message, inter alia, that *“the Orkney IJB budget for 2019/20 [i.e. year commencing 1 April 2019 or almost 5 months earlier] had not been formally approved due to uncertainty around funding allocations from NHS Orkney and Orkney Islands Council.”*
- 1.10. The IJB Board had never formally approved its 2019/2020 annual budget, the budget being received at its meeting 25 June 2019 with both partners being encouraged *“to undertake, as a matter of priority, a review of baseline service budgets in order to determine the true cost of service delivery.”*
- 1.11. The corresponding Audit Scotland report for the previous financial year 2017/18 year, issued 26 September 2018 [i.e. almost 6 months into the financial year] noted that the Orkney IJB budget for 2018/19 had not been formally approved due to the high level of unidentified savings in the proposed budget, most of which relate to healthcare services.
- 1.12. The difficulties faced by the Orkney IJB in budget setting have been common to those of the other 31 integrated authorities joint bodies throughout Scotland. Information collated by the Scottish Parliament Information Centre (SPICe), from their report, entitled Survey of 2017-2018, Integration Authority Budget Plans, identified that for the 2016-17 budget setting process, *“of the 31 integration authorities (IAs), only 11 had finalised their budgets prior to the start of the financial year. A further 9 had agreed their budgets by June; and another 8 by September, the remaining 3 had yet to agree a final budget”*.
- 1.13. SPICe also asked all IJBs to provide details of any challenges they had faced in agreeing their 2016-17 budgets. A number of common themes emerged from the responses to this question, including:
 - 1.13.1. *“The different budget cycles of health boards and local authorities were mentioned by more than half of respondents. Local authority settlements are usually agreed in December, but health board allocations are usually agreed in February. This difference*

in timescales presented challenges in agreeing IA budgets prior to the start of the financial year.”

- 1.13.2. *“Issues relating to efficiency savings were also mentioned by more than half of respondents. Where details were given, this often related to the scale of efficiency savings required by the health boards, often falling most heavily on services delegated to the IJB. The scale of the required savings and the fact that the details of where these efficiencies would be found were sometimes unclear meant that the IJBs were then faced with levels of risk that they felt unable to accept. This resulted in budgets not being signed off until further clarity was available”.*
- 1.14. Other challenges noted amongst several IJBs were of both partners continuing to operate individually for budget setting purposes.
- 1.15. East Renfrewshire noted, as a challenging factor to budget setting that *“funding is allocated on a historic basis and does not reflect [NHS Scotland Resource Allocation Committee] NRAC distribution. Nor do the funding allocations reflect 10 years of integration.”*
- 1.16. A report by Audit Scotland entitled Health and Social Integration – an update report, published November 2018, also identified that for Scottish IJBs generally *“financial planning is not integrated, long term or focused on providing the best outcomes for people who need support. This is a fundamental issue which will limit the ability of IAs to improve the health and social care system”.*
- 1.17. Audit Scotland, in their report, Local Government in Scotland – Challenges and Performance 2019, reported that: *“fifteen IAs failed to agree a budget for the start of the 2017/18 financial year with their partners. This is partly down to differences in the timing of budget settlements between councils and NHS boards. It can also be due to a lack of understanding between councils and NHS boards of each other’s financial reporting, accounting arrangements and the financial pressures faced by each. This lack of understanding can cause a lack of trust and reluctance to commit funds to an integrated health and social care budget.”*
- 1.18. Following Audit Scotland’s report referred to at 1.16 a review by the Ministerial Strategic Group for Health and Community Care (MSGHCC), required all IJBs to rate themselves against 22 set “proposals”. The Chief Officer, of the Orkney IJB self-evaluated, on 13 May 2019 that three of the proposals were not yet actioned, these being (as summarised):
 - 1.18.1. Lack of clear financial planning and ability to agree budgets by the end of March each year.
 - 1.18.2. Currently no plan to allow partners to fully implement the delegated hospital budget and set aside budget requirements.
 - 1.18.3. No plans are in place or practical action taken to ensure delegated hospital budget and set aside arrangements form part of strategic commissioning.
- 1.19. An action plan point was to be designed and agreed to cover all proposals and to endeavour to meet the timescales for delivery set by the MSGHCC. A short life working group was to be established with representatives from the three statutory bodies to ensure progress.
- 1.20. The Matters Arising report presented to the Orkney IJB meeting of 12 May 2020 details the setup of the short life working group as an outstanding matter which *“given the current situation (Covid 19 pandemic) it has not been possible to undertake this work.”*
- 1.21. The relevant MSGHCC’s proposals in full are that:

1.21.1. *“Health Boards, Local Authorities and IJBs should have a joint understanding of their respective financial positions as they relate to integration. In each partnership area the Chief Executive of the Health Board and the Local Authority, and the Chief Officer of the IJB, while considering the service impact of decisions, should together request consolidated advice on the financial position as it applies to their shared interests under integration from, respectively, the NHS Director of Finance, the Local Authority S95 Officer and the IJB S95 Officer.*

Timescale: By 1st April 2019 and thereafter each year by end March.”

1.21.2. *“Delegated budgets for IJBs must be agreed timeously. The recently published financial framework for health and social care sets out an expectation of moving away from annual budget planning processes towards more medium-term arrangements. To support this requirement for planning ahead by Integration Authorities, a requirement should be placed upon statutory partners that all delegated budgets should be agreed by the Health Board, Local Authority and IJB by the end of March each year.*

Timescale: By end of March 2019 and thereafter each year by end March.“

1.21.3. *“Statutory partners must ensure appropriate support is provided to IJB S95 Officers. This will include Health Boards and Local Authorities providing staff and resources to provide such support. Measures must be in place to ensure conflicts of interest for IJB S95 Officers are avoided – their role is to provide high quality financial support to the IJB. ... It is recommended that the Health Board and Local Authority Directors of Finance and the Integration Joint Board financial officer establish a process of regular in-year reporting and forecasting to provide the Chief Officer with management accounts for both arms of the operational budget and for the Integration Joint Board as a whole. It is also recommended that each partnership area moves to a model where both the strategic and operational finance functions are undertaken by the IJB S95 officer: and that these functions are sufficiently resourced to provide effective financial support to the Chief Officer and the IJB.*

Timescale: 6 months”

1.22. The MSGHCC reviewed a report, at their meeting of 6 November 2019, of the continuing work following the self-evaluation process and the improvement plans...developed collaboratively by Health Boards, Local Authorities and Integration boards and their key partners.

1.23. With reference to the proposals detailed at 1.21 the report noted for all IJBs generally across Scotland that:

1.23.4. For 1.21.1, *“As part of the strategic planning and budget setting process it is recognised that well informed discussions are already taking place in a number of areas. This was evidenced in the responses provided in the self-evaluations, where a number of good examples were provided. All have confirmed that where this isn't in place, this will be by March 2020.” The RAG score evaluation for progress by all IJBs generally being green.*

1.23.5. For 1.21.2, *“While in the majority of cases budgets were agreed by 31 March, a number of IJBs highlighted that it was an indicative budget that was set at this point. In most cases this was due to the timescales of NHS Board sign-off, which we are discussing with NHS Directors of Finance. All have since indicated that this will be in*

place for March 2020 bar 4 IJBs” The RAG score evaluation for progress by all IJBs generally being amber.

1.23.6. *For 1.21.3, “The IJB Chief Finance Officers’ (i.e., IJB S95 Officers’) network has undertaken a review of the support arrangements in place for each IJB. This assessment included the approach taken in different areas to the Chief Finance Officer role itself (e.g. whether full time or part-time role). Local systems should continue to review whether arrangements are appropriate and make improvements as required”. The RAG score evaluation for progress by all IJBs generally being Amber.*

1.24. We therefore recommend that each of the proposals, made by the Ministerial Strategic Group for Health and Community Care and detailed at 1.21 are progressed, with processes and resources put in place so that the IJB is effectively supported in managing its financial priorities and financial management. It should be considered that processes be included within the integration scheme.

Recommendation 1

2.0 Indicative three-year allocations to the Board

- 2.1 Statutory guidance from the Integrated Resources Advisory Group (IRAG) , published by the Scottish Government, May 2015, states, *“They [Health Boards and Local Authorities] should aim to be able to give indicative three year allocations to the integration joint board, subject to annual approval through the respective budget setting processes. This should be in line with the three - year Strategic Plan”.*
- 2.2 The Orkney Integration Scheme which has been agreed by the NHS Orkney and Orkney Islands Council gives a binding agreement that: *“Both parties shall provide indicative three-year allocations to the Board subject to annual approval through the respective budget setting processes. These indicative allocations shall take account of changes in NHS funding and changes in local authority funding.”*
- 2.3 Audit Scotland in a report entitled Health and Social Care Integration, update on progress, published November 2018, commented *“that partners [across IJBs generally] are finding it very difficult to balance the need for medium- to long-term planning, typically three to five years and five years plus, alongside annual settlements, current commitments and service pressures. We [Audit Scotland] have called for longer-term financial planning in the health sector and local government for many years. While all IAs have short-term financial plans, only a third have medium-term plans and there were no longer-term plans in place at the time of our fieldwork. This is a critical gap as the changes under integration are only likely to be achieved in the longer term”.*
- 2.4 The Scottish Government made a commitment within its 2019-2020 Budget to bring forward a three-year settlement for local government from 2020-2021. This has not materialised for 2020/21 but clearly its introduction would greatly assist future financial planning processes.
- 2.5 Although it is too early to estimate with any degree of certainty, and outwith the scope of this report to predict the economic and fiscal effects of both Brexit and Covid 19 on both the Scottish and UK economies, each of these may have a detrimental impact on future tax receipts, which in turn will have an adverse impact on future budget allocations across the public sector in Scotland.

- 2.6 We are advised by the Chief Finance Officer of the Orkney IJB that partners do not provide three-year indicative allocations to the Orkney IJB, the partners citing the difficulty in only receiving annual settlements themselves from the Scottish Government.
- 2.7 While recognising long term funding proposals would need to be indicative in nature and subject to revision depending on certain assumptions including the overall fiscal settlement, we believe that it would provide greater flexibility and assist with medium and long term strategic planning if indicative budgets were provided to the Orkney IJB for a longer time frame than the current annual budgeting approach.
- 2.8 We therefore recommend that indicative three-year allocations, depending upon detailed and substantiated assumptions are proved at least annually to the IJB by both parties, and that all parties are proactive in working together in confirming or making revision to any assumptions made.

Recommendation 2

3.0 Budget Savings

- 3.1 A report to the Orkney IJB board meeting on 9 April 2020, invited the board to note, inter alia, that:
- 3.1.1. *“At a meeting with the partners it was agreed that there should be a three-year savings target applied so as this would give the Orkney IJB a set figure to work towards over a three-year period. In total there is a savings target of £4.2 million to be achieved by the end of 2022/23.”*
- 3.1.2. *“Orkney Integration Joint Board’s medium-term financial plan 2019-22 identifies a funding gap of approximately £5 million facing the Board by 2022/23. Work is required to ensure that financial pressures can be addressed. There is a risk that the Orkney Integration Joint Board may not be able to deliver the targeted saving in 2019/20 and beyond.”*
- 3.2 In broad terms, a £4.2 million saving equates to approximately 9.0% of the IJB baseline budget for 2020/21 excluding set aside, or 3.0% on average for each of the three years by both parties.
- 3.3 The savings targets are clearly ambitious and challenging, especially in a period of growing demand led by aging demographic pressures, increasing and unfunded statutory demands such as the extension of free personal care to under 65s, self-directed support, residential childcare and the requirements of the Carers Act. There is no additional funding to facilitate transformation.
- 3.4 A report to the Integration Joint Board on 12 May 2020 advised, inter alia, that:
- 3.4.1. *“Within this financial year there has been recurring savings identified of £144k”,*
- 3.4.2. *“However, it must be recognised that to date there have been no significant decommissioning or transformation of services which will deliver cash savings on a recurring basis to date to achieve the overall three-year target of £4.2 million.”*
- 3.4.3. *“Within this financial year there have been no decommissioning or transformation of services which will deliver cash savings on a recurring basis.”*

- 3.5 The savings of £144,000 identified so far equates to 3.4% of the savings to be achieved by the end of 2022/23.
- 3.6 Of the £144,000 savings identified so far, £77,000 relates to the removal of sleep-in payments at care homes which is in response to a Court of Appeal ruling which concluded that carers who can go to bed during their shift are “available for work rather than actually working” – and so are not entitled to the national minimum wage for the period during which they are asleep.
- 3.7 The identification of savings so far is therefore minimal in relation to total target savings and needs to be accelerated if savings are to be identified, due consultation carried out, and implemented by the end of 2022/23.
- 3.8 Audit Scotland’s report, Health and Social Care Integration, – Update on progress, Nov 18 includes a case study of a Shetland scenario planning exercise which we have included as appendix A to this report.
- 3.9 The report, referred to at 3.8 includes the following comments made by Audit Scotland:
- “IJBs, with the support of council and NHS board partner bodies, should be clear about **how** and **when** they intend to achieve their priorities and outcomes, in line with their available resources; and ultimately how they intend to progress to sustainable, preventative and community-based services. This includes working with NHS boards and councils to: agree which services will be stopped or decommissioned to prioritise spend; plan effective exit strategies from current ways of delivering services; and being clear how they will measure improvements in outcomes. Exit strategies are an important element in the ability to move from one service provision to another.”*
- “Scenario planning will help IAs build a picture of what they will need in the future. This involves looking at current trends, such as the effects of an ageing population, current lifestyles and future advances in health and social care. IAs should then use this analysis to anticipate potential changes in future demand for services and any related shortfalls in available finances. Strategic planning groups of the IJB have a role to play in ensuring the needs of the community are central to service decisions.”*
- “Although strategic planning is the statutory responsibility of the IAs, councils and NHS boards should fully support the IJB and provide the resources needed to allow capacity for strategic thinking.”*
- 3.10 The report referred to at 3.8 also identified that “A small number of IAs do not have detailed implementation/commissioning plans to inform their strategic plan. Of those which do, about half of these provide a link to resources. More needs to be done to show how the shift from the current ways of working to new models of care will happen and when positive changes to people’s lives will be achieved.”
- 3.11 Urgent action should be taken by the IJB, fully supported by its partners, to identify budgetary savings in order that it can sustain its priority services.
- 3.12 It is therefore recommended that a working group, or groups, are established to identify how budget savings will be implemented. The output from the group(s) should inform clear implementation and decommissioning plans so that budget savings are made linked to strategic priorities, plans and policies.

4.0 Unscheduled Care (set aside)

- 4.1 The Integration scheme agreement, dated October 2015, provided for: *“Inpatient hospital services/budgets provided within the Balfour Hospital and capacity in the delegated specialties used in hospitals located in other Health Boards will form the set aside portion of the hospital budget.”*
- 4.2 The statutory guidance on the use of delegated hospital budgets outlines six key steps for implementing the set aside arrangements, which are summarised as follows:
 - 4.2.1. A group should be established comprising the hospital director and finance leads, and the Chief Officers and Chief Finance Officers of the IJB’s whose populations use the hospital services.
 - 4.2.2. The base line bed days used by the IJB residents in the ten speciality areas should be quantified and the relevant budgets mapped to the bed capacity.
 - 4.2.3. A method should be agreed for quantifying how the sum set aside will change with projected changes in bed capacity.
 - 4.2.4. A plan should be developed and agreed that sets out the capacity levels required by each IJB.
 - 4.2.5. Regular information should be provided to the group to monitor performance against the plan.
 - 4.2.6. As the plan for hospital capacity is a joint risk held by the IJB and the Health Board an accountability framework should be agreed that clarifies relevant risk sharing arrangements.
- 4.3 Clarity over whether unscheduled care should be included within the scope of the IJB’s strategic plan, the guidance on financial planning for large hospitals published by the Scottish Government, stipulating that where a Health Board and an Integration Authority are coterminous, unscheduled adult inpatient services require to be delegated to the Integration Authority, based on the functions included in the legislation.
- 4.4 Arrangements for the sum set aside for hospital acute services under the control of the Orkney IJB are not yet operating as required by legislation and statutory guidance. The set aside budget for 2020/21 has not been formally delegated to the IJB, timeously, i.e. prior to the commencement of the financial year.
- 4.5 The Orkney IJB, at a meeting of 9 April 2020 were informed of an indicative figure received from the NHS Orkney for the 20/21 Financial year of £7.409m.
- 4.6 The Orkney Integration Joint Board was updated on 28 May 2020 that at the NHSO board meeting it was agreed that NHSO would comply with the Integration scheme of 2015 and that the set aside budget will be passed to the Orkney IJB effective from 1 April 2020.
- 4.7 The indicative value detailed at 4.5 was neither confirmed nor revised.
- 4.8 The indicative amount of £7,409,000 towards unscheduled care for 2020/2021 is £1,208,000 less than the £8,617,000 of set aside expenditure for 2019/20.

- 4.9 It is recommended that the IJB and the Health Board prioritise establishing robust and timeous processes for the planning, performance, management and budgetary performance monitoring of set aside hospital functions and associated resources.

Recommendation 4

- 4.10 It is recommended that regular and detailed reports are provided to the Orkney IJB of the progress made towards meeting each of the six key steps for implementing the set aside arrangements as set out in statutory guidance and detailed at 4.2. A RAG or BRAG traffic light system may assist board members in tracking progress towards each deliverable.

Recommendation 5

- 4.11 It is recommended that the Orkney IJB and the Health board prioritise how budget savings specific to unscheduled care will be made.

Recommendation 6

5.0 The Orkney Integration Scheme

- 5.1 Our report has made various references to the Orkney Integration Scheme. Whilst the scope of this review has been to consider the Orkney IJB's budgetary setting process, we note that a review of the agreement, in accordance with the statutory regulation requirement, is now due.
- 5.2 External auditors have previously identified that the Orkney IJB is still to review and update their Integration Scheme to ensure there is a shared understanding between partners that it is undesirable to cut subsequent years' funding allocations by the current year's additional funding (in the event of a deficit), as this will compound any funding gap.
- 5.3 The Integration Scheme states that the board may retain underspend to build up its own reserves. Although the ongoing and increasing financial pressures placed upon both partners is acknowledged, the practice of reducing budget allocations to compensate for overspends for activity within the parent bodies that are outwith the IJB is not considered suitable in assisting the Orkney IJB in meeting its financial priorities or in keeping with statutory guidance.
- 5.4 Recommendations made within this report are incorporated as detailed procedural arrangements within the Orkney Integration Scheme.

Recommendation 7

Action Plan

Recommendation	Priority	Management Comments	Responsible Officer	Agreed Completion Date
<p>1) That each of the proposals, made by the Ministerial Strategic Group for Health and Community Care and detailed at 1.21 are progressed, with processes and resources put in place so that the IJB is effectively supported in managing its financial priorities and financial management.</p> <p>It should be considered that processes be included within the integration scheme.</p>	High	<p>The Integration Joint Board's Discussion Forum, which includes members from the Local Authority, Health Board and IJB will be re-established to update on the progress made to date and an action plan will be created on when these actions will be completed.</p>	Chief Officer	31/12/20
<p>2) Indicative three-year allocations, depending upon detailed and substantiated assumptions should be provided at least annually to the IJB by both parties, and that all parties are proactive in updating confirmation or revision of assumptions made.</p>	Medium	<p>[OIC comment] The Audit report narrative recognises that the Scottish Government has not been able to deliver on its commitment to bring forward a three-year settlement for local government from 2020-2021 and the bleak prospects for future budget allocations across the public sector in Scotland as a result on COVID-19.</p>	Partners i.e. OIC / NHSO	31/03/21

		<p>There is therefore a significant risk to the IA that any indication given of budgetary provision beyond the certainty of a confirmed single year settlement will not be capable of being honoured by NHS Orkney and Orkney Islands Council if they themselves suffer a poor settlement in years two or three. Strategic plans based upon such uncertain foundations will therefore contain a high degree of risk.</p> <p>Indicative year 2 and 3 allocations can be provided but will be highly caveated and largely based on current settlements with savings target applied.</p>		
<p>3) A working group, or groups, should be established to identify how budget savings will be implemented. The output from the group(s) should inform clear implementation and decommissioning plans so that budget savings are made linked to strategic priorities, plans and policies.</p>	<p>High</p>	<p>A Finance Workshop is planned for August 2020 to start generating budget savings proposals.</p> <p>A working group will be established to take forward these proposals for consideration by the IJB.</p>	<p>IJB Head of Finance</p> <p>IJB Head of Finance and Partner Heads / Directors of Finance</p>	<p>31/08/20</p> <p>30/09/20</p>

<p>4) The Orkney IJB and the Orkney Heath Board should prioritise establishing robust and timeous processes for planning, performance and management of set aside hospital functions and associated resources.</p>	<p>High</p>	<p>The DFO at NHSO and CFO will agree on what information shall be available on a timeous basis for reporting in regards to the planning, performance and management of set aside</p> <p>A report shall be submitted to the September IJB detailing the background of the set aside and the pressures of spend.</p>	<p>IJB Head of Finance / NHSO Director of Finance</p> <p>IJB Head of Finance / NHSO Director of Finance</p>	<p>31/12/20</p> <p>31/08/20</p>
<p>5) Regular and detailed reports are provided to the IJB of the progress made towards meeting each of the six key steps for implementing the set aside arrangements as set out in statutory guidance</p>	<p>Medium</p>	<p>Progress in delivery of the six key steps set out in the statutory guidance on the use of delegated hospital budgets will be reported to the IJB.</p>	<p>NHSO Director of Finance / IJB Head of Finance</p>	<p>31/12/20</p>
<p>6) The Orkney IJB and the Health board should prioritise how budget savings specific to unscheduled care will be made.</p>	<p>High</p>	<p>A report will be submitted to the IJB in Sep 2020 highlighting the pressures within the set aside and how they were funded previously.</p> <p>A working group will be established to take forward these proposals for consideration by the IJB.</p>	<p>IJB Head of Finance / NHSO Director of Finance</p>	<p>31/08/20</p> <p>30/09/20</p>

<p>7) The recommendations made in this report are incorporated as detailed procedural arrangements within the Orkney Integration Scheme.</p>	<p>Medium</p>	<p>A rudimentary review is being undertaken with a report being submitted to the IJB in September.</p> <p>There is a commitment to undertake a thorough review by the end of the financial year</p>	<p>OHAC SMT</p> <p>Chief Exec OIC Chief Exec NHS Chief Officer IJB</p>	<p>30/09/20</p> <p>31/03/21</p>
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Key to Opinion and Priorities

Audit Opinion

Opinion	Definition
Substantial	The framework of governance, risk management and control were found to be comprehensive and effective.
Adequate	Some improvements are required to enhance the effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Recommendations

Priority	Definition	Action Required
High	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.	Remedial action must be taken urgently and within an agreed timescale.
Medium	Weakness in governance, risk management and control that if unresolved exposes the organisation to a high level of residual risk.	Remedial action should be taken at the earliest opportunity and within an agreed timescale.
Low	Scope for improvement in governance, risk management and control.	Remedial action should be prioritised and undertaken within an agreed timescale.