

EAST AYRSHIRE COUNCIL

GOVERNANCE AND SCRUTINY COMMITTEE – 11 FEBRUARY 2011

INTEGRATED RESOURCE FRAMEWORK – FINANCIAL PROTOCOLS AND MECHANISMS

Report by Executive Director of Finance and Corporate Support**1 PURPOSE OF REPORT**

- 1.1 To advise Members of the Committee of work that has been undertaken to develop financial protocols and mechanisms that will support the progression of current and future projects undertaken within the Integrated Resource Framework (IRF) arrangements.

2 BACKGROUND

- 2.1 Public sector services are currently working within a context of significant financial restrictions, in part reflecting the knock on effects of the recent recession as well as having to adapt to a change in government at a national level and a changing demographic across Scotland. At the same time, there continues to be a service and policy focus on delivering care more efficiently and effectively, and in a person-centred/needs led manner. Bringing these two sets of priorities into alignment is a key concern, and one which lies at the heart of the Integrated Resource Framework (IRF) initiative.
- 2.2 The IRF is part of a programme of work initiated by the Scottish Government under the banner of Shifting the Balance of Care (SBC), which aimed to improve the health of people in Scotland by facilitating a greater focus on prevention and the delivery of services in a more local, integrated and effective manner. To help NHS board areas achieve the kind of services envisioned, the SBC working group adopted a set of service review tools established in NHS Highland and made these available to a limited number of pilot sites, to help them explore the resources and practices of local partners.
- 2.3 It was hoped that doing so would allow the identification of barriers to and opportunities for closer working (including sharing resources/joint commissioning) between the NHS and local authority. This exploratory mapping activity constituted the IRF, and it involved four test sites across Scotland, including Ayrshire and Arran. The work within Ayrshire and Arran comprises four projects:
- Older people's services (South Ayrshire)
 - Children with complex needs (Pan Ayrshire – led by North Ayrshire)
 - Adults with complex needs (East Ayrshire)
 - Chronic Obstructive Pulmonary Disease (COPD – Pan-Ayrshire)

- 2.4 Integral to the success of the overall programme and the individual projects, is the need for clarity across all organisations on the availability of protocols and mechanisms. These are necessary to enable the movement of financial resources between and across organisations to support any planned changes in service delivery resulting from analysis and subsequent recommendations contained within project outcome reports.

3. CURRENT POSITION

- 3.1 A short-life working group tasked with the identification of existing financial mechanisms along with the development of guidance and protocols for their use was established by the IRF Steering Group in June 2010. A senior finance officer from each organisation, supported by the IRF Programme Manager, met on six occasions between June and December 2010 – including one half day workshop in November.
- 3.2 The work plan agreed for the sub group required the production of a single document explaining the financial mechanisms available to services to support continuous improvement, closer integration and proposed revisions to service delivery models whilst also setting out the key financial parameters and governance arrangements necessary for their effective operation.
- 3.3 The final document – “A Guide for Service Managers – Financial Mechanisms to Support Closer Integration of our Services” which is attached as an appendix for information was approved by the IRF Steering Group in December. The Steering Group recommended that in order to ensure consistency of approach it would be good practice for each organisation to review and adopt the guidance through their normal audit and scrutiny arrangements.
- 3.4 It was clear during the writing of the guidance that there was heightened interest in the utilisation of pooled budgets, along with increased encouragement from a national policy perspective to adopt this mechanism. An example of this is the recently announced Change Fund for Reshaping Care for Older People, which will provide bridging finance to support shifts in the balance of care from institutional to primary and community settings and is expected to operate on a pooled/partnership budget approach. Given this specific guidance in relation to the use of pooled budgets was included within the final document however, this does not preclude the use of the other mechanisms for specific projects.

4. HUMAN RESOURCES IMPLICATIONS

- 4.1 There will be a requirement to raise awareness of the guidance across each of the participating organisations in order that there is a full understanding of how they may be utilised to support shifts in the balance of care, resource transfer together with service redesign as necessary.

5. LEGAL/POLICY IMPLICATIONS

- 5.1** It is expected that the guidance will be incorporated within the overall financial management arrangements of the Council and that the financial regulations and accounting policy bulletins will be updated as necessary.

6. FINANCIAL IMPLICATIONS

- 6.1** There are no immediate financial implications arising from the report.

7. RISK IMPLICATIONS

- 7.1** The guidance is aimed to raise awareness and understanding of officers working across health and social services of the range of financial mechanisms available to support closer integration and delivery of services. Adoption of the guidance will support and strengthen the overall control environment within organisations and contribute to the effective allocation of resources.

8. RECOMMENDATIONS

It is recommended that Members:

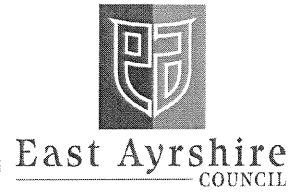
- i) Agree to the adoption of the guidance in relation to financial mechanisms and protocols and request the Head of Finance to implement any necessary amendments to the financial regulations and accounting policy bulletins.
- ii) Otherwise note the content of the report.

Alex McPhee
Executive Director of Finance & Corporate Support
7 January 2011
RB/

LIST OF BACKGROUND PAPERS

Appendix 1 – Integrated Resource Framework – A Guide for Service Managers

Any person wishing further information should contact Craig McArthur, Head of Finance (Telephone 01563 576300).



Integrated Resource Framework

A Guide for Service Managers

Financial Mechanisms

to support closer integration

of our services



1 Introduction

- 1.1 NHS Ayrshire & Arran, East Ayrshire, North Ayrshire and South Ayrshire Councils are participating as a pilot site in the national Integrated Resource Framework Programme. **Working in partnership** – we believe there are opportunities for health and social services to work closer together, resulting in improvements for our patients and service users and our staff.
- 1.2 Our aim is to **identify innovative solutions** to the challenges facing the services. We will do this by looking at our **options** and **maximising flexibilities available to our partnerships**, to identify the **most efficient and effective** use of our resources.
- 1.3 Opportunities for improvement and closer integration will be **rightly identified by those working within our services**. Clinicians, practitioners, service managers and directors know their services well and are best placed to identify areas for improvement. Several projects have been identified and progressed within the IRF Programme in Ayrshire & Arran.
- 1.4 The **purpose of this document** is twofold. Firstly, to **highlight the options available** to those services aiming to improve, more closely integrate, revise their service delivery models, in respect of the **actual business arrangements** between organisations. In other words, the financial mechanisms. Secondly, to clarify the requirements necessary.
- 1.5 The introduction of the **Change Fund** will provide bridging finance to facilitate shifts from institutional to primary and community settings. The options examined within this document **provide CHPs** with the range of **financial mechanisms** available to them. Additionally, the **Pooled Budget Protocol** within this document provides **a framework for the governance arrangements should a pooled budget be utilised for the change fund monies coming to partnerships in forthcoming years**.
- 1.6 As a service manager you know where to get advice from **support services** to assist you in your role. Irrespective of whether this is from human resources, communication, IT, Finance or other support areas. This situation remains the same – irrespective of the fact we are piloting



East Ayrshire
COUNCIL

the Integrated Resource Framework. The information within **this guide serves to clarify and remind you of the options you have available when considering service re-modelling from a financing perspective.** Particularly, with any of the questions you may have in relation to the financial/accounting aspects – named personnel within each of your organisations are available to assist you.

1.7 **Key contacts within each of our four organisations** have been involved in the production of this guidance and are available to assist you with any questions you may have. Their contact details for **help, advice & assistance in relation to this document are:**

| Organisation | Name | Contact Details |
|------------------------|-----------------------------------|--|
| East Ayrshire Council | Robin Baker | Robin.Baker@east-ayrshire.gov.uk |
| North Ayrshire Council | Angus Grossart | AGrossart@north-ayrshire.gov.uk |
| South Ayrshire Council | Eleanor Currie | Eleanor.Currie@south-ayrshire.gov.uk |
| NHS Ayrshire & Arran | Sharon Lindsay Joanne Atkinson | Sharon.Lindsay@aapct.scot.nhs.uk Joanne.Atkinson@aapct.scot.nhs.uk |

2. Financial Mechanisms

2.1 This section is a **brief summary** of the **different Financial Mechanisms** available to our health and local authority bodies to **enable closer integration of our services**. These financial mechanisms are sometimes described as “**Integrated Resource Mechanisms or IRMs**”.

2.2 **Seven mechanisms have been identified** at both national and local levels. These are:

- 1 Resource Transfer between Health & Council
- 2 Cross Charging (Transactions based)
- 3 Aligned Budgets
- 4 Pooled Budgets
- 5 Lead Commissioner/Provider models
- 6 Tariffs
- 7 Create a new Organisation

The next section provides more information in relation to each of these mechanisms.

2.2.1 **Resource Transfer between Health and Council** (sometimes referred to as “grants”).

Resource transfer already exists between our organisations.

Existing Financial Regulations (FRs) and/or Standing Financial Instructions (SFIs) would apply if this mechanism was to be adopted.

Example:

When NHS Ayrshire & Arran close long stay hospital beds, for example within the learning disability or mental health services, an agreed amount of resource per bed is transferred to the Local authorities. This is to support an increased level of community services, delivered by the council in partnership with community health services, to support people to live in their communities, rather than within long stay hospital beds.

2.2.2 Cross Charging (Transactions based)

Cross charging already exists between our organisations. This can be useful when recovering the costs of seconded staff and resources across organisations. An example includes the cross charging of therapy staff costs between NHS Ayrshire & Arran and South Ayrshire Council.

Existing Financial Regulations (FRs) and/or Standing Financial Instructions (SFIs) would apply if this mechanism was to be adopted.

Example

NHS Ayrshire & Arran currently cross charges the cost of school nurses to the three Local Authorities. Local Authorities have been in receipt of funding with which they have enhanced the school nursing service; charges have been raised to reflect the hours worked by NHS Ayrshire & Arran staff for specific schools throughout Ayrshire. The charge will reflect gross costs for the actual hours input and any associated costs incurred e.g. travel costs.

2.2.3 Aligned Budgets

This mechanism is currently used in Ayrshire & Arran in some areas. In this scenario a budget or budgets from each organisation is identified for a common project or service with joint decision making in relation to how these budgets are spent. An example of where this is currently used is the Community Integrated Care Service in South Ayrshire with each organisation being responsible for their contribution.

Existing Financial Regulations (FRs) and/or Standing Financial Instructions (SFIs) would apply if this mechanism was to be adopted.

Example

The Community Integrated Care Team has an aligned budget and joint decisions are made on the use of the funding. The team work in partnership with the local authority older people's teams to prevent admission to hospital; promote early discharge and contribute to the rehabilitation of older people in the community. The budget attached to this team is used exclusively by Integrated Care Team practitioners to purchase additional services to support treatment plans for older people. These services can be stand alone provision or to supplement existing care packages provided by SAC in order to support people during a time of difficulty through ill health; falls etc. There are regular operational meetings with the ICT and the local authority teams regarding practice and also a separate finance meeting attended by the management team of both services and the finance officers from SAC and NHS Ayrshire and Arran.

2.2.4 Pooled Budgets

This mechanism involves **partners contributing agreed levels of funding to a single pool/budget**. This budget is then managed by a nominated budget holder – who could work within any of the partner organisations. The budget would be utilised to deliver an agreed level and specification of service.

Example

“Clackmannanshire Council and NHS Forth Valley have successfully operated a pooled budget arrangement for the purposes of providing an integrated mental health service since 2005. The service is administered by a single management structure shared by each partner with the goal of providing a “whole system approach” to mental health care within Clackmannanshire. The operation of a pooled budget has allowed the partners to amalgamate monies in a discrete fund. Regardless of the contributions committed to the pool by each party the resource is used on approved services set out in a partnership agreement. This results in expenditure being based on the needs of the service users and not of the level of individual contributions. The pooled budget therefore has increased flexibility whilst still being bound by the overall aims and objectives set.”

The operation of a **pooled budget** would be subject to a **partnership agreement**, (detailing the operational parameters eg service levels and delivery methods, budget preparation, over/under spends, governance and reporting arrangements).

Existing Financial Regulations (FRs) and/or Standing Financial Instructions (SFIs) would apply if this mechanism was to be adopted. Additionally, it is expected that the transfer of funds to a pooled budget by partner organisations would be subject to annual approval by the respective decision making bodies (NHS Board and Council).

As there appears to be heightened interest in the utilisation of pooled budgets, along with increased encouragement from a national policy perspective to adopt this mechanism (e.g. the Change Fund within Reshaping Care for Older People, Spring 2010) specific guidance in relation to this follows later in this document at the section “Financial Protocol for Pooled Budgets”. However, this does not preclude partners from choosing one of the other six mechanisms detailed here within section 2.2. Furthermore, as projects develop and alternative mechanisms wish to be progressed, the individuals at section 1.7 above are available to assist with the development of appropriate protocols to support these.



2.2.5 Lead Commissioner/Provider Model

This mechanism involves the total resources for the care of a defined population being provided to one organisation. They subsequently either provide the services or commission the services from a third party.

Example

South Ayrshire Council contracts on behalf of East Ayrshire Council and NHS Ayrshire and Arran with Turning Point Scotland. This project, Seastar, is to provide individual needs based interventions for people with a range of substance misuse issues. The service is aimed at people who are stable or approaching stability and want to move to education, training, employment or to get a sense of normality back into their lives.

Health can delegate statutory duties to Councils and vice versa under the Community Care & Health Act 2002. A minor adjustment to the relevant legislation is currently being made in relation to the commissioning of mental health services, as described in the Community Care & Health Act 2002, due to the enactment of the Mental Health (Care & Treatment) Act 2003. It is anticipated this will be complete by early 2011.

Notwithstanding comment in relation to minor amendment required, existing Financial Regulations (FRs) and/or Standing Financial Instructions (SFIs) would apply if this mechanism was to be adopted. If this was being used in addition to pooled budgets, commissioning and procurement would be integrated within the overall partnership agreement.

2.2.6 Tariffs

This model of **cross charging** currently exists between health boards. Activity is reimbursed based on previously agreed costing for a range of activities/services, based on an agreed tariff (price list).

Example

Where non-emergency treatment is carried out on a patient from out-with a Board's area then the Health Board providing the treatment will charge the patient's Health Board of residence for that treatment. The tariff will reflect the type of treatment e.g. inpatient/ day case; intensity of treatment and the length of stay required in hospital.

As none of the current IRF projects envisage utilising tariffs, this option is

not further explored at this time as it is considered that the design and implementation of a tariff system for local use would not support the overall outcomes expected from the projects. It does however remain an alternative which can be further investigated as necessary.

2.2.7 Creating a New Organisation

This option is available to us, as a result of **existing legislation¹** and our existing powers and authority. Any new organisation would **require to be approved by Scottish Ministers**.

An alternative option would be to **establish either a joint board or committee** of two or more of our partner organisations responsible for delivering specific activities or services. The board/committee would jointly report through both health and local authority routes. This is not viewed as a preferred approach for any of the existing projects but remains available for future initiatives

2.3 Conclusion

In theory and in practice, **all seven of the above mechanisms** described at 2.2 are available to us, to support the further integration of health and local authority services here in Ayrshire & Arran. Many are already in use, albeit on a small scale and utilised to support seamless health and social care services for our service users.

Support and assistance for exploring which of the above mechanisms would be most appropriate for your services is available from any of the named contacts at section 1.6 above.

Irrespective of the mechanism used, it is important to ensure we comply with existing financial regulations and put in place sufficiently robust systems of internal control. Should a pooled budget be utilised, cognisance of, and compliance with the following Financial Protocol (at Sections 3) is required.

¹ Local Government in Scotland Act 2003



Financial Protocol
for
Pooled Budgets



1. INTRODUCTION

1.1 The proposal to create a pooled budget will require the **creation of a Partnership Agreement**, between the parties. The Partnership Agreement will detail the arrangements of how the partnership will function. This will include reference to financial arrangements.

1.1.1 The purpose of this protocol is to provide clarity and explanation of what **financial arrangements** will need to be considered and met, as part of any Partnership Agreement. This should be taken along with existing financial regulations (FRs) and standing financial instructions (SFIs) of respective partnership organisations and applies in circumstances where partners propose to operate pooled budgets.

1.1.2 The protocol has been developed to provide sufficient clarity in relation to the required financial arrangements between NHS Ayrshire & Arran and East Ayrshire, North Ayrshire & South Ayrshire Councils as they move forward in the spirit of closer integration of services and resources.

1.1.3 It is anticipated this protocol will satisfy certain requisites of the **Change Fund application process** – in terms of providing clarification of the “**financial mechanism and governance framework**” requirements for a pooled budget.

Should alternative mechanisms be preferred, assistance can be provided to develop protocols for the alternative mechanisms available to partnerships. As a first point of contact in relation to this, please be in touch with the IRF Programme Manager: Joanne Atkinson: 01292 885817 or Joanne.Atkinson@aapct.scot.nhs.uk

1.1.4 The aim of this protocol is to ensure that where pooled budget arrangements are introduced adequate controls exist to support:

- i. The promotion of economy, efficiency, effectiveness and best value.
- ii. The accuracy and completeness of all accounting records for each Partner
- iii. The provision of appropriate timely and accurate management and financial information.
- iv. The detection and prevention of fraud and irregularity.
- v. The safety and security of partners' assets.

1.2 Scope & Compliance

1.2.1 All officers involved in service planning and delivery of services will observe this protocol. The relevant Service Managers will be responsible for ensuring the existence of the Protocol is communicated to all



East Ayrshire
COUNCIL

appropriate staff for which they are responsible and are responsible for ensuring it is adhered to.

- 1.2.2 Any breach of protocol should be reported to the appropriate Service or Senior Manager who will determine the appropriate course of action.
- 1.2.3 The protocol has the same standing as the partners standing financial instructions and regulations and is assumed to be incorporated therein.
- 1.2.4 In all circumstances, the pooled budget must be utilised for the delivery of identified activity as detailed within Local Delivery Plans (LDP) and Single Outcome Agreement (SOA) priorities.

1.3 Underlying Principles

- 1.3.1 Partners remain accountable for the use of public funds. Under existing and future arrangements, many control functions will belong to the partner organisation with lead responsibility for the pooled budget and will be described in that partners Standing Financial Instructions or Financial Regulations.
- 1.3.2 The Standing Orders and Financial Regulations of the four Ayrshire partner bodies have been reviewed and no material barriers have been highlighted to preclude the use of pooled budgets.
- 1.3.3 For clarity:
 - i. Every employee working within the services will be the employee of one of the partners.
 - ii. Every asset utilised by the services will be identifiable as the property of one of the partners.
 - iii. Every transaction relating to the services activities will be identifiable as a transaction of one of the partners.

Additionally, statutory responsibility for a service remains unchanged irrespective of whether one partner delegates a service delivery function to another.

- 1.3.4 The Chief Financial Officer group (or their nominated officers) will issue guidance as is necessary to ensure clarity in circumstances of any doubt in relation to this protocol.

The Chief Financial Officer group (or their nominated officers) shall periodically review this protocol to ensure it remains relevant and consistent with their individual organisations circumstances and modus



operandi.

1.4 Definitions

- 1.4.1 Terms used in this protocol will be interpreted according to the definitions provided.

1.5 Delegation

- 1.5.1 Where this protocol places a duty upon a senior officer/manager, these duties may be delegated to another person under their authority.
- 1.5.2 The effect of delegation to another officer does not discharge the responsibility of the senior officer/manager, who remains accountable for the actions of the delegated officer.

2. FINANCIAL PLANNING

- 2.1 This section applies to the preparation of budgets for revenue expenditure and income, responsibility for which remains with Chief Financial Officer of each partner organisation. Capital budgets and expenditure remain out with the remit of this guidance.

- 2.1.1 The respective Senior Manager shall be involved with the Finance Managers of each partner organisation, in order to inform decision making on the contributions from each partner to the services pooled budget.

- 2.1.2 Once each partner has agreed their annual contribution to the pooled budget it will be the delegated responsibility of each Chief Financial Officer to ensure that appropriate budget monitoring arrangements are in place as specified in section 3 of this protocol.

- 2.1.3 Any ring fenced budgets or specific grants included within approved annual contributions must be identified, along with the specific conditions attached to each – including appropriate exit strategies on conclusion of time-limited funding.

- 2.1.4 Information on any proposed new developments that impact on the required level of funding will require to be shared with the Chief Financial Officers in order that the potential impact of the pooled budget can be assessed.

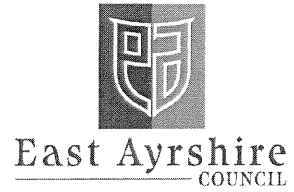
2.2 Budget Setting Process

POOLED BUDGETS – INDICATIVE BUDGET TIMETABLE

| Task | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar |
|--|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Estimates | | | | | | | | | | | | |
| Draft out-turn position (LA) | | | LA | LA | | | | | | | | |
| Identify inflation factors to lead authority | | | All | All | LA | | | | | | | |
| Identify demand factors to lead authority | | | All | All | LA | | | | | | | |
| Consolidate draft estimates (LA) | | | | | LA | LA | | | | | | |
| Indicative required funding levels notified to Partners (LA) | | | | | | | LA | | | | | |
| Efficiencies and other savings identified | | | | | | | | All | | | | |
| Revised funding and service levels identified | | | | | | | | | LA | | | |
| Final indicative funding and service levels proposed | | | | | | | | | | LA | | |
| Council/Board approval of contributions to pool | | | | | | | | | | | LG | NHS |
| Other Milestones | | | | | | | | | | | | |
| Audited accounts approved by Board (NHS) | | | NHS | | | | | | | | | |
| Draft accounts submitted to Audit Scotland (LG) | | | LG | | | | | | | | | |
| Final Audit Accounts | | | | | | LG | | | | | | |
| Draft financial settlement announced | | | | | | | | LG | | | | |
| Draft budget subject to public consultation | | | | | | | | | | LG | | |
| Final Government Grant announced | | | | | | | | | | | LG | |
| Final Financial allocation announced | | | | | | | | | | | | NHS |
| Council tax and budget approved | | | | | | | | | | | LG | |
| Annual financial plan approved | | | | | | | | | | | | NHS |

Key: LA= Lead Authority; All =All partners to pooling agreement; LG= North/South/East Ayrshire Council; NHS = NHS Ayrshire and Arran

The above table sets out the key processes and milestones in respect of agreeing and setting the financial contributions to the pooled budget. These will be supplemented by detailed budget guidance within each of the partner organisations.



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| 3. | FINANCIAL MONITORING AND PERFORMANCE REVIEW |
| 3.1 | Budgetary Control |
| 3.1.1 | All accounting procedures and records will be in a form approved by the Relevant Partner. |
| 3.1.2 | The Chief Financial Officer of each partner organisation is responsible for ensuring that appropriate and robust monitoring arrangements for the pooled budget are established. |
| 3.1.3 | Service Managers are responsible for the provision of services within the resources made available through these arrangements. |
| 3.1.4 | Each partner will ensure adequate access to their financial and management information, in such a manner to allow Finance and Service Managers and their officers to monitor pooled income and expenditure against budget. |
| 3.1.5 | Senior Managers will make arrangements to monitor the income and expenditure for which they are responsible. They will inform the relevant Finance Manager & Service Manager of any actual or forecast material variances. Additionally, they will advise of reasons for the variance and remedial actions being taken to rectify the situation. |
| 3.1.6 | Chief Financial Officers will ensure the regular review of the budget monitoring systems in place and report on adequacy of the same. |
| 3.1.7 | Chief Financial Officers shall periodically inform the partner organisations of the financial position, providing an opinion on the adequacy of remedial action occurring and making recommendations as appropriate. |
| 3.1.8 | Each partner will agree its own carry forward arrangements as part of the budget setting process for pooled budgets. |
| 3.2 | Budget Over/Under Spends |
| 3.2.1 | Arrangements for managing in-year variances from budget need to be agreed by partners. |
| 3.2.2 | As the partnership is not a statutory body in its own right, it cannot carry |

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| | <p>surpluses or deficits between financial years separately from the partners' accounts. Surpluses or deficits at year-end need to be notified by the host to contributing partners. Normally any surplus or deficit will be allocated in proportion to financial contributions, or in another manner if specified in the partnership agreement, for accounting purpose.</p> |
| 3.2.3 | <p>Budget pooling assumes a single "pot" of resource to be used to meet agreed objectives, without attempting to define, within the "pot", what is health expenditure and what is local authority expenditure. It therefore creates scope for spending on services for which there has never been a defined funding allocation. This may require consideration by the partnership to clarify whether investment in such services is proportionate to contributions.</p> |
| 3.3 | Operation of the Pooled Budget |
| 3.3.1 | <p>Each pooled budget should have a manager whose core role is to manage the services managed by the pool. It is expected that the Manager will be nominated from existing staff, but may be recruited by the partners to the agreement, and will be based within the host partner. The Pooled Fund Manager will be responsible for:</p> <ul style="list-style-type: none"> • management of the services provided by the pooled budget • Preparation and submission of annual estimates and calculation of required financial contributions • Preparation and submission of periodic financial reports • Budgetary and financial management of the pooled funds |
| 3.3.2 | <p>The Chief Financial Officer of the host organisation will identify an appropriate Finance resource to provide necessary support and financial advice to the pooled fund manager.</p> |
| 3.3.3 | <p>Where assets are being utilised to deliver the services, consideration must be made as to whether they will remain with existing organisation or transfer to another. There may be restrictions in existence to limit any such transfer. NB this is for existing assets – it is not envisaged the pooled fund would be utilised to purchase assets as this would occur from capital.</p> |
| 3.3.4 | Value Added Tax (VAT) |
| | <p>Local authorities and NHS bodies are governed by different VAT regimes. As a result when working in partnership it is important to be clear which VAT regime governs the partnership's activities.</p> |

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| | <p>Partners should therefore be clear on how they account for income and expenditure – and therefore VAT- before any partnership agreement comes into force. Partners will take steps to avoid having to charge VAT to each other.</p> <p>It is recommended that the structure and proposed system of operation is discussed with the respective VAT advisors of each relevant partner to any agreement and it is the responsibility of the Chief Financial Officers to agree the VAT regime that will be adopted and the documentation, reporting and accounting arrangement necessary to support this.</p> |
| 4. | VIREMENTS AND OTHER BUDGETARY DOCUMENTS |
| 4.1 | General |
| 4.1.1 | This section applies to proposed amendments to any budget after its initial inclusion within agreed arrangements. |
| 4.1.2 | Budgetary adjustments should only be made in response to a planned and authorised change in a service, and where the financial effects of the change are considered material. |
| 4.1.3. | Any proposed adjustment involving an increase in planned net expenditure, must have prior approval as per standing financial instructions (SFIs) and financial regulations |
| 4.1.4 | Where a proposed budgetary adjustment has no overall effect on the planned net expenditure of the services, the regulation on virement will apply. |
| 4.2 | Virement |
| 4.2.1 | The virement rules of the host Partner organisation will be applicable to the operation of the pooled budget and the relevant partners Standing Financial Instructions/Financial Regulations (SFI/FR) will apply in all cases. |
| 4.2.2 | Virement must not create any additional overall budget liability. |
| 4.3 | Significant Change |

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| 4.3.1 | <p>In the event of a significant change occurring, for example changes to any of legislation, policy or strategy, the following is required to occur:</p> <ul style="list-style-type: none"> • Each partner to assess the impact of the change on their budget and the service provided • Partners to jointly agree how to implement the relevant changes to the jointly resourced budget • A detailed report detailing the changes and the financial impact to be prepared and presented to the relevant Chief Financial Officers • Where necessary approval of the NHS Board and Council obtained • Once approved, the changes can be implemented by the relevant management structure |
| 5 | CORPORATE GOVERNANCE |
| 5.1 | Annual Financial Statements |
| 5.1.1 | <p>The Chief Financial Officer or their nominated representative will meet each February to consult on their respective accounts closure timetables and information requirements for year end accounting. The Chief Financial Officer may call a meeting at any other time whenever they identify a change to accounting practice which may affect the accounting records to be kept by the other partner in respect of Pooled Funds.</p> |
| 5.1.2 | <p>Guidance on accounts closure issued by the Chief Financial Officer will be shared with partner organisations.</p> |
| 5.1.3 | <p>If during the accounts closure process a significant issue arises in respect of a Pooled Fund that will affect the accounts of the partners, this must be notified to the partner immediately..</p> |
| 5.1.4 | <p>Prior to finalising their accounts, the Chief Financial Officer will consider the debtor/creditor relationship between the partner organisations to be reflected in each organisation's final accounts. As far as possible the organisations will seek to report in a consistent manner, relevant accounting standards and policies, permitting.</p> |
| 5.1.5 | <p>Copies of final accounts and reports thereon in respect of Pooled Funds will be shared with the partners at the earliest opportunity.</p> |
| 5.2 | Internal Control |
| 5.2.1 | <p>In determining the appropriate arrangements for services within their</p> |

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| | responsibility, senior managers shall follow the principle of control prescribed by the relevant partner. |
| 5.3 | Retention of Records |
| 5.3.1 | All accounting records and related documentation shall be retained for the period to comply with the requirements of the relevant partner. These requirements will take due cognizance of specific guidance under the Freedom of Information (Scotland) Act 2002. |
| 5.4 | Annual Financial Reports |
| 5.4.1 | The Finance Manager and Service Managers will provide whatever assistance and information the Partners may require to enable the production of annual financial accounts and any other necessary reports. |
| 6 | INTERNAL AUDIT |
| 6.1 | General |
| 6.1.1 | The partners shall each be responsible for maintaining an effective internal audit of financial systems and any other operations relating to the pooled budgets in place. |
| 6.1.2 | Internal Audit, as part of their annual work plan, will consider a continuous review of internal controls. The scope of Internal Audit review of pooled budgets and jointly delivered services will be unrestricted excepting any regulatory and/or statutory limitations of the partners. |
| 6.1.3 | All Internal Audit reports relating to the service operation will be presented to the Chief Financial Officer Group for information and then to all Partners Audit Committees or equivalent in line with agreed reporting requirements as necessary. |
| 6.2 | External Audit |
| 6.2.1 | Responsibility for External Audit remains with the statutorily appointed auditors of the respective Partners. It is expected access to information held by partners will be readily accessible as required. |
| 6.3 | Fraud and Irregularity |
| 6.3.1 | The reporting and investigation of suspected fraud or irregularity will be |

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| | conducted in line with the relevant fraud policy of the relevant partner. Where there is more than one relevant partner involved, the investigation will wherever possible, comply with all policies. |
| 7 | INCOME FROM CHARGES |
| 7.1 | The Councils retain the power and responsibility to charge for certain of its functions and it is for the Council to determine how this Income is utilised. The partners will establish and maintain a charging policy to ensure the delivery of health care shall remain free at the point of delivery whilst ensuring that effective procedures exist to facilitate the exercise by the Council of its charging function. |
| 8 | RISK MANAGEMENT AND INSURANCE |
| 8.1 | Risk Management |
| 8.1.1 | The Chief Executive of each organisation will be responsible for ensuring wherever possible, the relevant partner is clearly defined and appropriate Risk Management arrangements are applied for all activities and assets covered by specific pooled budget arrangements. |
| 8.2 | Insurance |
| 8.2.1 | Each partner remains responsible for reviewing their insurance requirements and putting in place, either through the purchase of insurance or other self funding arrangements as may apply, necessary cover to offset and potential liabilities that it is required to do. |
| 8.2.2 | Specific advice in relation to services procured commissioned or provided under pooled budget arrangement should be discussed as necessary with the respective Insurance advisor or officer with that responsibility within each partner. |
| 9 | DATA PROTECTION & ASSET SECURITY |
| 9.1 | The Chief Executive of each organisation will be responsible for ensuring that, wherever possible, the Relevant Partner is defined and the appropriate security arrangements applied for all activities and assets. |
| 9.2 | Where an officer of one Partner has control over the assets or activities of another, they will be bound by the security arrangements of the Relevant Partner for that activity or asset. |

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| 9.3 | Senior Managers will be responsible for the security and use of data under their control. The requirements of the Data Protection and Freedom of Information Acts and the regulations of the Relevant Partners will be observed. |
| 9.4 | The Chief Executives will ensure that all exchanges of information and assets between officers from different Partners are undertaken in accordance with these regulations. |
| 9.5 | Whilst each employee has a responsibility for the security of property of their organisation, it will be the responsibility of senior staff in all disciplines to apply appropriate routine security practices in relation to property. Any breach of agreed security practices will be reported in accordance with standing instructions. |
| 10 | GENERAL / MISCELLANEOUS |
| 10.1 | Except where stated in this protocol, the Financial Regulations or SFIs of the relevant partner will apply to each transaction of the pooled budget |
| 10.2 | <p>The pooled budget arrangement will reflect the systems of each of the relevant partners for the following activities:</p> <ul style="list-style-type: none"> • Accounting for assets and capital charging; • tendering, contracting, purchasing, taking delivery of goods, authorising or making payments or any associated activity relating to the acquisition of goods, services or works; • the preparation or processing of payroll, travel and subsistence, car lease payments or other payments or reimbursements to those working within the services operating within the pooled budget • invoicing, receiving, recording, banking or accounting for any income; • the management of stocks; • the administration of losses, compensations, write-offs or disposals; • the administration of patients' funds and property, or any other |



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| | <p>endowments, unofficial or charitable funds;</p> <ul style="list-style-type: none">• the setting and scrutiny of standards of business conduct, including those relating to the acceptance of hospitality, fees or gifts, or employment outside the scope of the relevant partner. |
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- 10.3 The services will operate no separate bank accounts in their own name, nor undertake any investment or other treasury management activities will all such activity being incorporated within the day to day business of the relevant partner.

The individuals nominated by the multi-agency IRF Steering Group met on six occasions between July and December 2010 – including a dedicated ½ day workshop to produce the contents of this document. It has been compiled in good faith, having taken cognisance of all relevant existing legislation, requirements and guidance known to the individual members of the group. Any omissions/errors or misstatements are owned individually and collectively by the group members.

The group members are:

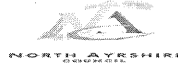
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Sharon Lindsay, NHS Ayrshire & Arran



DEFINITIONS UTILISED WITHIN THIS DOCUMENT

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|---------------------------|---|
| Chief Financial Officer | Executive Director of Finance in NHS Ayrshire & Arran; Officer with designated Section 95 responsibility for financial administration with each Council |
| Relevant Partner | Organisation or body with lead responsibility for pooled budget or service delivery |
| Senior Manager | Senior officer within either Council or Health who has responsibility for service delivery and budget |
| Service Manager | 'Local Manager' in Council and individual 'Manager' within Health who is responsible for specific services covered by a partnership agreement and pooled budget arrangements |
| Financial/Finance Manager | Respective finance staff within each organisation who support managers in budgetary setting and control |
| Chief Executive | Chief Executive of North, South or East Ayrshire Councils or NHS Ayrshire & Arran |
| Budgetary Variance | An over or under-spend compared to budget |
| Budgetary Adjustment | A change to the approved budget for a particular activity |
| Virement | The transfer of approved budgetary provision from one budget to another within a financial year, with a net adjustment of zero. |
| SFI | Standing Financial Instructions (Health) |
| Pooled Budget | A financial mechanism in which partners consolidate funding to form a discrete shared fund or "pool". This pool is then used to pay for goods services and activities for a defined client group or services. |



THE LEGISLATIVE CONTEXT FOR THE INTEGRATED RESOURCE FRAMEWORK

1. INTRODUCTION

This section summarises the legislative context within which the Integrated Resource Framework is required to operate.

2. SUMMARY OF LEGISLATION

The National Assistance Act 1948

Sections 49 and 50 provide the Local Authority with powers to intervene in cases of self neglect.

Social Work (Scotland) Act 1968

The Act sets out the duty for Local Authorities to “promote social welfare” through

- Making available advice guidance and assistance (including in cash or kind Section 12 payments) on a scale appropriate to their area.
- Providing or securing (commissioning) suitable and adequate facilities and assistance to persons over 18.

The 1968 Act required Local Authorities to establish a Social Work Department with a Director of Social Work. The 1994 Local Government (Scotland) Act no longer requires Local Authorities to establish Social Work Committees; Departments; or to have a Director of Social Work, albeit that this Act introduced into the 1968 Act the requirement for a Local Authority to appoint a Chief Social Work Officer to discharge various statutory and general oversight responsibilities.

Local Government (Scotland) Act 1973

The Act abolished the previous Local Authority structures established by the Local Government (Scotland) Act 1947 and established two tier Regional and District Councils.

National Health Service (Scotland) Act 1978

Provides for the establishment of Health Boards in Scotland.

Local Government (Scotland) Act 1994

Established the 32 Local Authorities in Scotland

Community Care and Health (Scotland) Act 2002



This Act is probably the most significant in terms of enabling a joint financial framework to be developed.

Sections 13-17 refer to Joint Working arrangements between local authority and NHS bodies including:

- transfer of funds between each;
- transfer of staff; and
- Ministerial powers to require delegation between local authority and NHS bodies.

More detailed arrangements on joint working are included in the Community Care and Health (Joint Working etc) (Scotland) Regulations 2002. The functions for which partnerships can delegate responsibility are included in schedules 2 and 3 of the regulations and the exemptions are outlined in regulation 5(2) and (3). Any arrangement to delegate functions/pool budgets must be outlined in a written agreement (regulation 9 and the details to be included in the written agreement are included in regulation 11). The composition and management of a pooled fund, including audit arrangements, are included in regulation 10. There is also a requirement to consult on by arrangement (regulation 6). Guidance on the Joint Working regulations was issued in December 2002.

Local Government in Scotland Act 2003

This Act introduces three key considerations:

- The duty to promote Best Value (continuous improvement in the Authority's functions.
- The duty to initiate; facilitate and maintain Community Planning
- The power to advance wellbeing

National Health Service Reform (Scotland) Act 2004

This is the second most significant piece of legislation given that it provides for a setting in which the actions enabled by the Community Care and Health (Scotland) Act 2002 can take place.

Section 4A provides for the establishment of Community Health Partnerships (CHPs). CHPs are not independent statutory bodies, but are committees or sub-committees of a NHS Board.



REFERENCE DOCUMENTS

Pooled budgets A Practical Guide for Local Authorities and the National Health Service, CIPFA 2nd Edition 2009

Aligned Budgets: Sample Critical Paths, CIPFA Joint Resourcing Advisory and Network Group

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East Ayrshire Council – IRF Financial Levers and Protocols briefing paper

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South Ayrshire Council – Integrated Resource Framework

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Towards A Pooled Budget for Health & Social Care in West Lothian - A discussion document Paul Leak & Simon Steer, Scottish Government, 2008

Integration Across Health and Social Care Services in Scotland – Progress, Evidence and Options, Scottish Government: Internal Discussion Paper, 2010