

# Public Document Pack



Aberdeen City Health & Social Care Partnership  
*A caring partnership*

To: Members of the Audit and Performance Systems Committee

Town House,  
ABERDEEN 23 April 2019

## **AUDIT AND PERFORMANCE SYSTEMS COMMITTEE**

The Members of the **AUDIT AND PERFORMANCE SYSTEMS COMMITTEE** are requested to meet in **Health Village Room 5** on **TUESDAY, 30 APRIL 2019 at 10.00 am.**

FRASER BELL  
CHIEF OFFICER - GOVERNANCE

### **B U S I N E S S**

#### **TERMS OF REFERENCE**

#### **AUDIT AND PERFORMANCE SYSTEMS DUTIES**

#### **DECLARATION OF INTERESTS**

- 1 Members are requested to intimate any declarations of interest

#### **DETERMINATION OF EXEMPT BUSINESS**

- 2 Members are requested to determine that any exempt business be considered with the press and public excluded

#### **STANDING ITEMS**

- 3 Minute of Previous Meeting of 12 February 2019 (Pages 7 - 16)
- 4 Business Statement - For Discussion and Update (Pages 17 - 22)

## **GOVERNANCE**

- 5 Local Code of Governance (Pages 23 - 36)
- 6 Review of Financial Governance Arrangements (Pages 37 - 90)
- 7 Draft Annual Governance Statement (Pages 91 - 94)

## **AUDIT**

- 8 Unaudited Accounts (Pages 95 - 142)

## **PERFORMANCE**

- 9 No reports

## **EXEMPT / CONFIDENTIAL BUSINESS**

- 10 No reports

## **CONFIRMATION OF ASSURANCE**

- 11 Confirmation of Assurance



Aberdeen City Health & Social Care Partnership  
*A caring partnership*

Should you require any further information about this agenda, please contact Derek Jamieson, tel 01224 523057 or email [derjamieson@aberdeencity.gov.uk](mailto:derjamieson@aberdeencity.gov.uk)



## **ABERDEEN CITY INTEGRATION JOINT BOARD**

### **AUDIT AND PERFORMANCE SYSTEMS COMMITTEE TERMS OF REFERENCE**

#### **1. Introduction**

- (1) The Audit & Performance Systems Committee is identified as a Committee of the Integration Joint Board (IJB). The approved Terms of Reference and information on the composition and frequency of the Committee will be considered as an integral part of the Standing Orders.
- (2) The Committee will be known as the Audit & Performance Systems Committee (APS) of the IJB and will be a Standing Committee of the Board.
- (3) The purpose of the Committee is to provide assurance to the IJB on the robustness of the Partnership's risk management, financial management service performance and governance arrangements.

#### **2. Constitution**

- (1) The IJB shall appoint the Committee members. The Committee will consist of four voting members of the IJB, with two members appointed from each partner.

#### **3. Chairperson**

- (1) The Committee will be chaired by a non-office bearing voting member of the IJB and will rotate between NHS Grampian and Aberdeen City Council (ACC).

#### **4. Quorum**

- (1) Three Members of the Committee will constitute a quorum.

#### **5. Attendance at Meetings**

- (1) The Chief Officer, Chief Finance Officer, Chief Internal Auditor and other Professional Advisors and senior officers are required as a matter of course, external audit or other persons shall attend meetings at the invitation of the Committee.

- (2) The Chief Internal Auditor will be invited to each meeting and the external auditor will attend at least one meeting per annum.
- (3) The Committee may co-opt additional advisors as required.

## **6. Meeting Frequency**

- (1) The Committee will meet at least four times each financial year. There should be at least one meeting a year, or part thereof, where the Committee meets the external and Chief Internal Auditor without other seniors officers present. A further two developmental sessions will be planned over the course of the year to support the development of members.

## **7. Authority**

- (1) The Committee is authorised to instruct further investigation on any matters which fall within its Terms of Reference.

## **8. Duties**

The Committee shall:-

- (1) Review the overall Internal Control arrangements of the Board and make recommendations to the Board regarding signing of the Governance Statement, having received assurance from all relevant Committees.
- (2) Prepare and implement the strategy for performance review and monitor the performance of the Partnership towards achieving its policy objectives and priorities in relation to all functions of the IJB.
- (3) Ensure that the Chief Officer establishes and implements satisfactory arrangements for reviewing and appraising service performance against the national health and wellbeing outcomes, the associated core suite of indicators and other local objectives and outcomes and for reporting this appropriately to the Committee and Board.

The performance systems scrutiny role of the Committee is underpinned by an Assurance Framework which itself is based on the Board's understanding of the nature of risk to its desired priorities and outcomes and its appetite for risk-taking.

This role will be reviewed and revised within the context of the Board and Committee reviewing these Terms of Reference and the Assurance Framework to ensure effective oversight and governance of the partnership's activities.

- (4) Act as a focus for value for money and service quality initiatives.
- (5) Review and approve the annual audit plan on behalf of the IJB, receiving reports, overseeing and reviewing actions taken on audit recommendations and reporting to the Board.

- (6) Monitor the annual work programme of Internal Audit, including ensuring IJB oversight of the clinical and care audit function and programme to ensure this is carried out strategically.
- (7) Consider matters arising from Internal and External Audit reports.
- (8) Review on a regular basis actions planned by management to remedy weaknesses or other criticisms made by Internal or External Audit.
- (9) Support the IJB in ensuring that the strategic integrated assurance and performance framework is working effectively, and that escalation of notice and action is consistent with the risk tolerance set by the Board.
- (10) Support the IJB in delivering and expecting cooperation in seeking assurance that hosted services run by partners are working effectively in order to allow Aberdeen City IJB to sign off on its accountabilities for its resident population.
- (11) Review risk management arrangements, receive annual Risk Management updates and reports and annually review with the full Board the IJB's risk appetite document.
- (12) Ensure the existence of and compliance with an appropriate Risk Management Strategy.
- (13) Report to the IJB on the resources required to carry out Performance Reviews and related processes.
- (14) Consider and approve annual financial accounts and related matters.
- (15) Approve and understand the sources of assurance used in the Annual Governance Statement.
- (16) Review the Annual Performance Report to assess progress toward implementation of the Strategic Plan.
- (17) Be responsible for setting its own work programme which will include the right to undertake reviews following input from the IJB and any other IJB Committees.
- (18) Promote the highest standards of conduct by Board Members.
- (19) Monitor and keep under review the Codes of Conduct maintained by the IJB.
- (20) Provide oversight of Information Governance arrangements and staffing arrangements as part of the Performance and Audit process.
- (21) Be aware of, and act on, Audit Scotland, national and UK audit findings and inspections/regulatory advice, and to confirm that all compliance has been responded to in timely fashion.
- (22) The Committee shall present the minute of its most recent meeting to the next meeting of the IJB for information.

## **9. Review**

- (1) The Terms of Reference will be reviewed annually to ensure their ongoing appropriateness in dealing with the business of the IJB.

- (2) As a matter of good practice, the Committee should expose itself to periodic review utilising best practice guidelines.



## **Audit and Performance Systems Committee**

### **Minute of Meeting**

**Tuesday, 12 February 2019**  
**10.00 am RmTheCR2, Marischal College**

Present: Rhona Atkinson(Chairperson); and Jonathan Passmore MBE, Cllr Gill Al-Samarai and Councillor Sarah Duncan (as substitute for Councillor Jenny Laing)

Also in attendance; Alex Stephen (Chief Finance Officer), John Forsyth (Legal)

Apologies: Councillor Jenny Laing

### **MEMBERS ARE REQUESTED TO INTIMATE ANY DECLARATIONS OF INTEREST**

1. Members were requested to intimate any declarations of interest.

Councillor Duncan declared an interest in Item 12 on the agenda (Ethical Care & Living Wage Update Report) by virtue of her position as a paid official of Unison. Councillor Duncan intimated her intention to absent herself during that discussion.

The Committee resolved:-  
To note Councillor Duncan's intimation and intention

### **MEMBERS ARE REQUESTED TO DETERMINE THAT ANY EXEMPT BUSINESS BE CONSIDERED WITH THE PRESS AND PUBLIC EXCLUDED**

2. The Committee was asked to determine any exempt or confidential business.

The Committee resolved:-  
To note that there was no exempt business to be considered.

### **WELCOME AND APOLOGIES**

3. The Chairperson welcomed all members and attendees and extended a warm welcome to Andy Shaw (External Auditor) and David Hughes (Internal Auditor).

Apologies were noted from Councillor Laing.

The Chairperson advised that Item 8 (Transformation Programme Monitoring) would follow after Item 5 (Forward Report Planner).

**AUDIT AND PERFORMANCE SYSTEMS COMMITTEE**  
12 February 2019

**MINUTE OF PREVIOUS MEETING OF 13 NOVEMBER 2018**

4. The Committee had before it the minute of the previous meeting of 13 November 2018.

The Committee resolved:-

To approve that the minute was an accurate reflection of the meeting.

**FORWARD REPORT PLANNER**

5. The Committee had before it the Forward Report Planner.

The Committee resolved:-

To note its content and timelines.

**TRANSFORMATION PROGRAMME MONITORING (INCLUDING PCIP)**

6. The Committee had before it a report by Gail Woodcock. The report also contained an update on the PCIP.

The report recommended that the Committee:-

- a) Note the information provided in this report.

The Committee heard that the report provided information on the pace of delivery together with highlights, in depth analysis and key project updates. The report had captured Lessons Learned and was broadly aligned to the developing strategic plan.

Considerable discussion continued due to the depth and quality of the report and the information it contained.

The Committee were then delivered a presentation on the PCIP by Dr Leask. This drew equal participative discussion from the Committee.

Both authors were commended on providing a great deal of the information and assurance that the Committee sought.



## **AUDIT AND PERFORMANCE SYSTEMS COMMITTEE**

12 February 2019

The Committee resolved:-

- (i) To note the information provided in this report within the context of the discussion held and the specific requests for further reports as noted
- (ii) to commend officers for the quality of the process followed and the evaluation reports provided.
- (iii) That officers Circulate a list of projects that were to be reallocated from the Transformation Programme
- (iv) Submit the requested report(s) to the Committee Meeting of 20 August 2019

### **STRATEGIC RISK REGISTER REVIEW**

7. The Committee had before it a report by Martin Allan (Business Manager, ACHSCP).

The report recommended that the Committee:-

- a) Approve and provide comment on the revised risk register, as at Appendix A.
- b) Undertake an in-depth review of 1, 2 & 3 within the strategic risk register at appendix A.
- c) Approve and provide comment on the revised risk appetite statement, as at Appendix B.

The Committee heard from Sandy Reid on behalf of Martin Allan and thereafter engaged in the review sought.

The Committee resolved:-

- (i) To approve and provide comment on the revised risk register, as at Appendix A
- (ii) Undertake an in-depth review of 1, 2 & 3 within the strategic risk register at appendix
- (iii) To provide comment on the revised risk appetite statement, as at Appendix B, and
- (iv) To require the report be revised to include consideration of the comments made.

### **BOARD ASSURANCE & ESCALATION REVIEW**

8. The Committee had before it a report by Martin Allan (Business Manager, ACHSCP).

## **AUDIT AND PERFORMANCE SYSTEMS COMMITTEE**

12 February 2019

The Committee commented that the report served as a map of governance and was a guide as to who needed to look at what and when.

The Committee resolved:-

To approve and provide comment on the Board Assurance and Escalation Framework, as at Appendix A.

### **PERFORMANCE MONITORING**

**9.** The Committee had before it the report by Alison MacLeod (Lead Strategy and Performance Manager, ACHSCP).

The Committee were appreciative of the style and content of the report which assisted provide direction on reporting. The Committee commented that the report identified the distinctions between the APS and CCG Committees though clearly linked their interdependency.

The Committee resolved:-

- (i) To notes the mapping of the strategic performance indicators to the strategic aims and the strategic risk register.
- (ii) To approve the proposed reporting arrangements of the strategic aims to both the Clinical and Care Governance and Audit and Performance Systems Committee.

### **DELAYED DISCHARGES**

**10.** The Committee had before it the report by Kenneth O'Brien (Service Manager, ACHSCP) which provided an update on current delayed discharge performance information regarding the Aberdeen City Partnership.

The Committee were appreciative of the volume and quality of the report, together with the honesty and passion presented during discussions all of which assisted the Committee provide the assurances they are required to discharge.

The Committee resolved:-

To note the performance information contained within the report

## **AUDIT AND PERFORMANCE SYSTEMS COMMITTEE**

12 February 2019

### **REVIEW ON PROGRESS WITH LOCALITY PLANNING**

**11.** The Committee had before it the report by Anne McKenzie (Aligned Senior Manager – North Locality) which discussed the transition from 4 to 3 localities.

The Committee commented that the report provided the position statement they were looking for.

The Committee resolved:-

To note the contents of the report

### **STRATEGIC COMMISSIONING IMPLEMENTATION PLAN REVIEW**

**12.** The Committee had before it the report by Anne McKenzie (Aligned Senior Manager – North Locality).

The Committee were satisfied that the report provided confirmation that the realignment is the best way forward.

The Committee resolved:-

To note the content of the report

### **ETHICAL CARE CHARTER & LIVING WAGE UPDATE REPORT**

**13.** In accordance with Item 1 – Declarations of Interest, Councillor Duncan withdrew from the meeting at this point.

The Committee had before it the report by Claire Duncan (Lead Social Work Officer, ACC).

The report recommended that the Committee:-

- d) Note the implementation of the Scottish Living Wage.
- e) Note the progress across the stages of the Charter
- f) Note that the Charter will be included in the workstream for Care at Home commissioning.

The Committee heard that this was the first report to Committee on the topic which was aligned to Scottish Government Charter on the Living Wage for all care workers. Whilst all care providers are aware of the requirements, this cannot be mandated on all

## AUDIT AND PERFORMANCE SYSTEMS COMMITTEE

12 February 2019

providers albeit most have agreed. How to introduce this within ACHSCP contracts is being considered but this may also bring financial impact.

The Committee resolved:-

- (i) To note the implementation of the Scottish Living Wage.
- (ii) To note the progress across the stages of the Charter.
- (iii) To note that the Charter will be included in the workstream for Care at Home commissioning.
- (iv) To encourage that service delivery partners strive to achieve all aspects of the Charter.
- (v) To re-emphasise that the Charter was endorsed and not signed.

**Councillor Duncan re-joined the meeting at conclusion of this item.**

### FINANCIAL MONITORING

**14.** The Committee had before it the report By Alex Stephen (Chief Financial Officer, ACHSCP).

A minor typo at 3.2 saw a change to the date of 31.12.2018. The Committee entered into discussions regarding the report and commented on the continuing financial challenges which would require strategy in some areas to assist. The report also highlighted some areas worthy of future development and consideration.

**1.1.** The report recommended that the Audit & Performance Systems Committee:

- g) Notes this report in relation to the IJB budget and the information on areas of risk and management action that are contained herein.
- h) Notes the budget virements indicated in Appendix E.

The Committee resolved:-

- (i) To note this report in relation to the IJB budget and the information on areas of risk and management action that are contained herein.
- (ii) To note the budget virements indicated in Appendix E.
- (iii) To recognise the astute financial management exercised.

**AUDIT AND PERFORMANCE SYSTEMS COMMITTEE**  
12 February 2019

**EXTERNAL AUDIT PLAN**

**15.** The Committee had before it the report by Andy Shaw, Director (Assurance, KPMG), the external auditor to the IJB.

The Committee heard an overview of the document which included the methodology used. This included reference to Audit Scotland requirements in respect of risk.

The Committee resolved:-

To approve the approach to external audit, as outlined in Appendix A.

**INTERNAL AUDIT - BUDGET SETTING, MONITORING AND FINANCIAL PERFORMANCE**

**16.** The Committee had before it the report by David Hughes, (Chief Internal Auditor, Aberdeenshire Council).

The Committee were assured by the report and discussion.

The Committee resolved:-

To review, discuss and comment on the issues raised within the report

**LOCAL GOVERNMENT FINANCE - AUDIT SCOTLAND**

**17.** The Committee had before it the report by Alex Stephen, Chief Finance Officer.

The report provided additional information what

The Committee resolved:-

(i) To review, discuss and comment on the report as attached at Appendix A.

(ii) To instruct the Chief Finance Officer to bring the report, *Local government in Scotland: Challenges and performance*, to be published by the Accounts Commission in March 2019, which comments on the wider challenges and performance of councils, to the Committee at its meeting in May 2019.

**AUDIT AND PERFORMANCE SYSTEMS COMMITTEE**  
12 February 2019

**CONFIRMATION OF ASSURANCE**

**18.** The Chairperson provided Members with an opportunity to request additional sources of assurance for items on today's agenda or other areas of business, and thereafter asked the Committee to confirm it had received reasonable assurance to fulfil its duties as outlined within its Terms of Reference.

The Committee resolved:-

That they were satisfied that they had been able to discharge their duties of assurance.

**AUDIT AND PERFORMANCE SYSTEMS COMMITTEE**  
12 February 2019

This page is intentionally left blank



**AUDIT AND PERFORMANCE SYSTEMS COMMITTEE**

**BUSINESS PLANNER**

**23 April 2019**

Please note that this planner contains a note of items which have been instructed for submission to, or further consideration by, the Audit and Performance Systems Committee (APS). All other actions which have been instructed are not included, as they are deemed to be operational matters after the point of decision. If a date is highlighted in **red** this means that an item is overdue.

<u>No.</u>	<u>Minute Reference</u>	<u>APS/IJB/CCG Decision</u>	<u>Update</u>	<u>Terms of Reference</u>	<u>Lead Officer(s)</u>	<u>Expected</u>
1.	IJB 28.08.18 Article 9	<b><u>Primary Care Improvement Plan</u></b>  To note that a PCIP implementation plan would be developed which would be configured around the practice of improvement and that performance would be monitored by the Audit and Performance Systems Committee.	This report will be presented to Committee in February 2019 (transformation report). On this agenda	Item 8(21)	G Woodcock	12.02.19
2.	IJB 28.08.18 Article 12	<b><u>Annual Performance Report</u></b>  To note that performance monitoring of the Annual Report was within the remit of the APS Committee.	At its meeting on 11 September 2018, the Committee agreed to adopt a more creative approach for next year's Annual Report and instructed the Lead Strategy and Performance Manager to present options for consideration at the Committee's next meeting on 13 November 2018.  The adoption of a more creative approach for next year's Annual Report will now be integrated into the broader refresh of the Strategic Plan and review of strategic	Item 8(16)	A MacLeod	12.02.19

<u>No.</u>	<u>Minute Reference</u>	<u>APS/IJB/CCG Decision</u>	<u>Update</u>	<u>Terms of Reference</u>	<u>Lead Officer(s)</u>	<u>Expected</u>
			performance indicators to ensure a cohesive approach is maintained. A report will be presented to Committee in February 2019. (performance report) On this agenda			
3.	IJB 28.08.18 Article 14	<b><u>Carers: Waiving of Charges and Replacement Care</u></b>  To request that progress updates on implementation of the Local Guidelines be reported to the Audit and Performance Systems Committee.		Item 8(21)	A MacLeod	August 2019
4.	IJB 28.08.18 Article 18	<b><u>Transformation Decisions</u></b>  To instruct officers to carry out a <i>lessons learned exercise</i> on the speed of the recruitment process and roll-out of the transformation programme and report these findings to the Audit and Performance Systems Committee.	This report will be presented to Committee in February 2019 and be aligned with the transformation progress report.  On agenda	Item 8(16)	G Woodcock	12.02.19
5.	IJB 22.05.18 Article 1	<b><u>Strategic Risk Register Review</u></b>  To refer the Strategic Risk Register to the Audit and Performance Systems Committee for further review.	The IJB agreed on 9 October 2018 that the APS Committee would escalate any risk which in the Committee's view, should to be increased.  The IJB also instructed the Business Manager to populate gaps within the Risk Appetite Statement relating to	Item 8(11)	M Allan	12.02.19

<u>No.</u>	<u>Minute Reference</u>	<u>APS/IJB/CCG Decision</u>	<u>Update</u>	<u>Terms of Reference</u>	<u>Lead Officer(s)</u>	<u>Expected</u>
			<p>Commissioned and Hosted Services and report this to the next meeting of the Audit and Performance Systems Committee.</p> <p>This Strategic Risk Register will be presented to Committee in February 2019.</p> <p>On agenda</p>			
6.	APS 02.03.18 Article 8	<p><b><u>Internal Audit</u></b></p> <p>To note that the Committee would receive an annual report from Internal Audit on any recommendations which had not been accepted or actioned by Management.</p>		Item 8(6)	D Hughes	28.05.19
7.	IJB 30.01.18 Article 13	<p><b><u>Strategic Commissioning Plan</u></b></p> <p>To request an annual update on the implementation of the Strategic Commissioning Implementation Plan to both the IJB and APS Committee.</p>	On agenda	Item 8(4)	A McKenzie	12.02.19
8.	IJB 06.06.17 Article 7	<p><b><u>Living Wage/Ethical Care Charter Implementation</u></b></p> <p>To note that monitoring arrangements would be put in place which would include reporting to the Audit and Performance Systems Committee and an update on living wage implementation would be included</p>	<p>This report will be presented to Committee in February 2019.</p> <p>On agenda</p>	Item 8(21)	C Duncan	12.02.19

<u>No.</u>	<u>Minute Reference</u>	<u>APS/IJB/CCG Decision</u>	<u>Update</u>	<u>Terms of Reference</u>	<u>Lead Officer(s)</u>	<u>Expected</u>
		within the Ethical Care Charter annual performance report.				
9.	APS 11.09.18 Article 5	<b><u>APS Committee Duties</u></b>  The Committee requested the Chief Finance Officer to present a report back to Committee at the end of the financial year confirming that these duties were met and outlining the anticipated schedule for meeting these duties in the financial year 2019-20.		Item 8(1-22)	A Stephen	28.05.19
10.	APS 11.09.18 Article 13	<b><u>Locality Planning</u></b>  The Committee requested assurance on the progress of locality planning in terms of meeting strategic outcomes.	This report will be presented to Committee in February 2019.  To follow	Item 8(16)	S Ross G Woodcock L McKenna	12.02.19
11.	APS 11.09.18 Article 13	<b><u>Future Financial Planning</u></b>  The Committee requested assurance on the financial sustainability of core budgets, how the Partnership planned to reduce overspends and possible areas for disinvestment ahead of the IJB budget setting process.	This item was received on 13 November 2018  <b>Recommend for removal</b>	Item 8(4)	A Stephen	Item received 13 Nov 18
12.	APS 13.11.18 Article 8	<b><u>Scottish Medium Term Financial Framework</u></b>  The Committee requested the Chief Finance Officer to produce a detailed action plan to address the longer term	This will be contained within the MTFS paper (due to be considered 12 <sup>th</sup> March)	Item 8 (4)	A Stephen	12.02.19

<u>No.</u>	<u>Minute Reference</u>	<u>APS/IB/CCG Decision</u>	<u>Update</u>	<u>Terms of Reference</u>	<u>Lead Officer(s)</u>	<u>Expected</u>
		financial impact on services and submit a report to the Committee on 12 February 2019.				
13.	APS 13.11.18 Article 6	<b><u>Financial Monitoring</u></b> The Committee requested the Chief Finance Officer to provide an update in relation to the Grampian solution for Learning Disability Client care; and The Committee noted that a mapping exercise across the city had commenced to locate all services, where they were based and what was available and that a report on the outcome of the exercise would be submitted to the meeting in February 2019.	Update on the service mapping exercise is provided within the transformation report.		A Stephen  S Ross	12.02.19
14.	APS 13.11.18 Article 10	<b><u>NHS Audit Scotland Report – Effective Leadership</u></b>  The Committee requested the Chief Finance Officer to prepare a report in relation to leadership development and the support model in place for the leadership group and submit it to this Committee within six months.			A Stephen	28.05.19
15.	APS 13.11.18 Article 11	<b><u>Delayed Discharges</u></b>  The Committee requested the Chief Officer to prepare a performance report on Delayed Discharges and	On this agenda		K O'Brien	12.02.19

<u>No.</u>	<u>Minute Reference</u>	<u>APS/IB/CCG Decision</u>	<u>Update</u>	<u>Terms of Reference</u>	<u>Lead Officer(s)</u>	<u>Expected</u>
		present the report to the Committee's next meeting on 12 February 2019.				



## AUDIT & PERFORMANCE SYSTEMS

<b>Date of Meeting</b>	28.05.2019
<b>Report Title</b>	Local Code of Corporate Governance
<b>Report Number</b>	HSCP.19.001
<b>Lead Officer</b>	Alex Stephen, Chief Finance Officer
<b>Report Author Details</b>	Alex Stephen, Chief Finance Officer
<b>Consultation Checklist Completed</b>	Yes
<b>Directions Required</b>	No
<b>Appendices</b>	a. Sources of Assurance & Local Code of Governance

### 1. Purpose of the Report

- 1.1. To review the local code of corporate governance for the Integration Joint Board (IJB) agreed by Audit & Performance Systems on 10 April 2018 and allow the Audit & Performance Systems (APS) committee to comment on the sources of assurances used to measure the effectiveness of the governance principles contained in the CIPFA\SOLACE<sup>1</sup> *'Delivering Good Governance in Local Government: Framework'* document.

### 2. Recommendations

- 2.1. It is recommended that the Audit & Performance Systems Committee:
- a. Approve the changes to the sources of assurance, as highlighted in appendix A

### 3. Summary of Key Information

- 3.1. The IJB is responsible for ensuring that its business is conducted in accordance with the law appropriate to standings, safeguarding public

<sup>1</sup> CIPFA – Chartered Institute of Public Finance and Accounting  
SOLACE – Society of Local Authority Chief Executives



## AUDIT & PERFORMANCE SYSTEMS

funds and asset and making arrangements to ensure best value. In order to demonstrate this, an annual governance statement is produced each year and included within the annual accounts document. The IJB is required to review the effectiveness of the control environment annually and this also features in the annual governance statement.

- 3.2. In April 2016 CIPFA\SOLACE published a report titled 'Delivering Good Governance in Local Government: Framework'. The objective of the Framework is to help local government in taking responsibility for developing and shaping an informed approach to governance, aiming at achieving the highest standards in a measured and proportionate way.
- 3.3. Whilst the document is written in a local authority context, most of the principles are applicable to the IJB, particularly as the legislation recognises the partnership (IJB) body as a local government body, under Part VII of the Local Government (Scotland) Act 1973, and therefore subject to the local authority accounting code of practice. Aberdeen City Council has also adopted a local code of corporate governance based on this framework and many of the assurances will be contained in the same documents
- 3.4. At the APS Committee on the 11 April 2017 a local code of corporate governance was approved based on this Framework and this forms the basis of the annual governance statement.
- 3.5. A review has been undertaken of the sources of assurance and the changes are highlighted in italics in appendix 1 of this report. Many of the assurances come from documents which belong to NHS Grampian and Aberdeen City Council. This is appropriate given the partnership model for IJBs where the decisions made by the IJB are required to be actioned using processes of the partner organisations
- 3.6. An annual review will be required to be undertaken to assess IJB performance against these principles. This will identify any weaknesses and improvement actions required.

### 4. Implications for IJB

- 4.1. Equalities - NA
- 4.2. Fairer Scotland Duty - NA
- 4.3. Financial - NA





## AUDIT & PERFORMANCE SYSTEMS

4.4. Workforce - NA

4.5. Legal - NA

4.6. Other - NA

### 5. Links to ACHSCP Strategic Plan

5.1. NA

### 6. Management of Risk

6.1. **Identified risk(s):** Good governance and internal controls are fundamental to the delivery of the strategic plan and therefore applicable to most of the risks within the strategic risk register

6.2. **Link to risk number on strategic or operational risk register:** Risk numbers 1-10 of the strategic risk register

6.3. **How might the content of this report impact or mitigate the known risks:** This report outlines the assurances for the effectiveness of the governance principles, as set out in the CIPFA/SOLACE document.

This page is intentionally left blank



## Sources of Assurance & Local Code of Governance April 2019

GOVERNANCE PRINCIPLES		
Principle A	Sub-Principles	
Behaving with integrity, demonstrating strong commitment to ethical values and representing the rule of law.	<ul style="list-style-type: none"> <li>Behaving with integrity.</li> <li>Demonstrating strong commitment to ethical values</li> <li>Respecting the rule of law.</li> </ul>	
Sources of Assurance		
IJB	ACC	NHSG
<ul style="list-style-type: none"> <li>Code of conduct</li> <li>Financial regulations (<i>Revised 13 Nov 2018</i>)</li> <li>Integration scheme (<i>Revised 27 March 2018</i>)</li> <li>Standing orders (<i>Revised 26 April 2018</i>)</li> <li>IJB members and ACHSCP staff induction</li> <li>Board Assurance Framework (<i>Revised 26 February 2019</i>)</li> <li>'imatters' survey</li> <li>Dignity at work survey</li> </ul>	<ul style="list-style-type: none"> <li>Information governance management, reporting and scrutiny, including implementation of General Data Protection Regulation 2018 by Council and its ALEOs</li> <li>Monitoring of Scheme of Governance to ensure that it supports progress towards the Target Operating Model; training delivered to elected members and officers; approval of further revisions to the Scheme of Governance to make decision making more efficient and transparent. Review noted as</li> </ul>	<ul style="list-style-type: none"> <li>NHSG schedule of reserved decisions</li> <li>NHSG standing financial instructions</li> <li>'imatters' survey</li> <li>NHS Scotland Staff Experience Review</li> <li>NHSG employee conduct policy</li> <li>NHSG Board Members Code of Conduct</li> <li>EKSF processes/objective setting</li> <li>Standing orders</li> <li>NHSG Feedback Service</li> <li>NHSG induction process</li> </ul>



- |   |  |  |
|---|--|--|
| <ul style="list-style-type: none"><li>• Complaints Handling Procedure</li><li>• Role and responsibilities protocol for Chief Officer and Chief Finance Officer</li><li>• Formal Directions Procedure</li><li>• New IJB report format, including equality and Fairer Scotland implication sections</li></ul> | <p>‘thorough and robust’ and a ‘positive evolution of the Council’s overall governance framework’ by external auditors.</p> <ul style="list-style-type: none"><li>• Member Officer Relations Protocol successfully utilised and facilitated positive remedial action.</li><li>• First annual review by Committees of their effectiveness against Terms of Reference initiated.</li><li>• Implementation of a new Scheme of Establishment and complaints process for Community Councils.</li><li>• Delivery of training on Bond Governance to Chief Officers, elected members and ALEOs.</li><li>• Development of a corporate policies register and corporate policies template linking all policies to strategic outcomes.</li></ul> | <ul style="list-style-type: none"><li>• HR policies (including health promotion)</li></ul> |
|---|--|--|



<b>Principle B</b> Ensuring openness and comprehensive stakeholder engagement.		<b>Sub-principles</b> <ul style="list-style-type: none"> <li>• Openness.</li> <li>• Engaging comprehensively with institutional stakeholders.</li> </ul>
<b>Sources of Assurance</b>		
<b>IJB</b>	<b>ACC</b>	<b>NHSG</b>
<ul style="list-style-type: none"> <li>• IJB Strategic Plan (<i>revised 26 March 2019</i>)</li> <li>• Broad range of stakeholders on the IJB itself.</li> <li>• Representatives from 3<sup>rd</sup> and independent sectors in key working groups.</li> <li>• Joint communications and engagement group.</li> <li>• OurIDEAS innovation platform</li> <li>• Complaints Handling Procedure and freedom of information compliance</li> <li>• 'imatters' team action plans</li> <li>• Communications protocol</li> </ul>	<ul style="list-style-type: none"> <li>• Staff Governance Committee, including trade union adviser representatives.</li> <li>• Weekly Director and trade union meetings to strengthen engagement.</li> <li>• Regular meetings between Chief Officers and TU representatives for cluster level engagement.</li> <li>• Trade union engagement protocols implemented in respect of health and safety.</li> <li>• City wide budget consultation event held with 3rd sector partners.</li> <li>• Leadership Forum established to engage leaders at all levels to contribute towards the next stages of Transformation.</li> <li>• Extensive engagement on a set of Guiding Principles as the new behavioural framework for the Council, culminating in approval by Staff Governance Committee.</li> <li>• Annual review of the ALEO Assurance Hub in December 2018 resulting in revised terms of reference.</li> <li>• Participated in a programme, through the Scottish Cities Alliance, to make "open data" available through a dedicated portal.</li> </ul>	<ul style="list-style-type: none"> <li>• NHSG Feedback Service</li> <li>• Freedom of information compliance</li> <li>• NHSG Local Delivery Plan</li> <li>• NHSG Engagement &amp; Participation Committee</li> </ul>



- Centralised customer feedback function, including social work complaints, to ensure further consistency in complaint handling. A new system to manage complaints was implemented. Tenant Participation Review Group established to review customer feedback.
- Implementation of Customer Experience Platform and enhanced digital capabilities, including new Council website and an extensive portfolio of new online services including digital school admissions.
- Joint review, including Council, civic and partner representatives to explore civic representation and involvement. The findings of this review will be developed through the Transformation programme.
- Involvement of community representatives, along with partner agencies, in the Community Planning Aberdeen consultation on the refreshed LOIP, and ongoing involvement in project groups including chairing the Community Engagement Group.
- Approved a Participatory Budgeting Policy, applying learning from local delivery and review of guidance and best practice.
- Approval of a Participatory Budgeting approach to the Common Good fund.
- Allocation of £1.6m Fairer Aberdeen Fund through a Participatory Budgeting approach.



<b>Principle C</b> Defining outcomes in terms of sustainable economic, social and environmental benefits		<b>Sub-principles</b> <ul style="list-style-type: none"> <li>• Defining outcomes</li> <li>• Sustainable economic, social and environmental benefits.</li> </ul>	
<b>Sources of Assurance</b>			
<b>IJB</b>	<b>ACC</b>		<b>NHSG</b>
<ul style="list-style-type: none"> <li>• Strategic plan (<i>revised 26 March 2019</i>)</li> <li>• Performance framework which includes national &amp; local indicators, aligned to strategic plan</li> <li>• Local outcome improvement plans</li> <li>• Locality plans</li> <li>• Medium Term Financial Framework (<i>revised 12 March 2019</i>)</li> <li>• Transformation Plan</li> <li>• Climate change duties report</li> </ul>	<ul style="list-style-type: none"> <li>• Approval of Local Outcome Improvement Plan 2019-2026</li> <li>• Approval of Corporate Delivery Plan 2019/20</li> <li>• Approval of commissioning intentions defining the contribution of the organisation to the LOIP. The commissioning intentions describe the priorities for the Council's in-house commissioned services in the next financial year.</li> <li>• Agreement of a new Community Learning and Development plan 2018-21</li> <li>• Agreement of the draft Rapid Rehousing Transition Plan and membership of local Housing 1st Consortium</li> <li>• Agreement of the Local Housing Strategy</li> </ul>		<ul style="list-style-type: none"> <li>• NHSG Local Delivery Plan</li> <li>• Performance, Assurance, Improvement and Risk framework (PAIR) &amp; associated revised meeting structure</li> </ul>



<b>Principle D</b> Determining the interventions necessary to optimise the achievement of intended outcomes.		<b>Sub-principles</b> <ul style="list-style-type: none"> <li>• Determining interventions.</li> <li>• Planning interventions.</li> <li>• Optimising achievement of intended outcomes.</li> </ul>	
<b>Sources of Assurance</b>			
<b>IJB</b>	<b>ACC</b>		<b>NHSG</b>
<ul style="list-style-type: none"> <li>• Effective and embedded risk management system</li> <li>• Effective and embedded budget monitoring and financial planning</li> <li>• Third party governance and assurance</li> <li>• Performance management framework</li> <li>• Health &amp; safety arrangements</li> <li>• Information governance assurance framework</li> <li>• Business continuity plans</li> <li>• Civil contingencies group and plan</li> </ul>	<ul style="list-style-type: none"> <li>• Approval of Population Needs Assessment and establishment of data observatory.</li> <li>• Approval of an outcome based commissioning model.</li> <li>• Business Intelligence and Performance Management service within Commissioning Function accomplishing better understanding of need, demand, service delivery and support data driven decision making.</li> <li>• Expansion of quality improvement training and support programme “Improve and Innovate” to 300 officers.</li> <li>• Early Intervention and Community Empowerment service within Customer which will help to manage the increasing demand being placed on the Council’s services, through the Council’s Transformation programme.</li> <li>• Enabled auto-entitlement of free school meals through data match.</li> </ul>		<ul style="list-style-type: none"> <li>• Effective and embedded risk management systems</li> <li>• Effective and embedded budget monitoring and financial planning</li> <li>• Performance management</li> <li>• NHSG Health &amp; Safety Committee</li> <li>• NHSG caldicott guardian</li> <li>• NHSG annual accountability review</li> </ul>





<b>Principle E</b> Developing the entity's capacity, including the capability of its leadership and the individuals within it	<b>Sub-Principles</b> <ul style="list-style-type: none"> <li>• Developing the entity's capacity.</li> <li>• Developing the capability of the entity's leadership and other individuals.</li> </ul>
--	--

### Sources of Assurance

IJB	ACC	NHSG
<ul style="list-style-type: none"> <li>• Staff induction</li> <li>• Organisational Development Plan</li> <li>• <i>IJB Workforce plan (26 March 2019)</i></li> <li>• Role and responsibilities protocol for Chief Officer and Chief Finance Officer</li> <li>• IJB Induction and development programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Appointment of Extended Corporate Management Team including Chief Officers for Digital and Technology, People and Organisation and Business Intelligence and Performance.</li> <li>• Creation of Governance Function including Assurance Team which provides support to all Council services to comply with health and safety, risk management, civil contingencies requirements.</li> <li>• Training of councillors and officers on their obligations relative to the London Stock Exchange and Bond issue and on the Scheme of Governance.</li> <li>• Completion of testing to deliver Core HR in preparation for delivery in 2019/20.</li> <li>• Testing of revised Performance Review and Development system with Chief Officers and engagement with staff on revisions.</li> <li>• Creation of consolidated ICT Security function.</li> <li>• Leadership Capability Framework introduced for Chief Officers and a piloted self assessment to create a</li> </ul>	<ul style="list-style-type: none"> <li>• Staff induction</li> <li>• North East leadership schemes</li> <li>• NHS HR policies</li> <li>• Staff partnership representation</li> <li>• Engagement with Scottish Government Effective Leadership and Quality Improvement programmes</li> </ul>



	<p>development programme and a capability framework for service managers.</p> <ul style="list-style-type: none"> <li>• Continuation of development planning sessions for new and existing Chief Officers based on outcomes from the matching/ recruitment process.</li> <li>• Establishment of training programme on use of data.</li> </ul>	
--	--	--

<p><b>Principle F</b></p> <p>Managing risk and performance through robust internal control and strong public financial management.</p>	<p><b>Sub-principles</b></p> <ul style="list-style-type: none"> <li>• Managing risk.</li> <li>• Managing performance.</li> <li>• Managing data.</li> <li>• Strong public financial management.</li> </ul>
--	---

**Sources of Assurance**

IJB	ACC	NHSG
<ul style="list-style-type: none"> <li>• Financial regulations (<i>revised 13 November 2018</i>)</li> <li>• Performance management framework</li> <li>• Effective and embedded budget monitoring and financial management</li> <li>• Risk appetite statement (<i>revised 26 February 2019</i>)</li> <li>• Internal and external audit plans</li> </ul>	<ul style="list-style-type: none"> <li>• Internal Audit's Annual Report and Internal Financial Control Statement for 2017/18 presented to Audit, Risk and Scrutiny Committee in April 2019.</li> <li>• Risk Registers developed for all Cluster areas and reported to Committees.</li> <li>• Corporate Risk Register reviewed by Audit, Risk and Scrutiny Committee and Corporate Management Team</li> <li>• Organisational Resilience Group retained oversight of resilience actions, including incident debriefs, reporting quarterly to CMT.</li> </ul>	<ul style="list-style-type: none"> <li>• NHSG schedule of reserved decisions</li> <li>• NHSG standing financial instructions</li> <li>• Performance management framework</li> <li>• Effective and embedded budget monitoring and financial management</li> </ul>



- |   |   |  |
|---|---|--|
| <ul style="list-style-type: none"><li>• Third party governance and assurance</li><li>• Integration scheme (<i>revised 27 March 2018</i>)</li><li>• Annual review of Audit and Performance Systems committee effectiveness (<i>reviewed 11 September 2018</i>)</li><li>• Data protection compliance (<i>Officer established 22 May 2018</i>)</li><li>• Business continuity plans for critical functions</li><li>• Medium Term Financial Framework (<i>revised 12 March 2019</i>)</li></ul> | <ul style="list-style-type: none"><li>• Review of credit rating by credit rating agency noting the Council's 'strong institutional framework' through internal governance and scrutiny.</li><li>• Establishment Control Board to manage and monitor reduction of headcount.</li><li>• Procurement Control Board established to manage and monitor reduction of expenditure.</li><li>• Scrutiny of safety management plans by Staff Governance Committee.</li><li>• Corporate Investigation Team minimising financial losses to the public purse as a result of fraudulent activities.</li><li>• Creation and approval of ICT Access Control Policy.</li><li>• Achieved Cyber Essentials Plus accreditation (government backed cyber scheme).</li><li>• Participation in a peer review for the PREVENT agenda as part of CONTEST and resulting recommendations being progressed.</li><li>• Receipt of Controller of Audit letter which noted 'high degree of scrutiny and challenge' with 'clear focus on outcomes' and 'leadership development activity.'</li><li>• Approval of revised Performance Management Framework.</li></ul> | <ul style="list-style-type: none"><li>• Risk registers</li><li>• Internal and external audit plan</li><li>• Information governance</li><li>• NHSG Policy for Fraud Prevention</li><li>• NHSG Risk Management Policy &amp; Strategy</li></ul> |
|---|---|--|



<b>Principle G</b> Implementing good practices in transparency, reporting, and audit to deliver effective accountability.		<b>Sub-principles</b> <ul style="list-style-type: none"> <li>• Implementing good practice in transparency.</li> <li>• Implementing good practices in reporting.</li> <li>• Assurance and effective accountability.</li> </ul>
<b>Sources of Assurance</b>		
<b>IJB</b>	<b>ACC</b>	<b>NHSG</b>
<ul style="list-style-type: none"> <li>• Committee reporting framework</li> <li>• Financial reporting – annual financial statements and accounts, annual budget</li> <li>• Financial plans reporting to committees</li> <li>• Internal and external audit plans</li> <li>• Third party governance</li> <li>• Medium Term Financial Framework (revised 12 March 2019)</li> <li>• MSG Performance Indicators</li> <li>• Performance Management Framework</li> <li>• Complaints handling procedure</li> <li>• New IJB report format.</li> </ul>	<ul style="list-style-type: none"> <li>• Committee reporting framework</li> <li>• Financial reporting – annual financial statements and accounts, annual budget</li> <li>• Medium and long term financial plans and quarterly reporting to committees</li> <li>• Internal and external audit plans</li> <li>• Third party governance</li> <li>• Local government benchmarking framework</li> <li>• Complaints handling procedure</li> <li>• Best value/value for money</li> <li>• Project management protocols</li> <li>• Implementation of a central Access to Information Team.</li> <li>• Implementation of Business Services Team within Customer Function.</li> <li>• Review and representation of public performance reporting.</li> </ul>	<ul style="list-style-type: none"> <li>• Financial reporting – annual financial statements and accounts, annual budget</li> <li>• Internal and external audit plans</li> </ul>



## AUDIT & PERFORMANCE SYSTEMS COMMITTEE

<b>Date of Meeting</b>	28.05.2019
<b>Report Title</b>	Review of Financial Governance Arrangements
<b>Report Number</b>	HSCP.19.002
<b>Lead Officer</b>	Alex Stephen, Chief Finance Officer
<b>Report Author Details</b>	Alex Stephen, Chief Finance Officer
<b>Consultation Checklist Completed</b>	Yes
<b>Directions Required</b>	No
<b>Appendices</b>	<ul style="list-style-type: none"> <li>a. Review of Financial Governance Arrangements</li> <li>b. The Role of the Chief Financial Officer in Local Government (2016)</li> </ul>

### 1. Purpose of the Report

- 1.1. To provide the Audit & Performance Systems (APS) Committee with the results of the review undertaken by the Leadership Team against financial governance requirements contained in the Chartered Institute of Public Finance and Accountancy (CIPFA)'s statement on the '*Role of the Chief Financial Officer in Local Government (2016)*'.

### 2. Recommendations

- 2.1. It is recommended that the Audit & Performance Systems Committee:
- a) Note the content of the report the accompanying results of the Executive team review contained in Appendix 1.

### 3. Summary of Key Information

- 3.1. During the audit of the Integration Joint Board's (IJB) 2015/16 annual accounts, Audit Scotland, the IJB's external auditors at that time, requested that during the first full year of operation a review be undertaken to ensure



## AUDIT & PERFORMANCE SYSTEMS COMMITTEE

compliance with the financial governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Governance (2016). This request formed part of the 2015/16 annual governance statement which is contained in the annual accounts document.

- 3.2. On 11 May 2017 the APS Committee reviewed and noted performance against the financial governance requirements. Contained in this review were some areas where further work was required or being progressed. The document contained in Appendix 1 contains the result of the first review, with any updates from the most recent Leadership Team review highlighted in italics.
- 3.3. A copy of the document 'The Role of the Chief Financial Officer in Local Government' is contained in Appendix 2 of this report. Given the document is largely for local government, some of the terminology and principles are not directly relevant in an IJB context.
- 3.4. The financial control environment of the IJB is complex, with several of the controls remaining with the partner organisations (NHS Grampian and Aberdeen City Council). However, a review has been undertaken and assurance has been provided against each of the principles. In relation to some of the principles, further development work is required and this work is largely already in progress.

### 4. Implications for IJB

- 4.1. Equalities - NA
- 4.2. Fairer Scotland Duty - NA
- 4.3. Financial - Ensuring that the financial governance arrangements are robust, regularly reviewed and aligned (where appropriate) to the XXX will help ensure that there is sufficient control over IJB finances, reducing the risk of overspend or misuse of public funds.
- 4.4. Workforce - NA
- 4.5. Legal - NA
- 4.6. Other - NA



## AUDIT & PERFORMANCE SYSTEMS COMMITTEE

### 5. Links to ACHSCP Strategic Plan

- 5.1. Good governance and internal controls are fundamental to ensuring the delivery of the strategic plan.

### 6. Management of Risk

- 6.1. **Identified risk(s):** Good governance and internal controls are fundamental to the delivery of the strategic plan and therefore applicable to most of the risks within the strategic risk register.
- 6.2. **Link to risk number on strategic or operational risk register:** Risk numbers 1-10 of the strategic risk register
- 6.3. **How might the content of this report impact or mitigate the known risks:** This report provides assurance and evidence on the financial governance requirements as contained the CIPFA statement.

This page is intentionally left blank



**Principle 1:** *The Chief Financial Officer in a local authority is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.*

Statement	Evidenced by
<p><b>Requirement:</b> Set out a clear statement of the respective roles and responsibilities of the Leadership Team and its members individually.</p>	
<p>The IJB Leadership Team:</p> <ul style="list-style-type: none"> <li>• has a clear statement of its respective roles and responsibilities.</li> </ul>	<ul style="list-style-type: none"> <li>• Job Descriptions of the IJB Leadership Team Members.</li> <li>• IJB Leadership Team Structure.</li> <li>• IJB Leadership Team Minutes.</li> </ul>
<p><b>Requirement:</b> Ensure the CFO reports directly to Chief Executive and is a member of the leadership team with at least equal status to other members</p>	
<p>The IJB CFO:</p> <ul style="list-style-type: none"> <li>• is a member of the IJB Leadership Team and an advisor to the Integration Joint Board and the two leadership forums.</li> <li>• reports directly to the Chief Officer with a status at least equivalent to the other Leadership Team members.</li> </ul>	<ul style="list-style-type: none"> <li>• IJB Leadership Team Structure.</li> <li>• IJB Leadership Team Minutes.</li> <li>• IJB minutes and reports.</li> </ul>
<p><b>Requirement:</b> Determine a scheme of delegation and reserve powers, including a formal schedule of those matters specifically reserved for collective decisions by the Board and these should be reviewed.</p>	
<p>The IJB:</p> <ul style="list-style-type: none"> <li>• Is governed by its standing orders and the integration scheme.</li> <li>• Terms of Reference have been agreed and reviewed for both sub committees.</li> </ul> <p>NHS Grampian (NHSG) and Aberdeen City Council (ACC):</p> <ul style="list-style-type: none"> <li>• Both have lists of powers reserved for officers and authorisation limits.</li> </ul>	<ul style="list-style-type: none"> <li>• IJB Standing Orders/Integration Scheme. <i>(revised 26 April 2018)</i></li> <li>• Sub Committee Terms of Reference. <i>(revised 26 April 2018)</i></li> <li>• ACC schemes of delegation and Committee Terms of Reference.</li> <li>• IJB minutes and agendas.</li> </ul>

Statement	Evidenced by
	<ul style="list-style-type: none"> <li>• IJB Chief Officer and Chief Finance Officer - roles and responsibilities protocol</li> <li>• IJB Formal Directions Procedure</li> </ul>
<b>Requirement:</b> Ensure that the IJB's Governance arrangements allow the CFO to influence all material business decisions and has direct access to Chief Executive, other leadership team members, the audit committee and external audit	
<p>The IJB CFO:</p> <ul style="list-style-type: none"> <li>• is a member of the Leadership Team and reports to the Chief Officer.</li> <li>• is responsible for the coordination of reports for the Audit and Performance Systems Committee.</li> <li>• is a non-voting member of the IJB.</li> <li>• is the IJB contact for external audit matters.</li> </ul>	<ul style="list-style-type: none"> <li>• IJB Leadership Team Structure.</li> <li>• IJB Leadership Team Minutes.</li> <li>• AP&amp;S Minutes.</li> <li>• IJB minutes and reports.</li> </ul>
<b>Requirement:</b> Review the scope of the CFO's other management responsibilities to ensure financial matters are not compromised.	
<p>The IJB CFO:</p> <ul style="list-style-type: none"> <li>• has management responsibility for business management, infrastructure and assets, communications, organisational development, public health, strategy and transformation and is the IJB client manager for central support services.</li> <li>• management responsibilities are led and managed by suitably qualified staff and the CFO does therefore not feel that these responsibilities compromise financial matters.</li> </ul>	<ul style="list-style-type: none"> <li>• IJB Leadership Team Structure.</li> <li>• IJB Leadership Team Minutes and Agendas.</li> </ul>
<b>Requirement:</b> Assess the financial skills required by the leadership team and commit to developing these skills to enable their roles to be carried out effectively.	
<p>The IJB CFO:</p>	<ul style="list-style-type: none"> <li>• IJB Leadership Team Minutes</li> </ul> <p>Development Work:</p>

Statement	Evidenced by
<ul style="list-style-type: none"> <li>is confident that the Leadership Team members have the financial capabilities to perform their jobs effectively.</li> </ul>	<ul style="list-style-type: none"> <li>The CFO will develop and deliver financial training for IJB managers once the structure below the Leadership Team has been recruited.</li> </ul>
<p><b>Requirement:</b> Review partnership arrangements to ensure the authority always has access to financial advice in relation to its role in partnership</p>	
<p>The IJB:</p> <ul style="list-style-type: none"> <li>has partnership relationships formally identified through the Public Bodies (Joint Working) (Integration Joint Boards) (Scotland) Order 2014.</li> <li>has its own Chief Finance Officer to provide independent financial advice.</li> <li>has agreed a budget protocol which establishes how future budgets should be agreed.</li> <li>has developed and continues to develop relationships with care providers.</li> <li>has a membership heavily influenced by its partners.</li> <li>Has contract management arrangements for Bon Accord Care.</li> </ul> <p>The IJB Chief Officer is a member of the NHS and ACC senior leadership teams.</p>	<ul style="list-style-type: none"> <li>Public Bodies (Joint Working) (Integration Joint Boards) (Scotland) Order 2014.</li> <li>IJB Leadership Team Structure.</li> <li>Care provider forums.</li> <li>IJB membership lists.</li> <li>IJB Budget Protocol.</li> <li>ACC corporate management team structure.</li> <li>NHS Grampian Senior Leadership Team structure.</li> <li>BAC quarterly contract management meetings agendas and minutes.</li> </ul>

**Principle 2:** *The CFO in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority’s overall financial strategy.*

Statement	Evidenced by:
<b>Requirement:</b> Establish a medium-term business and financial planning process to deliver the IJB’s strategic objectives.	
<p>The IJB CFO:</p> <ul style="list-style-type: none"> <li>works collaboratively with senior officers to produce a balanced budget which allows the services in the strategic plan to be delivered.</li> <li>has led the development of IJB Medium Term Financial Framework</li> </ul> <p>The IJB:</p> <ul style="list-style-type: none"> <li>agreed a budget protocol.</li> <li>held budget workshops with IJB members</li> </ul>	<ul style="list-style-type: none"> <li>IJB Medium Term Financial Framework (<i>revised 12 March 2019</i>)</li> <li>IJB Budget Protocol.</li> <li>Slides from IJB/Senior management finance workshops.</li> <li>IJB budget timetable.</li> <li>Transformation plan</li> </ul> <p>Development Work: Budget process development to include more strategic focus, a stronger link to transformation plans, which aim to cost return on investment by shift to a prevention/early intervention and health inequalities reduction approach and greater review of medium-term financial position.</p>
<b>Requirement:</b> Ensure that these are subject to continuing review of the assumptions	
<p>The IJB CFO:</p> <ul style="list-style-type: none"> <li>reviews the budget assumptions through the budget monitoring process.</li> </ul>	<ul style="list-style-type: none"> <li>Regular budget monitoring reports to the IJB</li> <li>Medium Term Financial Framework (<i>revised 12 March 2019</i>)</li> </ul>
<b>Requirement:</b> Ensure that professional advice on matters that have financial implications is available and recovered well in advance of decision making	
<p>The IJB CFO:</p> <ul style="list-style-type: none"> <li>reviews all IJB reports and signs these off from a financial perspective before publication.</li> </ul>	<ul style="list-style-type: none"> <li>IJB reports and minutes</li> </ul>
<b>Requirement</b> Ensure that budget calculations are robust and reserves adequate.	

Statement	Evidenced by:
<p>The IJB CFO:</p> <ul style="list-style-type: none"> <li>Developed and regularly reviews a reserves strategy which was approved by the IJB.</li> <li>reviewed the reserve levels during the financial strategy work and requested the IJB ring fence funding as a 'risk reserve'.</li> </ul>	<ul style="list-style-type: none"> <li>IJB reserve strategy.</li> <li>IJB minute approving reserve strategy.</li> <li>IJB Medium Term Financial Framework. (<i>revised 12 March 2019</i>)</li> </ul>
<p><b>Requirement:</b> Ensure those making decisions are provided with financial information which is relevant, timely and clear.</p>	
<p>The IJB CFO:</p> <ul style="list-style-type: none"> <li>reviews all IJB reports and signs these off from a financial perspective before publication.</li> <li>attends the IJB as a non-voting member and provides advice where and when appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>IJB reports and minutes.</li> <li>IJB Leadership Team Reports and Minutes.</li> </ul>
<p><b>Requirement:</b> Ensure that the authority meets its policy and service objectives and provided effective stewardship of public money and value for money in its use.</p>	
<p>The IJB:</p> <ul style="list-style-type: none"> <li>has agreed a performance management framework which is regularly reviewed by the IJB and at the APS Committee.</li> <li>approves spend and issues directions for procurement spend over £50,000.</li> </ul> <p>NHSG and ACC:</p> <ul style="list-style-type: none"> <li>have procurement and financial regulations which demonstrate best value.</li> </ul>	<ul style="list-style-type: none"> <li>IJB reports and minutes.</li> <li>IJB integration scheme. (<i>revised 27 March 2018</i>)</li> <li>IJB financial regulations (<i>revised 13 November 2018</i>)</li> <li>ACC Procurement regulations.</li> <li>ACC financial regulations.</li> <li>ACC delegated powers.</li> <li>NHSG schedule of reserved decisions.</li> <li>NHSG standing financial instructions.</li> <li>Formal Directions Procedures.</li> </ul>
<p><b>Requirement:</b> Ensure that authority maintains a prudential financial framework, keeps its commitment in balances with available resources, monitors income and expenditure levels and takes corrective action when necessary.</p>	
<p>The IJB CFO:</p>	<ul style="list-style-type: none"> <li>Regular budget monitoring reports to the IJB.</li> </ul>

Statement	Evidenced by:
<ul style="list-style-type: none"> <li>reviews the budget assumptions through the budget monitoring process.</li> </ul> <p>The Leadership Team:</p> <ul style="list-style-type: none"> <li>review budget monitoring and where possible develop plans to rectify adverse movements in the financial position.</li> </ul>	<ul style="list-style-type: none"> <li>Leadership Team – Agendas, Reports and Minutes.</li> </ul>
<p><b>Requirement:</b> Ensure the IJB understands the budgetary commitment of a contracted service including longer term financial implications.</p>	
<p>The IJB CFO:</p> <ul style="list-style-type: none"> <li>prepared an IJB Medium-Term Financial Framework</li> </ul> <p>The IJB:</p> <ul style="list-style-type: none"> <li>is provided with the financial implications of decision in future years in its reports.</li> </ul>	<ul style="list-style-type: none"> <li>Transformation Update reports.</li> <li>IJB reports – financial implications sections.</li> <li>IJB Medium Term Financial Framework (<i>revised 12 March 2019</i>)</li> </ul>
<p><b>Requirement:</b> Ensure advice is provided on reserve levels in line with good practice.</p>	
<p>The IJB CFO:</p> <ul style="list-style-type: none"> <li>developed and regularly reviews a reserves strategy which was approved by the IJB.</li> <li>reviews the reserve levels during the financial strategy work and requested the IJB ring fence funding as a ‘risk reserve’.</li> </ul>	<ul style="list-style-type: none"> <li>IJB reserve strategy.</li> <li>IJB minute approving reserve strategy.</li> <li>IJB Medium Term Financial Framework and covering report.</li> </ul>
<p><b>Requirement:</b> Ensure compliance with CIPFA’s prudential code for capital finance in local authorities and CIPFA’s Treasury Management in the Public Services Code of Practice.</p>	
<p>The IJB has no responsibility for treasury management.</p>	<p>NA</p>

Statement	Evidenced by:
<b>Requirement:</b> Ensure that appropriate management accounting systems, functions and controls are in place so finances are kept under review.	
NHSG and ACC: <ul style="list-style-type: none"> <li>• provide the management accounting systems, functions and controls for the IJB.</li> <li>• these systems are reviewed regularly by internal audit.</li> </ul>	<ul style="list-style-type: none"> <li>• Internal Audit Reports of ACC, NHSG and IJB. Internal Auditor's opinion on internal controls of ACC, NHSG and IJB.</li> </ul>
<b>Requirement:</b> Ensure the provision of clear, well presented, timely, complete and accurate information and reports to budget holders.	
NHSG and ACC: <ul style="list-style-type: none"> <li>• Finance managers provide financial information and advice to budget holders on a regular basis.</li> </ul>	<ul style="list-style-type: none"> <li>• Budget monitoring reports and timetables for budget holders.</li> </ul>
<b>Requirement:</b> Ensure that medium-term business and financial planning systems along with ongoing performance monitoring cover the services provided through partnerships and alternative delivery models.	
The IJB: <ul style="list-style-type: none"> <li>• Receive full details and approve the budget for Bon Accord Care (BAC).</li> <li>• has considered a report on BAC's Strategic Plan</li> <li>• will receive BAC's Annual Report</li> </ul>	<ul style="list-style-type: none"> <li>• IJB reports and minutes.</li> <li>• BAC quarterly contract monitoring meeting agendas and minutes.</li> </ul>
<b>Requirement:</b> Ensure that the prudential financial framework accurately reflects the commitments and potential future impact of contracted future services.	
The IJB has no responsibility for treasury management.	N/A

**Principle 3:** *The CFO in a local authority must lead the promotion and delivery by the whole authority for good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.*

Statement	Evidenced By
<p><b>Requirement:</b> Make the CFO responsible for ensuring appropriate advice is given on all financial matters, for keeping financial records and accounts, and maintaining an effective system of financial control.</p>	
<p>The IJB CFO:</p> <ul style="list-style-type: none"> <li>has responsibility for these matter as indicated in the CFO job description.</li> </ul> <p>The IJB:</p> <ul style="list-style-type: none"> <li>needs to place assurance on ACC and NHS Grampian for some elements of the financial control system, which in turn are regularly reviewed by their internal audit functions.</li> </ul>	<ul style="list-style-type: none"> <li>CFO Job description.</li> <li>ACC and NHS Grampian - annual accounts.</li> <li>Internal Audit's –Annual report and Statement on the internal control system – ACC, NHS Grampian and IJB.</li> </ul>
<p><b>Requirement:</b> Ensure that system and processes for financial administration, financial control and protection of the authority's resources and assets are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice.</p>	
<p>The IJB:</p> <ul style="list-style-type: none"> <li>needs to place assurance on ACC and NHS Grampian for some elements of the financial control system, which in turn are regularly reviewed by their internal audit functions.</li> </ul>	<ul style="list-style-type: none"> <li>ACC and NHS Grampian - annual accounts.</li> <li>Internal Audit's –Annual report and Statement on the internal control system – ACC, NHS Grampian and IJB.</li> </ul>
<p><b>Requirement:</b> Ensure that the authority puts in place effective internal financial controls. Ensuring that these controls are an integral part of the IJB's underlying framework of corporate governance and that they are reflected in its local code.</p>	
<p>The IJB:</p> <ul style="list-style-type: none"> <li>needs to place assurance on ACC and NHS Grampian for some elements of the financial control system, which in turn are regularly reviewed by their internal audit functions.</li> </ul>	<ul style="list-style-type: none"> <li>ACC and NHS Grampian - annual accounts.</li> <li>Internal Audit's –Annual report and Statement on the internal control system – ACC, NHS Grampian and IJB.</li> <li>IJB local code of corporate governance. <i>(revised annually)</i></li> </ul>



Statement	Evidenced By
<ul style="list-style-type: none"> <li>Through the AP&amp;S committee, have developed a local code of corporate governance, in line with guidance from CIPFA/SOLACE.</li> </ul>	
<b>Requirement:</b> Address the IJB's arrangements for financial and internal control and for managing risk in annual governance reports.	
<p>The IJB:</p> <ul style="list-style-type: none"> <li>has addressed these arrangements in the annual governance report and will continue to do so.</li> </ul>	<ul style="list-style-type: none"> <li>The IJB accounts (annual governance statement).</li> </ul>
<b>Requirement:</b> Publish annual accounts on a timely basis to communicate the authority's activities and achievements, its financial position and performance.	
<p>The IJB:</p> <ul style="list-style-type: none"> <li>publishes its financial accounts on its website.</li> <li>provides members of the public the opportunity to inspect the accounts of the organisation in line with statutory process.</li> </ul>	<ul style="list-style-type: none"> <li>Aberdeen City Health &amp; Social Care Partnership website.</li> <li>Annual Accounts documents.</li> </ul>
<b>Requirement:</b> Ensure an effective internal audit function is resourced and maintained.	
<p>The IJB:</p> <ul style="list-style-type: none"> <li>has appointed an internal auditor.</li> </ul> <p>The APS Committee</p> <ul style="list-style-type: none"> <li>has received the internal audit annual plan at the APS Committee.</li> <li>has reviewed internal audit reports.</li> </ul>	<ul style="list-style-type: none"> <li>Audit &amp; Performance System agendas and minutes.</li> <li>IJB agenda and minutes.</li> </ul>
<b>Requirement:</b> Develop and maintain an effective audit committee.	

Statement	Evidenced By
<p>The IJB:</p> <ul style="list-style-type: none"> <li>has established an audit committee.</li> </ul>	<ul style="list-style-type: none"> <li>Audit &amp; Performance System agendas and minutes.</li> <li>Audit &amp; Performance Systems terms of reference.</li> </ul> <p>Development Work:</p> <ul style="list-style-type: none"> <li>Need to establish a framework to review effectiveness. <i>Work undertaken with Chair to review APS duties and how these are being discharged (reported to APS on 11 September 2018)</i></li> </ul>
<p><b>Requirement:</b> Ensure that the IJB makes best use of resources and that taxpayers and/or service users receive value for money.</p>	
<p>The NHS Grampian and ACC:</p> <ul style="list-style-type: none"> <li>financial standing orders and procurement regulations which the IJB uses, which allows best value to be demonstrated.</li> </ul>	<ul style="list-style-type: none"> <li>ACC Procurement regulations.</li> <li>ACC financial regulations.</li> <li>ACC delegated powers.</li> <li>NHSG schedule of reserved decisions.</li> <li>NHSG standing financial instructions.</li> </ul>
<p><b>Requirement:</b> Embed financial consequences in person specifications and appraisals.</p>	
<p>The NHS Grampian, ACC and IJB:</p> <ul style="list-style-type: none"> <li>included financial responsibilities in job specifications where appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>Job Descriptions</li> </ul> <p>Development Work: Review ACC/NHSGs' appraisal frameworks to determine whether finance is covered as a separate topic. <i>Will require approval from the partners given they are still the employers.</i></p>
<p><b>Requirement:</b> Assess the financial skills required by managers and commit to develop those skills to enable their roles to be carried out effectively.</p>	
<p>The IJB:</p>	<ul style="list-style-type: none"> <li>ACC and NHS Grampian training records.</li> </ul>

Statement	Evidenced By
<ul style="list-style-type: none"> <li>Is currently relying on the financial skills, regulations and budget management training provided by ACC and NHS Grampian.</li> </ul>	<p>Development Work:</p> <ul style="list-style-type: none"> <li>Once the IJB leadership team is established a training programme will be developed.</li> </ul>
<p><b>Requirement:</b> Ensure that councillors' roles and responsibilities for monitoring performance/budget management are clear, that they have adequate access to financial skills, and are provided with appropriate financial training on an ongoing basis to help them discharge their responsibilities.</p>	
<p>The IJB:</p> <ul style="list-style-type: none"> <li>had three financial workshops to discuss the budget.</li> <li>has a development plan.</li> <li>has inductions for new members.</li> </ul>	<ul style="list-style-type: none"> <li>Slides and invitations for budget workshops.</li> <li>IJB development plan.</li> <li>CFO 'open door' policy for IJB member enquiries on any aspect of finance.</li> </ul>
<p><b>Requirement:</b> Ensure ongoing monitoring of assurance arrangements in respect of partnerships and alternative delivery models and that appropriate access to information is maintained.</p>	
<p>ACC:</p> <ul style="list-style-type: none"> <li>has implemented a governance hub which seeks to review the arrangements of alternative delivery models such as Bon Accord Care.</li> </ul> <p>The IJB:</p> <ul style="list-style-type: none"> <li>has received the minutes of these meetings for information previously.</li> </ul>	<ul style="list-style-type: none"> <li>Governance Hub agendas and minutes.</li> <li>IJB agendas and minutes.</li> </ul>

**Principle 4:** *The CFO in a local authority must lead and direct a finance function that its resources to be fit for purpose.*

Statement	Evidenced By
<b>Requirement:</b> Provide the finance function with the resources, expertise and systems necessary to perform its role effectively	
<p>The IJB:</p> <ul style="list-style-type: none"> <li>• has established the role of CFO</li> </ul> <p>ACC and NHS Grampian:</p> <ul style="list-style-type: none"> <li>• provide the finance functions for the IJB.</li> </ul>	<ul style="list-style-type: none"> <li>• IJB Leadership Team Structure.</li> <li>• NHS Grampian and ACC Finance Structures.</li> </ul> <p>Development Work:</p> <p>A review will be undertaken to establish if these arrangements are effective. <i>Over the last financial year it has become clear that the arrangements are effective and proportionate in the current environment, however, changes to the structure means these arrangements need to be assessed regularly.</i></p>
<b>Requirement:</b> Ensure there is a line of professional accountability to the CFO for finance staff throughout the authority.	
<p>The IJB:</p> <ul style="list-style-type: none"> <li>• has established the role of CFO</li> </ul> <p>AC and NHS Grampian:</p> <ul style="list-style-type: none"> <li>• provide the finance functions for the IJB</li> </ul>	<ul style="list-style-type: none"> <li>• IJB Leadership Team Structure.</li> <li>• NHS Grampian and ACC Finance Structures.</li> </ul> <p>Development Work: when the review of effectiveness is undertaken consideration will also be given to professional accountability. <i>Professional accountability for the finance teams continues to be maintained by the partner bodies. However, regular meetings with the finance staff have helped ensure that any concerns are addressed and if necessary escalated.</i></p>

**Principle 5:** *The CFO in a local authority must be professionally qualified and suitably experienced.*

Statement	Evidenced by:
<p><b>Requirement:</b> Appoint a professionally qualified CFO whose core responsibilities include those set out under the other principles in the statement and ensure that these are properly understood throughout the authority.</p>	
<p>The IJB</p> <ul style="list-style-type: none"> <li>• has employed a professional accountant as CFO.</li> <li>• the CFO's job description sets out the core responsibilities which are similar to those outlines in the statement.</li> </ul>	<ul style="list-style-type: none"> <li>• CFO's professional certificates.</li> <li>• CFO's job description.</li> </ul>
<p><b>Requirement:</b> Ensure that the CFO has the skills, knowledge, experience and resource to perform effectively in both the financial and non-financial areas of their role.</p>	
<p>The IJB:</p> <ul style="list-style-type: none"> <li>• undertook a comprehensive recruitment process to employ the CFO to make sure that the CFO has the necessary skills and experience.</li> </ul> <p>The IJB Chief Officer</p> <ul style="list-style-type: none"> <li>• performs the annual appraisal of the CFO which includes a section on future training requirements.</li> </ul> <p>The IJB CFO</p> <ul style="list-style-type: none"> <li>• considers that sufficient resource is available to perform role effectively.</li> </ul>	<ul style="list-style-type: none"> <li>• CFO recruitment process.</li> <li>• CFO annual appraisal.</li> </ul>

This page is intentionally left blank

# the role of the chief financial officer

in Local Government

## CIPFA Statement on the role of the Chief Financial Officer in Local Government

### The chief financial officer (CFO) in a public service organisation:

- is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest
- must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's financial strategy
- must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

### To deliver these responsibilities the chief financial officer:

- must lead and direct a finance function that is resourced to be fit for purpose
- must be professionally qualified and suitably experienced.

## Contents

Foreword .....	3
Definitions used throughout the document .....	4
Introducing the CIPFA statement.....	6
Using the CIPFA statement.....	7
Principle 1 .....	8
Principle 2 .....	12
Principle 3 .....	17
Principle 4 .....	24
Principle 5 .....	27
Appendix A – Legislative Requirements.....	29
Appendix B – Flow chart for section 114 procedures .....	34



# \ foreword

This Statement on the Role of the CFO in Local Government describes the role and responsibilities of CFOs in local government. It builds heavily on CIPFA's Statement on the Role of The CFO in Public Services<sup>1</sup> and applies the principles and roles set out in that document to Local Government.

The CFO occupies a critical position in any organisation, holding the financial reins of the business and ensuring that resources are used wisely to secure positive results. While the global financial crisis and economic downturn have made these tasks even more challenging, they have also underlined the fundamental importance of the role. Achieving value for money and securing stewardship are key components of the CFO's role

in public service organisations, a duty enshrined in legislation for the CFO in local government.

In order to support CFOs in the fulfilment of their duties and to ensure that local authorities have access to effective financial advice at the highest level, CIPFA is introducing a 'comply or explain' requirement in the annual statement of accounts.

**Rob Whiteman**

Chief Executive  
CIPFA

---

<sup>1</sup> [www.cipfa.org/policy-and-guidance/reports](http://www.cipfa.org/policy-and-guidance/reports)

# definitions used throughout the document

The public services have a variety of organisational structures and governance arrangements. Some include elected representatives, while others are wholly appointed. The following terms are used throughout the Statement in a generic sense. The Statement and the supporting guideline and requirements need to be read in the context of these. Terms in use in different parts of the public services can be substituted for the generic terms used here.

## **Chief Financial Officer (CFO)**

The organisation's most senior executive role charged with leading and directing financial strategy and operations.

## **Deputy Finance Officer**

Is the designated deputy finance officer for the chief finance officer.

## **Leadership Team**

Comprises the Board and management team.

## **Board**

The group of people charged with setting the strategic direction for the organisation and responsible for its achievement.

## **Management Team**

The group of executive staff comprising the senior management charged with the execution of strategy.

## **Chief Executive**

The most senior executive role in the organisation.

## **Deputy CFO**

The deputy supports the CEO and has delegated authority.

## **Managers**

The staff responsible for the achievement of the organisation's purpose through services/businesses and delivery to its clients/customers.

## **Finance Function**

The staff with a prime responsibility for financial matters, located either in a central department or within business/service areas. Some functions may be outsourced.

## **Governance<sup>2</sup>**

The arrangements in place to ensure that an organisation fulfils its overall purpose, achieves its intended outcomes for citizens and service users, and operates in an economical, effective, efficient and ethical manner.

## **Financial Management<sup>3</sup>**

The system by which the financial aspects of a public service organisation's business are directed, controlled and influenced, to support the delivery of the organisation's goals.

## **Audit Committee**

The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.

<sup>2</sup> *The Good Governance Standard for Public Services 2004*, OPM and CIPFA, 2004 [www.cipfa.org/policy-and-guidance/reports](http://www.cipfa.org/policy-and-guidance/reports)

<sup>3</sup> *CIPFA FM Model*, [www.cipfa.org/fmmodel](http://www.cipfa.org/fmmodel)

**Internal Audit**

An assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives.

**Head of Profession**

The leading professionally qualified accountant charged with promoting professional standards within the organisation.

**Annual Governance Report**

The mechanism by which an organisation publicly reports on its governance arrangements each year.

**Public Service Organisation**

One or more legal bodies managed as a coherent operational entity with the primary objective of providing goods or services that deliver social benefits for civic society, are not privately owned, and receive public and/or charitable funding.

# introducing the CIPFA statement

This Statement on the role of the Chief Financial Officer (CFO) in Local Government aims to give detailed advice on how to apply the overarching public services Statement within local government.

The CFO in local government is not only bound by professional standards but also by specific legislative responsibilities. This statement should also be applied to those individuals who carry out the role of deputy CFO or section 151 officer. They must have regard to the fact that delegated responsibility brings with it all the professional standards and legal responsibilities of the CFO. The role and responsibilities of the 'treasurer' were developed by case law in England and Wales. In *Attorney General v De Winton* 1906, it was established that the treasurer is not merely a servant of the authority, but holds a fiduciary responsibility to the local taxpayers. Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a CFO to have responsibility for those arrangements.<sup>4</sup>

Section 95 of the Local Government (Scotland) Act 1973 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a CFO to have responsibility for those arrangements. In Northern Ireland, section 54 of the Local Government Act (Northern Ireland) 1972 requires local authorities to make safe and efficient arrangements for the receipt of money paid to it and the issue of money payable by it and for those arrangements to be carried out under the supervision the chief financial officer.

This Statement sets out how the requirements of legislation and professional standards should be fulfilled by CFOs in the carrying out of their role. The Statement is not intended to be exhaustive and does not negate the personal responsibility of finance professionals to ensure that they comply with all professional standards and legislative requirements. It is intended to codify the key responsibilities of the CFO in local government and assist those carrying out that role in ensuring that they meet the key personal duties of the role. The Statement refers to CIPFA's Statement of Professional Practice with which all CIPFA members are required to comply. For members of other accountancy bodies this represents best practice within the public sector. All professional accountants should also have regard to their own body's Code of Ethics as well as that produced by International Ethics Standards Board for Accountants (IESBA) on behalf of the International Federation of Accountants (IFAC).

Contained with the appendices for completeness is a description of the legislative framework.

---

<sup>4</sup> For the Greater London Authority and its four functional bodies (Transport for London, the London Development Agency, the Metropolitan Police Authority and London Fire and Emergency Planning Authority,) the chief finance officer is not a s151 officer but a s127 officer (GLA Act 1999). For the City of London the chief finance officer the 1989 Local Government and Housing Act that places the Chamberlain in the same relationship to the Court of Common Council as applies to local authority chief financial officers to their councils.

# using the CIPFA statement

## Statement approach and structure

The Statement sets out the five principles that define the core activities and behaviours that belong to the role of the CFO in public service organisations and the organisational arrangements needed to support them. Successful implementation of each of the principles requires the right ingredients in terms of:

- the organisation
- the role
- the individual.

For each principle the Statement sets out the governance arrangements required within an organisation to ensure that CFOs are able to operate effectively and perform their core duties. The Statement also sets out the core responsibilities of the CFO role within the organisation. Many of the day-to-day responsibilities may in practice be delegated or even outsourced, but the CFO should maintain oversight and control.

Summaries of personal skills and professional standards then detail the leadership skills and technical expertise organisations can expect from their CFO. These include the key requirements of CIPFA and the other professional accountancy bodies' codes of ethics and professional standards to which the CFO as a qualified professional is bound. The personal skills described have been aligned with the most appropriate principle, but in many cases can support other principles as well.

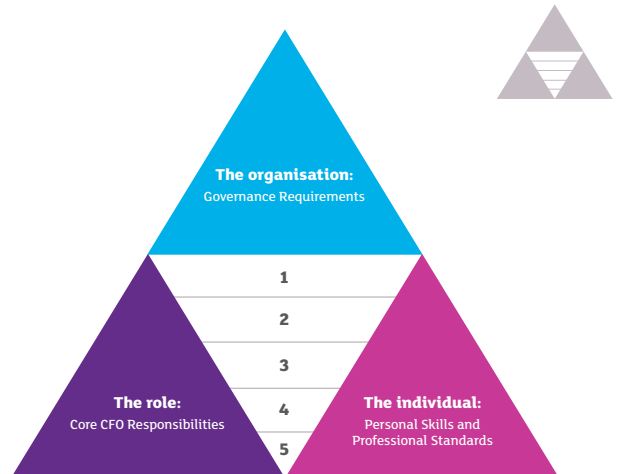
## CIPFA Statement on the role of the chief financial officer (CFO) in public service organisations

### The CFO in a public service organisation:

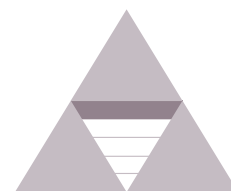
- 1 is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest
- 2 must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy
- 3 must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

### To deliver these responsibilities the CFO:

- 4 must lead and direct a finance function that is resourced to be fit for purpose
- 5 must be professionally qualified and suitably experienced.



# \ principle 1



The chief financial officer in a local authority is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.

## **Key member of the leadership team**

The leadership team in public services organisations takes many forms, with different mixes of executive and non-executive members and elected representatives. Collectively the leadership team are responsible for setting the strategic direction for the organisation, its implementation and the delivery of public services. In recognition of the centrality of financial issues to organisational success it is UK government policy that all government departments should have a professional CFO reporting directly to the permanent secretary with a seat on the departmental board, with a status equivalent to other Board members. HM Treasury recommends 'It is good practice for all other public sector organisations to do the same, and to operate the same standards'.<sup>5</sup> CIPFA fully supports the Treasury's recommendation.

Local authorities operate a number of different democratic models. In local authorities, therefore, the concept of the leadership team will include executive committees, elected mayors, portfolio holders with delegated powers and other key committees of the authority. The CFO should play a key role within these leadership teams whilst balancing their responsibility to advise all members.

Local authorities are required to have a suitably qualified CFO with certain defined responsibilities and powers.<sup>6</sup> The governance requirements in the Statement are that the CFO should be professionally qualified, report directly to the chief executive and be a member of the leadership team, with a status at least equivalent to other members. The Statement requires that if different organisational arrangements are adopted the reasons should be explained publicly in the authority's Annual Governance Report<sup>7</sup>, together with how these deliver the same impact.

## **Developing and implementing organisational strategy**

All local authorities face competition for limited public funds and have to balance expenditure needs against the burden of local taxation. Many will have allocated cash limits, while others have tax raising powers. All will be concerned to examine opportunities, with suitable assessment of legal powers and risk, for building income streams, whether through attracting external grants, charging for services, or commercial activity. Strategic planning needs to be based on an understanding of the external political landscape, the authority's demand and cost drivers, and the need to manage and fund longer term commitments on a sustainable basis. Increasingly local authorities are working with statutory and in partnership, requiring strategy and development across a number of different partners. Local authorities strategic planning frameworks need to allow for this.

Finance translates ambitions and goals across the authority into a common language, so the CFO must share in the strategy development and implementation responsibilities of the leadership team. These include supporting elected representatives under the proper governance arrangements and the CFO must be in a position to provide unfettered advice to elected representatives to inform their decision making.

The CFO must also ensure the members of the leadership team have the financial capabilities necessary to perform their own roles effectively. There is a duty on the leadership team to ensure the decisions framework is sufficient to allow this, e.g. LEP and partnership decisions. The CFO must encourage continuous improvement and development to enable the authority to deliver at the highest levels. As well as having the fundamental concern for probity and control,

<sup>5</sup> HM Treasury 'Managing Public Money' Annex 4.1. 2007

<sup>6</sup> The officer appointed as the CFO must, by virtue of section 113 of the Local Government Finance Act 1988 in England and Wales, be a member of a specified accountancy body. There is no equivalent statutory requirement in Northern Ireland and Scotland although in both cases, this is widely acknowledged to be good practice.

<sup>7</sup> The Annual Governance Statement is currently voluntary in Scotland.

the CFO must be proactive in managing change and risk, be focussed on outcomes, and help to resource the authority's plans for change and development in the public services it provides. As a key member of the leadership team, the CFO must also behave in ways that are consistent with the authority's agreed values, objectives and appetite for risk.

### **Helping resource and deliver organisational objectives**

There is a growing trend for CFOs to hold a range of different responsibilities beyond finance, including managing other services or leading change programmes. Whilst these can develop the individual as a corporate manager, authorities must not let the CFO's core financial responsibilities be compromised through creating too wide a portfolio. Dilution and/or overload in the role of the CFO can result in poor financial outcomes for the authority. Setting out the core CFO responsibilities in this Statement is intended to allow local authorities and their CFOs to assess their job descriptions to ensure that their core finance responsibilities can be properly performed.

Local authorities also need to engage with partners through a range of collaborative or commissioned relationships in order to realise their goals. Partnership working and the focus on community outcomes mean that the CFO needs to understand the financial risks and potential liabilities that may impact on the authority and have appropriate involvement in partnerships' business decisions. The CFO must therefore work to develop strong and constructive working relationships with key decision makers in partner organisations. Where the CFO is providing advice to partner bodies and organisations it remains the CFO's responsibility to ensure that where actual or potential conflicts of interest may occur, the local authority has access to appropriate financial advice independent of that partnership.

### **Delivering the authority's strategic objectives sustainably and in the public interest**

Local authorities have a corporate responsibility to operate within available resources and to remain financially sound over the short-, medium- and longer-term. Maximising public value involves an appreciation of user needs, expectations and preferences, and the planning process must allow for their involvement and influence. The internal process to determine priorities often then needs to grapple with service rationing and difficult trade-offs between different groups of service users, as well as between present and future benefits. The overarching long-term need to match financial resources to the authority's purposes and policies, within constraints of affordability, taken

with the responsibility to citizens and taxpayers for financial stewardship, mean that the CFO must contribute actively to cross organisational issues and to corporate decision making to match resources to the authority's objectives.

Public finance is complex and highly regulated, and the CFO must contribute expert technical advice and interpretation. CFOs must act in the public interest, even if necessary against a perceived organisational interest. In some types of public service organisation, including local authorities, this professional obligation is given statutory backing, and a fiduciary duty is established in case law. In *Attorney General v De Winton* 1906, it was established that the treasurer is not merely a servant of the authority, but holds a fiduciary responsibility to the local taxpayers. This remains applicable to the CFO.

Section 151 of the Local Government Act 1972 requires that every local authority in England and Wales should "... make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs". Section 95 of the Local Government (Scotland) Act 1973 substantially repeats these words for Scottish authorities. In Northern Ireland, section 54 of the Local Government Act (Northern Ireland) 1972 requires that "a council shall make safe and efficient arrangements for the receipt of money paid to it and the issue of money payable by it and those arrangements shall be carried out under the supervision of such officer of the council as the council designates as its CFO".

The CFO's duties in England and Wales were significantly extended by section 114 of the 1988 Act which requires a report to all the local authority's members to be made by that officer, in consultation with the monitoring officer (MO) and head of paid service, if there is or is likely to be unlawful expenditure or an unbalanced budget. Section 114 does not apply to Scotland – instead the requirement to set a balanced budget is established in s108(2) of the Local Government (Scotland) Act 1973 and s93(3) of the Local Government Finance Act 1992. In Northern Ireland, the equivalent duty – whilst not specified in statute – would rest with the authority's CFO in keeping with the statutory responsibility under section 54 of the Local Government Act (Northern Ireland) 1972.

As holders of the 'red card', the CFO must exercise a professional responsibility to intervene in spending plans in order to maintain the balance of resources so that the authority remains in sound financial health. To ensure that the necessary corrective action is implemented, the CFO must have direct access to the chief executive, other leadership team members, the audit committee and also to external audit.



## Governance requirements

## Principle 1

- Set out a clear statement of the respective roles and responsibilities of the leadership team and its members individually.
- Ensure that the CFO reports directly to the chief executive and is a member of the leadership team with a status at least equivalent to other members.
- If different organisational arrangements are adopted, explain the reasons publicly, together with how these deliver the same impact.
- Determine a scheme of delegation and reserve powers, including a formal schedule of those matters specifically reserved for collective decisions by the Board, and ensure that it is monitored and updated.
- Ensure that authority's governance arrangements allow the CFO:
  - to bring influence to bear on all material business decisions
  - direct access to the chief executive, other leadership team members, the audit committee and external audit.
- Review the scope of the CFO's other management responsibilities to ensure financial matters are not compromised.
- Assess the financial skills required by members of the leadership team and commit to develop those skills to enable their roles to be carried out effectively.
- Review partnership arrangements to ensure that the authority always has access to financial advice in relations to its role in partnership.



## Core CFO responsibilities

## Principle 1

- Contributing to the effective leadership of the authority, maintaining focus on its purpose and vision through rigorous analysis and challenge.
- Contributing to the effective corporate management of the authority, including strategy implementation, cross organisational issues, integrated business and resource planning, risk management and performance management.
- Supporting the effective governance of the authority through development of
  - corporate governance arrangements, risk management and reporting framework<sup>8</sup>
  - corporate decision making arrangements.
- Contributing to the development of public service partnership to deliver objectives.
- Leading or promoting change programmes within the authority.
- Leading development of a medium-term financial strategy and the annual budgeting process to ensure financial balance and a monitoring process to ensure its delivery.

<sup>8</sup> CIPFA LAAP 99 Bulletin on Local Authority Reserves





## Personal skills and professional standards

## Principle 1

- Role model, energetic, determined, positive, robust and resilient leadership, able to inspire confidence and respect, and exemplify high standards of conduct.
- Adopt a flexible leadership style, able to move through visioning to implementation and collaboration/consultation to challenge as appropriate.
- Build robust relationships both internally and externally.
- Work effectively with other leadership team members with political awareness and sensitivity.
- Support collective ownership of strategy, risks and delivery.
- Address and deal effectively with difficult situations.
- Demonstrate best practice in change management and leadership.
- Balance conflicting pressures and needs, including short- and longer- term trade-offs.
- Facilitate the growth of effective partnerships whilst balancing the need to protect the individual financial position.
- Demonstrate strong commitment to innovation and performance improvement.
- Manage a broad portfolio of services to meet the needs of diverse communities.
- Facilitate the growth of effective partnership enabling improved service delivery.
- Maintain an appropriate balance between the technical financial aspects of the CFO role and broader focus on the environment and stakeholder expectations and needs.
- Comply with the IFAC Code of Ethics for Professional Accountants, as implemented by local regulations and accountancy bodies, as well as other ethical standards that are applicable to them by virtue of their professional status as a member of CIPFA or another accountancy institute. The fundamental principles set out in the Code are integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour. Impartiality is a further fundamental requirement of those operating in the public services.

# \ principle 2



The CFO in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's overall financial strategy.

## **Responsibility for financial strategy**

No organisation can achieve its goals effectively without proper structures for allocating and optimising the use of resources. The centrality of finance means the CFO must play the lead role in advising and supporting the leadership team in turning policy aspirations into reality by aligning financial planning with the vision and strategic objectives for the authority.

Within the overall corporate governance and management structure, the CFO has direct responsibility for leading development and implementation of the financial strategy necessary to deliver the authority's strategic objectives sustainably. The CFO must therefore work closely with decision makers to establish a medium- to long-term strategy that ensures the financial sustainability of the authority. This may require the CFO to provide comprehensive advice on alternative delivery models to inform debate.

The CFO must also develop and manage resource allocation models to optimise service outputs and community benefits within funding constraints and any tax raising limits. In implementing these models, the CFO must ensure that the financial and risk implications of policy initiatives are analysed and appropriately addressed. Models must encompass partnership working, alternative delivery models, capital investment programmes and annual operations, as well as financial targets and benchmarks. They must also take into account future commitments, resources available and the desirable levels of reserves, to ensure that the authority's finances remain sustainable.

The statutory guidance issued by the Secretary of State under the 2000 Local Government Act (England and Wales) advises that local authorities will need to ensure that the CFO and the monitoring officer have

access as necessary to meetings and papers and that members must consult with him/her regularly.<sup>10</sup> The advice continues that the finance director will have an important role in the management of the local authority in particular by:

- contributing to corporate management in particular to the provision of professional financial advice
- maintaining financial administration and stewardship
- supporting and advising all members and officers in their respective roles
- examining alternative delivery models and supporting members in their understanding of each approach
- providing financial information to the media, members of the public and the community.

There is no equivalent legislative requirement in Scotland or Northern Ireland, but the guidance is equally relevant.

## **Influencing decision making**

Local authorities must be rigorous in their decision making, be explicit about the reasons for their decisions and record the supporting information and expected impact. This requires the CFO to be actively involved in, and able to bring influence to bear on all material business decisions whenever and wherever they are taken.

The CFO must be able to advise the leadership team directly, including elected representatives, in order to discharge responsibilities in relation to the authority's financial health and long-term viability. The CFO must therefore be a persuasive and confident communicator with the status and credibility to challenge others,

<sup>10</sup> In Wales the statutory guidance does not include this reference but implies that this should be the case.

and influence material business decisions. The CFO's advice and reports to the leadership team must be clear, concise, relevant and timely, highlighting issues that the team needs to be aware of, and options for action.

The CFO must also work to develop strong and constructive working relationships with both the executive and non executive members of the authority's leadership, creating mutual respect and effective communication. Providing information and advice to elected officials as a public servant will call on an understanding of ethics, the wider public interest, and diplomacy.

The Local Government Act 2003 and Local Government Scotland Act 2003 emphasise the importance of sound and effective financial management. In relation to capital financing there is a statutory requirement for each local authority to set and arrange their affairs to remain within prudential limits for borrowing and capital investment. Advice on fulfilling this responsibility is set out in CIPFA's Prudential Code.<sup>11</sup>

In England and Wales there is also a statutory duty on the CFO to report to the authority, at the time the budget is considered and the council tax set, on the robustness of the budget estimates and the adequacy of financial reserves. This is a public report. In addition, the Secretary of State in England or the National Assembly for Wales have reserve powers to specify in regulations a statutory minimum level of reserves that will be used if authorities fail to remedy deficiencies or run down reserves against the advice of the CFO. There is no equivalent specific legislation in Scotland or Northern Ireland.

The CFO also has a key role to play in fulfilling the requirements of the statutory duty to keep the authority's finances under review during the year and take action if there is evidence that financial pressures will result in a budget overspend or if there is a shortfall in income.<sup>12</sup>

### **Financial information for decision makers**

At all levels in the authority those taking decisions must be presented with relevant, objective and reliable financial analysis and advice, clearly setting out the financial implications and risks.

The CFO has an important role in ensuring necessary financial information and advice is provided to the leadership team and decision makers at all levels across the authority. Meaningful financial analysis and

robust and impartial interpretation is a key component in performance management, asset management, investment appraisal, risk management and control.

Although not a specific responsibility of CFOs alone, they – along with the monitoring officer and chief legal officer (CLO) – should be alert to the 'Wednesbury' rules<sup>14</sup> which emphasise the importance of ensuring that when developing policy all relevant matters are properly considered. The judgement in the case stated that an authority's action in exercise of a statutory discretion would only be regarded unreasonable, in excess of the powers given by Parliament and therefore invalid if:

- in making its decision it took into account matters which it ought not to take into account, or
- it did not take into account matters which it should have taken into account, or
- even if the two previous conditions were satisfied the conclusion was so unreasonable that no reasonable authority could ever come to it.

These principles apply regardless of whether decisions on policy are taken by individual members or collectively. In order to demonstrate that these principles have been observed it is important that policy decisions and the associated advice are – as a matter of routine – well and clearly documented. The 'Wednesbury' rules do not apply specifically in Scotland or Northern Ireland, but adherence to these will demonstrate good governance and proper decision making.

---

<sup>11</sup> The Prudential Code for Capital Finance in Local Authorities, CIPFA [www.cipfa.org/publications](http://www.cipfa.org/publications)

<sup>12</sup> Associated Provincial Picture Houses v Wednesbury Corporation (1948).



## Governance requirements

## Principle 2

- Establish a medium-term business and financial planning process to deliver the authority's strategic objectives, including:
  - a medium-term financial strategy to ensure sustainable finances
  - a robust annual budget process that ensures financial balance
  - a monitoring process that enables this to be delivered.
- Ensure that these are subject to regular review to confirm the continuing relevance of assumptions used.
- Ensure that professional advice on matters that have financial implications is available and recorded well in advance of decision making and used appropriately.
- Ensuring that budget calculations are robust and reserves adequate, in line with CIPFA's guidance.
- Ensure that those making decisions are provided with information that is fit for purpose – relevant, timely and giving clear explanations of financial issues and their implications.
- Ensure that timely, accurate and impartial financial advice and information is provided to assist in decision making and to ensure that the authority meets its policy and service objectives and provides effective stewardship of public money and value for money in its use.
- Ensure that the authority maintains a prudential financial framework; keeps its commitments in balance with available resources; monitors income and expenditure levels to ensure that this balance is maintained and takes corrective action when necessary.
- Ensure the authority understands the budgetary commitment of a contracted service including the longer term financial implications.
- Ensure that advice is provided on the levels of reserves and balances in line with good practice guidance<sup>13</sup>
- Ensure compliance with CIPFA's *Prudential Code for Capital Finance in Local Authorities* and CIPFA's *Treasury Management in the Public Services Code of Practice*.
- Ensure that appropriate management accounting systems, functions and controls are in place so that finances are kept under review on a regular basis. These systems, functions and controls should apply consistently to all activities including partnerships arrangements, outsourcing or where the authority is acting in an enabling role.
- Ensure the provision of clear, well presented, timely, complete and accurate information and reports to budget managers and senior officers on the budgetary and financial performance of the authority.
- Ensure that medium-term business and financial planning systems along with ongoing performance monitoring cover the services provided through partnerships and alternative delivery models
- Ensure that the prudential financial framework accurately reflects the commitments and potential future impact of contracted future services

<sup>13</sup> LAAP 99 – Local Authority Reserves and Balances, [www.cipfa.org.uk/pt/download/laap77.pdf](http://www.cipfa.org.uk/pt/download/laap77.pdf)

**Responsibility for financial strategy**

- Agreeing the financial framework and planning delivery against the defined strategic and operational criteria.
- Maintaining a long-term financial strategy to underpin the authority's financial viability within the agreed performance framework.
- Implementing financial management policies to underpin sustainable long-term financial health and reviewing performance against them.
- Evaluating the financial implications of alternative delivery models.
- Appraising and advising on commercial opportunities and financial targets.
- Developing and maintaining an effective resource allocation model to deliver business priorities.
- Developing an approach for the delivery of collaborative services within a structured framework.
- Leading on asset and balance sheet management to allow the authority to maximise its effective use of resources.
- Co-ordinating the planning and budgeting processes.
- Involvement in strategic assets management.

**Influencing decision making**

- Ensuring that opportunities and risks are fully considered and decisions are aligned with the overall financial strategy.
- Providing professional advice and objective financial analysis enabling decision makers to take timely and informed business decisions.
- Ensuring that efficient arrangements are in place and sufficient resources available to provide accurate, complete and timely advice to support councillors' strategy development.
- Ensuring that clear, timely, accurate advice is provided to the executive in setting the funding plan/budget.
- Ensuring that advice is provided to the scrutiny function in considering the funding plan/budget.
- Ensuring that the authority's capital projects are chosen after appropriate value for money analysis and evaluation using relevant professional guidance.
- Checking, at an early stage, that innovative financial approaches comply with regulatory requirements.

**Financial information for decision makers**

- Monitoring and reporting on financial performance that is linked to related performance information and strategic objectives that identifies any necessary corrective decisions.
- Preparing timely management accounts.
- Ensuring the reporting envelope reflects partnerships and other arrangements to give an overall picture.
- Monitoring the service impact of 3rd party contacts on the delivery of organisational objectives.
- Monitoring the longer-term financial impact of 3rd party contracts.



## Personal skills and professional standards

## Principle 2

- Take all reasonable steps to ensure that:
  - budgets are planned as an integral part of the strategic and operational management of the authority and are aligned with its structure of managerial responsibilities
  - budgets are constructed on the basis of reliable data of past performance and rigorous assessments of future resources and commitments, and that policies and priorities are evaluated in an open, consistent and thorough manner
  - responsibilities for budget management and control are unambiguously allocated, that commitments are properly authorised, and that budgets are related to clear objectives and outputs
  - the accounting and financial information systems make available, at the relevant time to all users, the appropriate information for their responsibilities and for the objectives of the authority.
- Implement other appropriate management, business and strategic planning techniques.
- Link financial strategy and overall strategy.
- Demonstrate a willingness to take and stick to difficult decisions – even under pressure.
- Take ownership of relevant financial and business risks.
- Network effectively within the authority to ensure awareness of all material business decisions to which CFO input may be necessary.
- Role model persuasive and concise communication with a wide range of audiences internally and externally.
- Provide clear, authoritative and impartial professional advice and objective financial analysis and interpretation of complex situations.
- Apply relevant statutory, regulatory and professional standards both personal and organisational.
- Demonstrate a strong desire to innovate and add value.
- Challenge effectively, and give and receive constructive feedback.
- Operate with sensitivity in a political environment.

# \ principle 3



The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.

## **Promotion and delivery of good financial management**

Good financial management is fundamental to establishing confidence in the public services and good relationships with the taxpayer and other funders. The leadership team collectively needs to set the tone that financial management is core to achieving strategic aims, and to demonstrate that public money is used well. Nevertheless it is the CFO who must take the lead in establishing a strong framework for implementing and maintaining good financial management across the authority. The CFO will be instrumental in assessing the existing organisational style of financial management and the improvements needed to ensure it aligns with the authority's strategic direction.

Financial management is the business of the whole authority. When the leadership team, managers and the finance function all fulfil their financial management responsibilities successfully, they collectively create the financially literate and adept authority. The CFO must actively promote financial literacy throughout the authority and in partnership bodies so that the leadership team and managers can discharge their financial management responsibilities, alongside their wider responsibilities in relation to risk and performance management.

## **Best value and value for money**

The CFO has a key role to play in balancing control and compliance with value creation and performance. Better value for money releases resources that can be recycled into higher priorities, without increasing taxation. Helping to secure positive social outcomes within affordable funding therefore lies at the heart of the CFO's role in the local authority.

With the foundations in place, good financial management will focus on stretching limited resources to maximise value for the public service. Value for money (economy, efficiency and effectiveness) should be the concern of all managers, but the CFO will need to take the lead in coordinating and facilitating a culture of efficiency and value for money. This will involve approaches and techniques such as:

- enabling the authority to measure value for money, and making sure that it has the information to review value for money and performance effectively
- advising on appropriate strategies for managing assets and stretching utilisation, and the productive use of other resources
- providing leadership in using and developing efficiency tools and techniques, including benchmarking, IT, shared services, process analysis and cost management, collaborating with others where this is more efficient, effective or economical
- ensuring the rigorous financial appraisal and oversight of change programmes, partnership working, income generation proposals and investment projects.

## **Safeguarding public money**

The CFO must lead the implementation and maintenance of a framework of financial controls and procedures for managing financial risks, and must determine accounting processes and oversee financial management procedures that enable the authority to budget and manage within its overall resources. At the most fundamental level this means ensuring robust systems of risk management and internal control, that financial control is exercised consistently, and that the authority implements appropriate measures to protect



its assets from fraud and loss and to identify and meet the assurance needed.

Where services are provided by partnership and 3rd party arrangements the CFO must ensure the mechanics and assurance mechanics are in place and compliance is monitored.

The CFO also has a specific role with regard to stewardship. This includes ensuring that the governance structures codify financial control, internal control, risk management and assurance, as well as defining a framework of financial accountabilities and reporting. In addition to the finance director's responsibilities to the authority, a wider role also exists in relation to the general public. The local authority is regarded as the trustee of local citizens' money, and the finance director has the prime obligation and duty to them to manage the authority's resources prudently on their behalf as established in the 1906 de Winton case.

In effect this means that the finance director has a personal responsibility for the stewardship and safeguarding of public money and for demonstrating that high standards of probity exist. Strong financial management, accurate financial reporting and effective financial controls are therefore central to the finance director's role in local government. This role was strengthened by the Local Government Finance Act 1988 (in England and Wales), which requires the finance director to report inappropriate financial management as well as wrongdoing.

Section 114 of the 1988 Act requires a report to all the local authority's members to be made by that officer, in consultation with the monitoring officer and head of paid service, if there is or is likely to be unlawful expenditure or an unbalanced budget. Section 114 does not apply to Scotland – instead the requirement to set a balanced budget is established in s108(2) of the Local Government (Scotland) Act 1973 and s93(3) of the Local Government Finance Act 1992. In Northern Ireland, the equivalent duty – whilst not specified in statute – would rest with the authority's CFO in keeping with the statutory responsibility under section 54 of the Local Government Act (Northern Ireland) 1972. Further guidance recommending courses of action to be followed when a report under s114 may be required is attached at appendix B to this Statement. Although

section 114 does not apply to Scotland or Northern Ireland the principles that underlie it and the actions proposed in appendix B are recommended to finance directors as a means of discharging their overall responsibility for sound financial management.

Consistency of standards and transparency in financial activities are essential. In this context, CIPFA's view is that the statutory role of the CFO does not stop at the boundaries of the local authority but extends into its partnerships, devolved arrangements, joint ventures and companies in which the authority has an interest. As a minimum the CFO would exercise this through ongoing monitoring and obtaining rights of access to information in order to ensure financial probity. CFO's must be satisfied that what ever is being monitored is needed and the information available

The CFO should oversee the appropriate arrangements with respect to service contracts and alternative delivery models.

### **Assurance and scrutiny**

Accountability for public expenditure is a core requirement for local authorities. They are held accountable by intermediary stakeholders, such as scrutiny groups, service inspectorates and external auditors, and by primary stakeholders: the citizens, service users, funders and taxpayers.

Managing information flows is a key component of the CFO's role as an ambassador for the authority on financial matters and in building relationships with stakeholders. The CFO must also provide information and advice to those who officially scrutinise and review the authority; funders, regulators, and external audit, and any group which exercises scrutiny internally. The community, taxpayers and the press also expect information.

Internal audit is an important independent internal scrutiny activity. Internal audits remit does not necessarily end within the organisation boundary but can extend to a partnership and alternative delivery model. The CFO must support the authority's internal audit arrangements and ensure that the audit committee receives the necessary advice and information, so that both functions can operate effectively.



Public service providers face a variety of regulatory requirements and standards for external financial reporting, while measures of value are expressed both as financial and as non-financial performance targets. The role of the CFO in external reporting is to meet the reporting requirements relevant to the authority and to apply professional good practice, conscious of the needs of users. External financial reporting must be of good quality, supported by analysis and documentation and should receive an unqualified audit opinion. This will be facilitated if the CFO maintains a constructive professional relationship with external auditors and inspectors.

The Accounts and Audit Regulations 2003 (England and Wales), in Scotland, the Local Authority Accounts (Scotland) Regulations 1985 and in Northern Ireland the Local Government (Account and Audit) regulations (Northern Ireland) 2006 impose responsibilities on the finance director relating to accounting records and supporting information, control systems and the statement of accounts.

A key feature of the Regulations in England and Wales is the requirement for internal audit. Regulation 6 requires that a 'relevant body shall maintain an adequate and effective system of internal audit of its accounting records and its system of internal control'. Similar references exist for Northern Ireland in regulation 3a of the Local Government (Account and Audit) regulations (Northern Ireland) 2006. Although there is no specific reference to internal audit for Scotland the successful discharge of the finance director's responsibilities depends in part on effective internal audit.



## Governance requirements

## Principle 3

- Make the CFO responsible for ensuring that appropriate advice is given on all financial matters, for keeping financial records and accounts, and for maintaining an effective system of financial control.
- Ensure that systems and processes for financial administration, financial control and protection of the authority's resources and assets are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice.
- Ensure that the authority puts in place effective internal financial controls covering codified guidance, budgetary systems, supervision, management review and monitoring, physical safeguards, segregation of duties, accounting procedures, information systems and authorisation and approval processes. Ensuring that these controls are an integral part of the authority's underlying framework of corporate governance and that they are reflected in its local code.
- Address the authority's arrangements for financial and internal control and for managing risk in Annual Governance Reports.
- Publish annual accounts on a timely basis to communicate the authority's activities and achievements, its financial position and performance.
- Ensure an effective internal audit function is resourced and maintained.
- Develop and maintain an effective audit committee.
- Ensure that the authority makes best use of resources and that taxpayers and/or service users receive value for money.
- Embed financial competencies in person specifications and appraisals.
- Assess the financial skills required by managers and commit to develop those skills to enable their roles to be carried out effectively.
- Ensure that councillors' roles and responsibilities for monitoring financial performance/budget management are clear, that they have adequate access to financial skills, and are provided with appropriate financial training on an ongoing basis to help them discharge their responsibilities.
- Ensure ongoing monitoring of assurance arrangements in respect of partnerships and alternative service delivery models and that appropriate access to information is maintained.

**Promotion of financial management**

- Assessing the authority's financial management style and the improvements needed to ensure it aligns with the authority's strategic direction.
- Actively promoting financial literacy throughout the authority.
- Actively promote good financial management throughout all partnerships and alternative delivery models.
- Assisting the development of a protocol which clearly sets out the roles and responsibilities of both democratically elected councillors, whether acting in executive or scrutiny roles, and of officers for financial management, including delegated authority/powers.
- Ensure effective monitoring of partnerships through monitoring and access to information.

**Value for money**

- Challenging and supporting decision makers, especially on affordability and value for money, by ensuring policy and operational proposals with financial implications are signed off by the finance function or being clear on the reasons for alternative selection.
- Advising on the financial thresholds for 'key' decisions where there is a requirement to do so.
- Developing and maintaining appropriate asset management and procurement strategies.
- Managing long-term commercial contract value.

**Safeguarding public money**

- Applying strong internal controls in all areas of financial management, risk management and asset control.
- Establishing budgets, financial targets and performance indicators to help assess delivery.
- Implementing effective systems of internal control that include standing financial instructions, operating manuals, and compliance with codes of practice to secure probity.
- Ensuring that the authority has put in place effective arrangements for internal audit of the control environment and systems of internal control as required by professional standards and in line with CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom.<sup>14</sup>
- Ensuring that delegated financial authorities are respected.
- Promoting arrangements to identify and manage key business risks, including safeguarding assets, risk mitigation and insurance.
- Overseeing of capital projects and post completion reviews.
- Applying discipline in financial management, including managing cash and banking, treasury management, debt and cash flow, with appropriate segregation of duties.
- Ensuring the effective management of cash flows, borrowings and investments of the authority's own funds or the pension and trust funds it manages on behalf of others; ensuring the effective management of associated risks; pursuing optimum performance or return consistent with those risks.
- Implementing appropriate measures to prevent and detect fraud and corruption.

<sup>14</sup> CIPFA's *Code of Practice on Local Authority Accounting in the United Kingdom* developed by the CIPFA/LASAAC Joint Committee [www.cipfa.org/publications](http://www.cipfa.org/publications)



## Core CFO responsibilities

## Principle 3

- Establishing proportionate business continuity arrangements for financial processes and information.
- Ensuring that any partnership arrangements are underpinned by clear and well documented internal controls.
- Be alert to potential conflicts of interest and ensure the authority has access to appropriate independent advice.

### Assurance and scrutiny

- Reporting performance of both the authority and its partnerships to the board and other parties as required.
- Ensuring that financial and performance information presented to members of the public, the community and the media covering resources, financial strategy, service plans, targets and performance is accurate, clear, relevant, robust and objective.
- Supporting and advising the audit committee and relevant scrutiny groups.
- Ensuring that clear, timely, accurate advice is provided to the executive and the scrutiny functions on what considerations can legitimately influence decisions on the allocation of resources, and what cannot.
- Preparing published budgets, annual accounts and consolidation data for government-level consolidated accounts.
- Ensuring that the financial statements are prepared on a timely basis, meet the requirements of the law, financial reporting standards and professional standards as reflected in CIPFA's Code of Practice.
- Certifying the annual statement of accounts.
- Ensuring that arrangements are in place so that other accounts and grant claims (including those where the authority is the accountable body for community led projects) meet the requirements of the law and of other partner organisations and meet the relevant terms and conditions of schemes
- Liaising with the external auditor.



## Personal skills and professional standards

## Principle 3

- CFOs should take all reasonable steps to ensure that:
  - effective systems and procedures operate to monitor progress against budgets and their objectives at regular intervals, and that appropriate reporting mechanisms are in place
  - payments, including benefits and taxation, are made on time, accurately and in accordance with legal requirements
  - cash is handled with special care to avoid loss, particularly loss through theft and secure arrangements are in place to deal with the handling of electronic or other cash-less transactions
  - the accounting and financial information systems provide an accessible, complete, comprehensive, consistent and accurate record of the authority's financial transactions
  - all financial reports are relevant, reliable and consistent, are compatible with the authority's accounting and financial information systems available, at the relevant time to all users, the appropriate information for their responsibilities and for the objectives of the authority
  - within the specific legislative framework for each authority, systems exist to secure the efficient and effective management of taxes, in particular to ensure that tax liabilities and obligations are properly reported and accounted for and to prevent any tax losses
  - treasury management is carried out in accordance with CIPFA's treasury management code and that effective treasury management arrangements are in place.
- Generate 'buy-in' to, and support delivery of, good financial management across the authority.
- Develop and sustain partnerships, and engage effectively in collaboration.
- Deploy effective facilitation and meeting skills.
- Build and demonstrate commitment to continuous improvement and innovative, but risk-aware, solutions.
- Place stewardship and probity as the bedrock for management of the authority's finances.

# \ principle 4



The CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose.

## **Meeting the finance needs of the business**

The organisation of finance functions is changing rapidly. Traditionally they have been centralised services, but increasingly they include devolved finance teams in business areas. Arrangements may also now include outsourced functions, or services shared between organisations.

Whatever the structure, a strong customer focus both externally and internally must be a key feature of the way the finance function does business. It must support the authority's broader development agenda, by appraising investment options and change programmes and contributing creative financial solutions within an effective risk management framework.

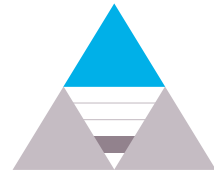
The finance function must also have a firm grasp of the authority's financial position and performance. The CFO must ensure that there is sufficient depth of financial expertise, supported by effective systems, to discharge this responsibility and challenge those responsible for the authority's activities to account for their financial performance. The resources available must be proportionate to the complexity of the financial environment.

Section 114(7) of the Local Government Finance Act 1988 requires authorities in England and Wales to provide their CFO with 'such staff, accommodation and other resources as are in his opinion sufficient to allow his duties under this section (i.e. s114) to be performed'. There is no equivalent requirement in Scotland or Northern Ireland.

## **Appropriately developed finance skills**

The CFO must promote financial literacy throughout the authority, including championing training and development of relevant skills at all levels. However the CFO has a particular responsibility for learning and development amongst finance staff in order to ensure that both current and likely future finance skill needs are addressed. This will include identifying the competencies needed by the finance function, including specialist skills, and ensuring it can access the skills and experience to exercise stewardship of public finances, develop financial performance and contribute effectively to new organisational directions and innovation.

The CFO must ensure that the head of profession role for accountants and finance specialists authority-wide is properly discharged in order to ensure compliance with regulatory and professional standards. Exercising leadership on financial matters in a devolved environment will require a documented line of professional accountability to the CFO, where this is not a direct line management relationship.



## Governance requirements

## Principle 4

- Provide the finance function with the resources, expertise and systems necessary to perform its role effectively.
- Ensure there is a line of professional accountability to the CFO for finance staff throughout the authority.



## Core CFO responsibilities

## Principle 4

- Leading and directing the finance function so that it makes a full contribution to and meets the needs of the business.
- Determining the resources, expertise and systems for the finance function that are sufficient to meet business needs and negotiating these within the overall financial framework.
- Managing partnership delivery.
- Implementing robust processes for recruitment of finance staff and/or outsourcing of functions.
- Reviewing the performance of the finance function and ensuring that the services provided are in line with the expectations and needs of its stakeholders.
- Seeking continuous improvement in the finance function.
- Ensuring that finance staff, managers and the leadership team are equipped with the financial competencies and expertise needed to manage the business both currently and in the future whether directly or indirectly employed.
- Ensuring that the head of profession role for all finance staff in the authority is properly discharged.
- Acting as the final arbiter on application of professional standards.



## Personal skills and professional standards

## Principle 4

- Create, communicate and implement a vision for the finance function.
- Role model a customer focussed culture within the finance function.
- Establish an open culture, built on effective coaching and a “no blame” approach.
- Promote effective communication within the finance department, across the broader authority and with external stakeholders.
- Apply strong project planning and process management skills.
- Set and monitor meaningful performance objectives for the finance team.
- Role model effective staff performance management.
- Coach and support staff in both technical and personal development.
- Promote high standards of ethical behaviour, probity, integrity and honesty.
- Ensure, when necessary, that outside expertise is called upon for specialist advice not available within the finance function.
- Promote discussion on current financial and professional issues and their implications.



# \ principle 5



The CFO in a local authority must be professionally qualified and suitably experienced.

## **Demonstrating professional and interpersonal skills**

The CFO must be able to demonstrate their own professional standing to exercise financial leadership throughout the authority. As a member of a professional body, the CFO's skills, knowledge and expertise will have been tested by examination and must be continuously developed in a structured and monitored context. The CFO must adhere to the professional values of accuracy, honesty, integrity, objectivity, impartiality, transparency and reliability and promote these throughout the finance function.<sup>15</sup>

The CFO must communicate complex financial information in a clear and credible way. They should be able to operate effectively in different modes including directing, influencing, evaluating and informing. The CFO must also have the confidence to give impartial and objective advice even if it may be unwelcome, and be sufficiently forceful to intervene with authority if financial or ethical principles need to be asserted or defended.

The officer appointed as the CFO must, by virtue of section 113 of the Local Government Finance Act 1988 in England and Wales, be a member of a specified accountancy body.<sup>16</sup> There is no equivalent statutory requirement in Northern Ireland and Scotland although in both cases, this is widely acknowledged to be good practice.

The statutory role must be performed by an 'officer' of the authority. Although 'officer' is not defined the legal view is that the terms 'staff' and 'officer' in the Local Government Act 1972 and elsewhere are intended to embrace all employees of local authorities. It is permissible for an authority to procure non-statutory financial management services from an individual on the basis of a service contract.

## **Applying business and professional experience**

The CFO must have an understanding and commitment to the wider business, looking beyond narrow financial objectives, to inspire respect, confidence and trust amongst colleagues, inspectors and stakeholders. In practice this means being creative and constructive in strategic roles and effective in management responsibilities, with a sound grasp of approaches such as performance management and project leadership.

The CFO must understand how and when to apply the tools and techniques of financial analysis in support of business decisions in order to evaluate proposals and to offer well founded and expert advice. Such techniques include strategic analysis, review of sector best practice, benchmarking, option appraisal, performance measurement, and risk assessment. However data is not always clear cut and the CFO must also be able to apply judgement to imperfect information.

The CFO must have a good understanding of public sector finance and its regulatory environment and comply with standards formulated through rigorous due process in support of the public interest to support the leadership team effectively. The CFO must also have a good understanding of the principles of financial management, and personally set a tone for the authority that finance matters and is a key part of everyone's job throughout the authority.

<sup>15</sup> Further information on behaviours can be found in the *IFAC Code of Ethics*, [www.ifac.org](http://www.ifac.org)

<sup>16</sup> Defined to mean a qualified member of one of the six bodies comprising the Consultative Committee of Accountancy Bodies (CCAB) in the UK and Ireland, that is

- Chartered Institute of Public Finance and Accountancy
- The Institute of Chartered Accountants in England and Wales
- The Institute of Chartered Accountants of Scotland
- The Institute of Chartered Accountants in Ireland
- Chartered Institute of Management Accountants
- The Association of Chartered Certified Accountants.



## Governance requirements

## Principle 5

- Appoint a professionally qualified CFO whose core responsibilities include those set out under the other principles in this Statement and ensure that these are properly understood throughout the authority.
- Ensure that the CFO has the skills, knowledge, experience and resources to perform effectively in both the financial and non-financial areas of their role.



## Personal skills and professional standards

## Principle 5

- Be a member of an accountancy body recognised by the International Federation of Accountants (IFAC), qualified through examination, and subject to oversight by a professional body that upholds professional standards and exercises disciplinary powers.
- Adhere to international standards set by IFAC on:
  - ethics
  - Continuing Professional Development.
- Demonstrate IT literacy.
- Have relevant prior experience of financial management in the public services or equivalent.
- Understand public service finance and its regulatory environment.
- Apply the principles of public financial management.
- Apply relevant commercial skills and understanding of relevant alternative delivery models
- Understand personal and professional strengths.
- Undertake appropriate development or obtain relevant experience in order to meet the requirements of the non-financial areas of the role.

# legislative requirements

## **Section 151 of the Local Government Act 1972 – England and Wales**

This section requires that every local authority in England and Wales should “make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”.

The words “proper administration” are not statutorily defined nor have they received judicial consideration. Section 58 of the Local Government Act 1958 had somewhat narrower wording requiring authorities to make “safe and efficient” arrangements for the receipt and payment of money.

“Proper administration” requires a somewhat wider consideration of all aspects of local authority financial management and should include:

- compliance with the statutory requirements for accounting and internal audit
- ensuring the authority’s (and ultimately its members’) responsibility for securing proper administration of its financial affairs (Lloyd v McMahon (1982) AC 625)
- proper exercise of a wide range of delegated powers both formal and informal (Provident Mutual Life Assurance Association v Derby City Council (1981) 1 WCR 173)
- responsibility for managing the financial affairs of the local authority in all its dealings
- recognition of the fiduciary responsibility owed to local taxpayers (Attorney General v De Winton (1906) 2 CH 106).

This view is strengthened by Section 113 of the Local Government Finance Act 1988 which requires the responsible officer under Section 151 of the 1972 Act to be a member of a specified accountancy body.

## **Section 95 of the Local Government (Scotland) Act 1973 – Scotland**

Section 95 states that: “every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that the proper officer of the authority has responsibility for the administration of those affairs”.

The same considerations as to the meaning of ‘proper administration’ as set out above apply in Scotland. There is no equivalent statutory requirement to Section 113, Local Government Finance Act 1988, requiring the CFO to be a member of a specified accountancy body, in Scotland although in both cases, this is widely acknowledged to be good practice.

## **Section 54 of the Local Government Act (Northern Ireland) 1972 – Northern Ireland**

Section 54 requires that “council shall make safe and efficient arrangements for the receipt of money paid to it and the issue of money payable by it and those arrangements shall be carried out under the supervision of such officer of the council as the council designates as its CFO”.

The Northern Ireland Act uses the more narrow wording previously used under the 1958 Local Government Act. There is no equivalent statutory requirement to Section 113, Local Government Finance Act 1988, requiring the CFO to be a member of a specified accountancy body, in Northern Ireland although in both cases, this is widely acknowledged to be good practice.

## Section 114 of the Local Government Finance Act 1988 – England and Wales

The responsible officer under Section 151 of the 1972 Act had his or her duties significantly extended by Section 114 of the 1988 Act which requires a report to all the authority's members to be made by that officer, in consultation with the council's monitoring officer, if there is, or is likely to be unlawful expenditure or an unbalanced budget.

### Introduction

Section 114 (1) of the Local Government Finance Act 1988 places a duty on the CFO to report certain matters to the authority. Serious consequences could follow making such a report and this note recommends sound procedures and consultation, particularly with the authority's CLO if that person is not the MO, prior to making the report.<sup>17</sup>

The duty of the CFO to report is triggered if they believe that a decision involves (or would involve) unlawful expenditure a course of action is unlawful and is likely to cause a loss or deficiency an entry of account is unlawful.

In those circumstances the CFO is required to make a report to the authority and send a copy to every member and the external auditor. The course of conduct which led to the report must not be pursued until the full council has considered the report. The council must consider the report within 21 days and decide whether it agrees or disagrees with the views in the report and what action it proposes to take.

Likewise the CFO must inform the authority where they believe that the authority's expenditure is likely to exceed available resources. The authority is prevented from entering into any agreements incurring expenditure until the council has considered the report.

Regulations under the Local Government Act 2000 have amended section 114 for those authorities in England operating executive arrangements. In those cases such reports are submitted to full council in respect of non-executive functions and to the executive for executive functions.

If the unlawful expenditure relates to actions undertaken by the executive then under sections 114A and 115B, the CFO's report must be submitted to the executive. Copies

must be sent also to all members of the authority and the external auditor (and the council manager if there is one).

No action should be carried out until the executive has considered the report. The executive must then provide a report to the authority, the CFO and the external auditor, explaining what action, if any, is to be taken and the reasons.

This guidance note is intended to assist in the provision of sound legal (and financial) advice to members of the authority the duty to make a part VIII report rests with the CFO and nothing in this note derogates from that responsibility.

The legislation raises issues that could place the CFO in conflict with his or her employers. The consequences of submitting a part VIII report are unlikely to be in the long-term interests of the authority, its officers (or even local government generally) if many have to be made. The need to issue a number of s114 reports would also indicate that there are underlying problems with the overall performance of the authority. Every action should be taken to avoid conflict by providing timely advice to elected members and where possible offering alternative lawful solutions on financial matters. However, at the end of the day section 114 imposes a statutory duty on the CFO.

### Preliminary matters

Information resulting in the need for a part VIII report could come from the CFO's staff, an officer, a member of the authority, the public or the auditor. All elected members and officers should be made aware that it is the CFO's duty to raise possible issues requiring investigation which may lead to a formal report. This could in part be achieved by including details of the CFO's statutory duty in the member/officers' protocol in the local authority's written constitution which must be prepared and maintained under section 37 of the 2000 Act. The topic should also be included in members' training programmes.

Making a report under sections 114 (2) and 114A(2) requires the CFO to make a decision that an act or omission is or could be unlawful; this decision should only be taken after full consultation with the head of paid service, the authority's MO (and chief legal officer where the CLO is not the MO) whereas a report

---

<sup>17</sup> The statutory duty is to consult the head of paid service and MO.

under section 114 (3) requires a financial judgement on (essentially) the budget which the CFO could take alone. Even in a section 114(3) report the CFO is required by statute to consult the head of paid service (chief executive) and the MO because other corporate and legal issues may well flow from the report and because there may be overlaps with the MO's duty to report to the authority about unlawfulness under the Local Government and Housing Act 1989 section 5.

MOs have a reciprocal duty to issue reports under section 5 of the 1989 Act and to consult the head of paid service (chief executive) and CFO on their reports.

Circumstances of a developing situation (for example, shortage of budget resources or a prospective unlawful act) should be distinguished from the imminent or actual situation. Timing of a part VIII report will need careful thought and decision.

There may well be occasions when the chief executive, the MO, the CLO or the CFO will be asked for a view on matters which the authority has under consideration but which if developed might lead to a part VIII report. A mere preliminary enquiry or request should not lead to a formal report under the Act. If the situation develops the need to report must be reviewed.

It is not considered that the provisions of sections 114 (2) and 114A (2) relate to cases of discovered fraud (which could be the subject of criminal prosecution) – these should normally be dealt with under the authority's financial regulations.

A decision will be needed whether to report or not on items which could be regarded as outside sections 114 (2) and 114 A (2) such as trivial expenditure or loss of income although there may be circumstances in which such a report may be justified.

In the case of action under section 114 (3) the need for a report arises only where an authority's total resources fall short of likely expenditure. It does not apply where, say, a committee's budget is overspent – this might be the subject of a report outside the provisions of part VIII although this could in some circumstances amount to a loss or deficiency under section 114 (2) (b) or 114 A (2) (b).

This note assumes that within the authority the chief executive, MO/CLO and CFO are three separate posts. They may not always be so, although there is now a

statutory bar on the chief executive or CFO being the authority's MO. The authority's MO may also be the CLO. Where the roles are separate both should be consulted.

### Recommended procedures

Having regard to the circumstances and the preliminary matters mentioned above the procedure for a report under section 114 (2) or 114 A (2) – an unlawful act or omission – is suggested as follows:

- Consult with the MO/CLO on the issue of unlawfulness.
- Consult the chief executive on the matter (s114(3A) and s114 A (3)).
- If there is disagreement or doubt the CFO should ask the MO/CLO to obtain Opinion of Counsel.
- If there is still disagreement after Counsel's Opinion, the CFO and MO/CLO refer the matter to the chief executive for assistance on procedures but chief executives should not substitute their own advice, even where legally or financially qualified.

Under section 114 (3) where the matter is an unbalanced budget – real or potential – the CFO is in a better position to come to a decision unaided. However it is recommended:

- an informal indication is given by the CFO at a very early stage and an attempt made to get immediate remedial action
- the likelihood of a report under section 114 (3) should be made known to the chief executive at an early opportunity
- the CFO should consider informal consultation with the internal and external auditor

At this point the CFO has to decide the course of action. If it is decided to proceed, the CFO goes to next stage.

Where the CFO decides there is a case for a part VIII report:

- If the action or expenditure is potential the CFO should draft a report stating the facts and reasons and discuss with the MO, the chief executive and relevant chief officers how to obviate the need for the report by remedial action. If successful the matter will rest.
- Where remedial action is not possible, or where the act or expenditure has already happened, the CFO should draft a report as in consultation with chief

executive and MO. The report should clearly state that it is made under the relevant sub-section of section 114 or section 114 (A) of the Local Government Finance Act 1988 and the consequences. The CFO then 'makes' the report by signing it personally.

The statutory duty to make a part VIII report and send a copy to each member of the authority and the external auditor rests on the CFO. The Act does not say when a report is to be sent but implies it should be sent as soon as reasonably practicable.

Where an authority in England or Wales is operating executive arrangements under the Local Government Act 2000 the report must be to the full council and sent to each member of the council and to the auditor, if it relates to non-executive functions or the likelihood of an unbalanced budget.

Where the local authority is operating executive arrangements, and the executive (or a person on their behalf) is about to make or has made a decision involving unlawful expenditure, a loss or deficiency or an unlawful item of account, the CFO must make the report to the executive, and send copies to every member, the auditor and (in the case of a mayor and council manager) the council manager.

The duty to make and send the report rests with the CFO and that starts the 21 day 'prohibition period' and in normal circumstances the timing of sending it needs to be carefully considered in consultation with the 'Proper Officer' for calling meetings (and the chief executive if not that officer).

Part VIII reports are likely to be made in highly contentious circumstances and as such could be the target for legal challenge. They must therefore be subject to most careful drafting, rehearsing all relevant matters and arguments besides clearly advising as to the options or decisions sought.

Whatever the decision, the CFO must have taken all steps necessary to arrive at and justify that decision. The CFO should ensure that there is a proper record of the considerations leading to the decision.

The executive must then meet within 21 days to consider the CFO's report and no action must be taken until this has happened. After considering the report, the executive must then prepare a report which specifies what action (if any) the executive has taken or proposes to take, the timing and the reasons for the action. A copy of that report must be sent to the external auditor, every member of the council and the CFO.

#### **Liaison with proper officer responsible for calling meetings: (Schedule 12 Local Government Act 1972)**

It is for the "proper officer" to advise on procedure for considering the report but by agreement such information could be included in the CFO's report or accompany it.

The report could be sent to each member of the authority as a separate document. However, in the case of reports to the full council it would be advisable to send copies with the council summons to the meeting which will consider it. In the case of reports to the executive, copies could be sent with the agenda for the meeting which will consider it, as well as the remaining members of the council and the council manager (if any). In both cases copies must be sent to the auditor.

The statutory duty to send the report is the CFO's but it is recommended that normally the authority's usual procedure for sending reports to all members be followed. However, proof the report was sent to individual addresses may subsequently be needed, so special arrangements for delivery may be required.

#### **Other matters**

Once the CFO has sent the report to each member of the authority (or to each member of the council, the executive and council manager (if any) where executive arrangements are operating) and to the external auditor, their reporting duty under part VIII has been completed.<sup>18</sup> In the case of authorities with executive arrangements, the executive must then issue its report in response. The CFO, under their section 151 responsibilities may then have to advise full council on the outcome. If the authority (or the executive) acts positively on the s114 (114A) report, well and good; if

---

<sup>18</sup> If inadequate action is agreed in response to a s114(3) report the CFO may need to consider whether or not a further report is required to address the situation. This should be decided in conjunction with the chief executive, MO and (if necessary) legal advice should be sought.

not, any further formal action is to be taken by the external auditor with the issuing of an 'advisory notice' under section 29 (schedule 8) of the Local Audit and Accountability Act (2014) or by applying to the court for a declaration under section 31 of the same Act.

The authority's standing orders and financial regulations should be compatible with the part VIII procedures.

In the light of these provisions it is clearly essential that all reports to committees or to the executive, an executive committee or an individual executive member containing financial matters should be cleared with the CFO. The CFO should also have access to all decision records, minutes and forward plans of executive key decisions.

The Local Government Finance Act, 1988, requires the authority to provide the CFO with sufficient resources to carry out their duties under part VIII. These would include the cost of obtaining advice and resources outside the authority if required.

The CFO's duties under part VIII must be carried out personally and it is recommended that they nominate a person to act in their absence or when ill under section 114(6).

The activities of companies set up by authorities appear to be outside the present legislation for section 114/114A reports.

Where a report has been made under section 114(3), arrangements need to be made to inform all persons, including school staff, who have delegated authority to enter commitments, that such powers are suspended during the prohibition period.

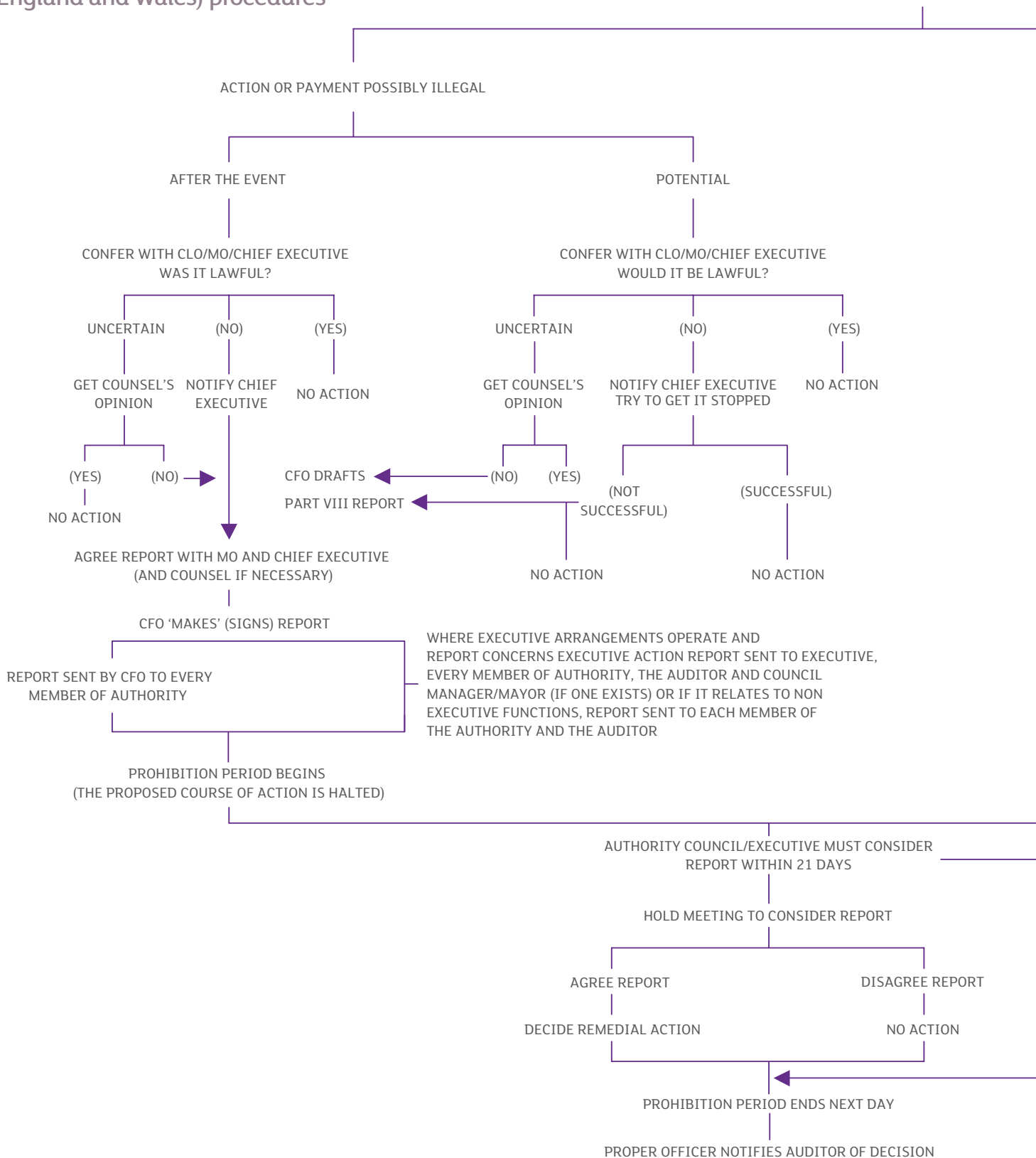
### **Section 114 equivalent in Scotland and Northern Ireland**

Section 114 does not apply to Scotland – instead the requirement to set a balanced budget is established in s108(2) of the Local Government (Scotland) Act 1973 and s93(3) of the Local Government Finance Act 1992. In Northern Ireland, the equivalent duty – whilst not specified in statute – would rest with the authority's CFO in keeping with the statutory responsibility under section 54 of the Local Government Act (Northern Ireland) 1972.

# flowchart

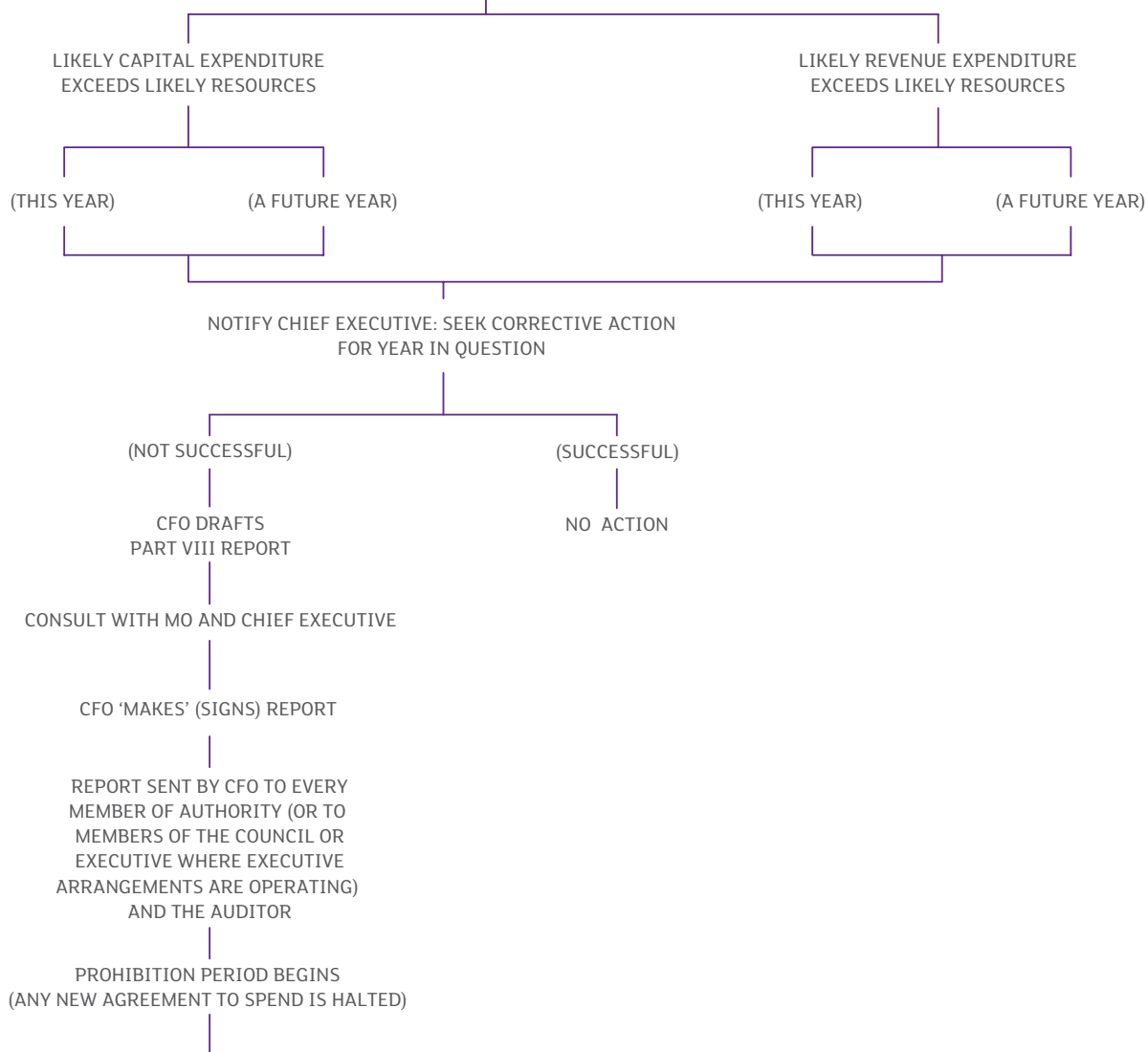
for section 114 local government finance act 1988  
(England and Wales) procedures

MATTER COMES TO THE ATTENTION OF





THE CFO



PROPER OFFICER NOTIFIES AUDITOR OF DATE TIME AND PLACE OF MEETING

WHERE EXECUTIVE ARRANGEMENTS OPERATE, EXECUTIVE MUST REPORT ON ACTIONS (IF ANY) TAKEN IN RESPONSE, TIMING AND REASONS TO THE AUTHORITY, CFO AND AUDITOR



Registered office:

77 Mansell Street, London E1 8AN

T: 020 7543 5600 F: 020 7543 5700

[www.cipfa.org](http://www.cipfa.org)

The Chartered Institute of Public Finance and Accountancy.

Registered with the Charity Commissioners of England and Wales No 231060

Registered with the Office of the Scottish Charity Regulator No SC037963





## Audit and Performance Systems Committee

<b>Date of Meeting</b>	28.05.2019
<b>Report Title</b>	Annual Governance Statement
<b>Report Number</b>	HSCP.19.003
<b>Lead Officer</b>	Alex Stephen, Chief Finance Officer
<b>Report Author Details</b>	Alex Stephen, Chief Finance Officer
<b>Consultation Checklist Completed</b>	Yes
<b>Directions Required</b>	No
<b>Appendices</b>	Appendix 1 – Draft Annual Governance Statement

### 1. Purpose of the Report

- 1.1. To provide the Audit & Performance Systems (APS) committee with the opportunity to provide comment on and approve in principle the annual governance statement.
- 1.2. To agree that assurances on the government framework can be provided to Aberdeen City Council and NHS Grampian.

### 2. Recommendations

It is recommended that the Audit & Performance Systems Committee:

- a) Comment and approve the draft annual governance statement, as set out in appendix 1,

### 3. Summary of Key Information

- 3.1. The annual governance statement forms a key part of the annual accounts and provides readers of the accounts with assurance that the governance framework is fit for purpose.



## **Audit and Performance Systems Committee**

- 3.2. The framework in an IJB context is complex, as although the IJB has its own governance framework, assurance is required that the partners' governance frameworks are also fit for purpose, given that the operational responsibility is maintained by the partner organisations.
- 3.3. The IJB will be consolidated into the group accounts of Aberdeen City Council and NHS Grampian as a joint venture and they therefore require assurance that IJB's governance framework is fit for purpose.
- 3.4. Therefore, a failure or weakness in either of the IJB, ACC or NHSGs' governance frameworks may require disclosure in the accounts of any of three partners depending on the severity.
- 3.5. A draft annual governance statement is attached in appendix 1 of this report. The governance statement has been designed to provide assurance around compliance against the local code of corporate governance and the governance principles contained therein. Information has been provided by Aberdeen City Council and NHS Grampian for inclusion in the statement. The paragraph on the internal financial control has been agreed with the chief internal auditor and further information will be provided by the Chief Internal Auditor at the meeting on the 28 May 2019.
- 3.6. The Committee is also requested to instruct the Chief Finance Officer to provide assurances to Aberdeen City Council and NHS Grampian that reasonable assurance can be placed upon the adequacy and effectiveness of the Aberdeen City Integration Joint Board's systems of governance.
- 3.7. The Leadership Team has identified improvements to further strengthen the governance environment and these are identified in the governance statement.

### **4. Implications for IJB**

- 4.1. Equalities - NA
- 4.2. Fairer Scotland Duty - NA
- 4.3. Financial - NA
- 4.4. Workforce - NA



## Audit and Performance Systems Committee

4.5. Legal - NA

4.6. Other - NA

### 5. Links to ACHSCP Strategic Plan

5.1. Good governance and internal controls are fundamental to ensuring the delivery of the strategic plan.

### 6. Management of Risk

6.1. **Identified risk(s):** Good governance and internal controls are fundamental to the delivery of the strategic plan and therefore applicable to most of the risks within the strategic risk register.

6.2. **Link to risk number on strategic or operational risk register:** Risk numbers 1-10 of the strategic risk register

6.3. **How might the content of this report impact or mitigate the known risks:** The Annual Governance Statement provides information on the effectiveness of the IJB Governance Framework.

This page is intentionally left blank



## AUDIT & PERFORMANCE SYSTEMS COMMITTEE

<b>Date of Meeting</b>	28.05.2019
<b>Report Title</b>	Unaudited Final Accounts 2018/19
<b>Report Number</b>	HSCP.19.011
<b>Lead Officer</b>	Alex Stephen, Chief Finance Officer
<b>Report Author Details</b>	Alex Stephen, Chief Finance Officer
<b>Consultation Checklist Completed</b>	Yes
<b>Appendices</b>	a. Unaudited Final Accounts 2018/19

### 1. Purpose of the Report

- 1.1. The purpose of this report is to allow the Audit & Performance Systems Committee to review and comment on the unaudited final accounts for 2018/19.

### 2. Recommendations

- 2.1. It is recommended that the Audit & Performance Systems Committee:
- a) Consider and comment on the Unaudited Accounts for 2018/19.

### 3. Summary of Key Information

- 3.1. This is the third time that a full set of accounts have been prepared for the Integration Joint Board (IJB).
- 3.2. A great deal of work has been undertaken at a national level to agree on a proposed approach to the Integration Joint Board Accounts. Even then there will be changes in format and the disclosures contained in the accounts based on local circumstances. However, the major disclosures and format is based on a template commissioned by the Scottish Government with the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 3.3. The accounts are based the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and follow the format of the



## AUDIT & PERFORMANCE SYSTEMS COMMITTEE

accounts used by local authorities as the IJB is recognised as a local government body, under Part VII of the Local Government (Scotland) Act 1973.

- 3.4. Given this is only the third year of producing these accounts there is a possibility that some of the disclosures and the accounts will need to be changed during the audit process.
- 3.5. The audit of the accounts will take place week beginning the 13 May 2019. The final audited accounts will be brought back to a special meeting of the Audit & Performance Systems Committee to be held on the 28 May 2019. It is anticipated that due to the tight timescales that we will have to issue the accounts and the ISA 260 audit report (from external audit) as late papers to this meeting.
- 3.6. The Local Authority Accounts (Scotland) Regulations 2014 defines the notice period, the inspection period, the deadline for submission of an objection to the accounts and the information which must be made available for inspection. The inspection must last 15 working days.
- 3.7. Aberdeen City Council have shortened the timescale for closing the final accounts of the Council. As the IJB accounts feed into the Aberdeen City Accounts, the IJB accounts also have to be closed off quicker than in most other IJBs. The intention is that the Aberdeen City Council accounts, including the group accounts, will be drafted, audited and approved by the 30 June at the latest,
- 3.8. The accounts follow the following format:

**Management Commentary** - Explains the performance over the last financial year and highlights some of the potential risks during the next financial year.

**Remuneration Note** – contains details of the pay and pension benefits accrued by the senior officers of the IJB during 2018/19. Note we are still waiting on the pension information for the Chief Officer, this will be added prior to being sent to auditors.

**Annual Governance Statement** – Highlights the Governance Framework in place and describes performance and improvements against the local code of governance. This contains the assurances from Aberdeen City Council and NHS Grampian. It also contains proposed wording from the Chief Internal Auditor which will be discussed in more detail at the meeting on the 28 May 2019.





## AUDIT & PERFORMANCE SYSTEMS COMMITTEE

**Financial Statements** – contains details of the financial transactions, including the Income & Expenditure Account, Balance Sheet and Movement in Reserves Statement.

**Notes to the Accounts** – including the financial policies used by the IJB over this period and the relevant disclosures required through the code.

**3.9.** As can be seen through the accounts at the end of the financial year the IJB has £5,578,337 in its useable reserve at the end of the financial year, which has largely been allocated by the IJB for specific integration and change projects.

### 4. Implications for IJB

4.1. Equalities - NA

4.2. Fairer Scotland Duty - NA

4.3. Financial - The financial implications are highlighted throughout this report and in the appendix.

4.4. Workforce - NA

4.5. Legal - NA

4.6. Other - NA

### 5. Links to ACHSCP Strategic Plan

5.1. Good governance and internal controls are fundamental to ensuring the delivery of the strategic plan.

### 6. Management of Risk

#### 6.1. Identified risk(s) & Link to risk number of strategic/operational risk register:

- There is a risk of financial failure, that demand outstrips budget and IJB cannot deliver on priorities, statutory work, and project an overspend – High (Strategic Risk #2)



## AUDIT & PERFORMANCE SYSTEMS COMMITTEE

- There is a risk that relationship arrangements between the IJB and its partner organisations (Aberdeen City Council & NHS Grampian) are not managed to maximise the full potentials of integrated & collaborative working. This risk covers the arrangements between partner organisations in areas such as governance; corporate service; and performance- Medium (Strategic Risk #4)
- There is a risk of reputational damage to the IJB and its partner organisations resulting from complexity of function, delegation and delivery of services across health and social care – Medium (Strategic Risk #6)
- Failure to deliver transformation at a pace or scale required by the demographic and financial pressures in the system – High (Strategic Risk #7)

**6.2. How might the content of this report impact or mitigate the known risks:** The audited accounts are an important document for the IJB, demonstrating financial performance over the year and are independently audited. Recommendations could be received from the external auditors which impact on any of the strategic risks highlighted above.



# **Aberdeen City Integration Joint Board**

## **Unaudited Annual Accounts 2018/19**



## CONTENTS

<b>Management Commentary .....</b>	<b>3</b>
<b>Statement of Responsibilities.....</b>	<b>13</b>
<b>Remuneration Report .....</b>	<b>15</b>
<b>Annual Governance Statement .....</b>	<b>19</b>
<b>Movement in Reserves Statement .....</b>	<b>31</b>
<b>Balance Sheet .....</b>	<b>32</b>
<b>Notes to the Financial Statements .....</b>	<b>33</b>
1. Significant Accounting Policies .....	33
2. Critical Judgements and Estimation Uncertainty .....	36
3. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors .....	36
4. Expenditure and Income Analysis by Nature .....	37
5. Taxation and Non-Specific Grant Income .....	37
6. Debtors .....	38
7. Creditors .....	38
8. Usable Reserve: General Fund .....	38
9. Agency Income and Expenditure .....	39
10. Related Party Transactions.....	40
11. VAT .....	42
<b>Glossary of Terms .....</b>	<b>43</b>

## Management Commentary

### **The Role and Remit of the Integration Joint Board (“IJB”)**

The Integration Joint Board (IJB) was formed as a result of the Public Bodies (Joint Working) (Scotland) Act 2014. The Act provides a framework for the integration of adult community health and social care services. The strategic planning for, and/or delivery of, these services was previously the responsibility of NHS Grampian and Aberdeen City Council respectively and was delegated to the IJB with effect from 1 April 2016. Some services such as adult social care, GP services, district nursing, and allied health professionals are fully delegated and the IJB has responsibility both for the strategic planning and the delivery of these. Other services are Grampian-wide services which Aberdeen City IJB “host” on behalf of all three IJBs in the NHS Grampian area. There are also hospital-based services. Aberdeen City IJB has responsibility for the strategic planning of both hosted and hospital-based services

<b>Hosted Services</b>	<b>Hospital-Based Services</b>
Intermediate care of the elderly and specialist rehabilitation	Accident and emergency services provided in a hospital
Sexual health	Inpatient hospital services relating to the following branches of medicine:
Acute mental health and learning disability (decision pending)	(a) general medicine
	(b) geriatric medicine
	(c) rehabilitation medicine
	(d) respiratory medicine
	(e) palliative care
	(f) mental health
	(g) psychiatry of learning disability

The policy ambition is to improve the quality and consistency of services to patients, carers, service users and their families; to provide seamless, joined-up, quality health and social care services in order to care for people in their own homes or a homely setting where it is safe to do so; and to ensure resources are used effectively and efficiently to deliver services that meet the increasing number of people with longer-term and often complex needs, many of whom are older. The IJB has governing oversight whilst Aberdeen City Health & Social Care Partnership (ACHSCP) has responsibility for the operational delivery of these services.

The IJB sets the direction of ACHSCP via the preparation and implementation of the Strategic Plan and seeks assurance on the management and delivery of the integrated services through appropriate scrutiny and performance monitoring, whilst ensuring the effective use of resources.

## The IJB's Operations for the Year

Aberdeen is the third largest city in Scotland and provides Scotland with 15% of its Gross Added Value. Much of this value has come from the oil and gas industry. The oil price reduction in 2014 significantly affected the local economy and although there are now signs of recovery it is not anticipated that the extent of this will reach the level of the boom years.

Aberdeen has a population estimated in 2018 at 239,000. There is a mixture of affluent and deprived areas in Aberdeen with eight of its 37 data zones recognised as deprived in the Scottish Index of Multiple Deprivation rankings. In terms of health and social care, the demand for services continues to rise each year. The over-65s account for 15% of the total population of Aberdeen and this percentage is forecast to increase to 18% over the next 20 years.

Alongside this increase in demand there are rising costs and reduced funding available. The focus of this year has been to build on the progress delivered in the first year of operation and start to scale up the transformation projects previously approved. We need to pick up the pace of transformation and start to do things differently in order to be able to continue to deliver services and positive outcomes for the people who use them.

During the financial year 2018/19 the IJB committed to:

- fully implement the first phase of Acute Care @ Home (ACH) and start to develop plans for the second phase;
- approve a primary care improvement plan and test new delivery models linked to our primary care strategy;
- further establish and embrace locality working;
- implement and monitor the carers strategy;
- develop a public health strategy for Aberdeen City IJB;
- begin to evaluate the benefits of the Integrated Neighbourhood Care Aberdeen (INCA) teams and, providing the anticipated benefits are realised, develop a roll-out plan across the city; and
- further develop our evaluation programme for our transformation projects.

Good progress has been made in terms of delivery on these commitments.

The first phase of ACH has been implemented. The team holds an active caseload and attends the Geriatric Assessment Unit to facilitate early supported discharge / active recovery of patients. This currently happens on a city-wide basis. Phase one also saw the development of work with a care home in the South locality focused on hospital admission avoidance. Phase two of ACH will see the expansion of 'alternative to admission' work with the development of a city-wide Unscheduled Care approach delivered within all localities.

In June 2018 the IJB approved a Primary Care Improvement Plan (PCIP). The new General Medical Services (GMS) contract came into force in April 2018. Related to this new contract was the provision of transformation funding to help provide GPs with the capacity to undertake their roles as Expert Medical Generalist as set out in

the new contract. Each IJB was required to set out their aims and priorities for releasing GP capacity within a PCIP. A prioritised and phased implementation plan has been developed which will lead to full implementation by 2021. Year 1 priority areas were Musculoskeletal (MSK) Physiotherapy First Contact Practitioners, Chaplaincy Listening, Workflow Optimisation and Phlebotomy. April 2019 sees the start of year 2 of the PCIP and the start of a further raft of projects.

At their meeting in December 2018 the IJB approved a consultation on moving from four localities to three, which more closely align with those adopted by our community planning partners. Key benefits of this have been identified as: -

- providing greater joined-up focus to areas where people experience poorer outcomes;
- improving links with key partners which would enable closer alignment across operational service delivery; and to
- simplify locality arrangements to make it easier for members of the public to understand what locality their community falls under and therefore how to engage with services.

Locality planning is a key element of the Public Bodies (Joint Working) (Scotland) Act 2014 in relation to the planning and delivery of our integrated services. Localities are intended to be the engine room of integration, bringing together service users, carers, and health and care professionals to plan and help redesign services. During the consultation 79% of respondents agreed with the rationale of moving to three localities. An implementation plan for the move has been developed and the Chief Officer will take a report on implementation back to the IJB in 2019.

The Carers (Scotland) Act 2016 was implemented on 1 April 2018. In March 2018 the IJB approved a Carers Strategy and in May 2018 they approved Eligibility Criteria for Carers and the Adult Carers Support Planning process. In August 2018, the IJB approved Guidance on the Waiving of Charges for Carers and in December 2018 they approved a Short Breaks Services Statement, completing their obligations under the Act. The Carers Strategy Implementation Group continues to meet regularly to drive delivery of the Action Plan and an Annual Report on delivery will be presented to the IJB during 2019.

With the announcement of Public Health Reform in Scotland it was decided to put the development of a public health strategy for Aberdeen City IJB on hold. A new public health body – Public Health Scotland – is being created, bringing together Public Health Intelligence, Health Protection and Health Improvement expertise and knowledge into a single body. The new body will provide a clear vision and strong voice for the public's health in Scotland by 2019. It will be accountable to the Scottish Government and COSLA and will support, enable and provide challenge to the whole system of partners in the public, private and third sector. Once the reform arrangements are established the IJB will consider how best to deliver Public Health locally.

The full evaluation of INCA was completed in October 2018. The key findings from this project have been used to inform the development of a 'Stepped Care Approach' and also to develop the leadership team structure. Our learning has also been of

interest nationally, including a presentation at the Annual Quality and Safety in Healthcare Event and disseminating learning through Healthcare Improvement Scotland. Internationally, a research manuscript based on the findings from the initial evaluation has been accepted for publication in the prestigious AIMS Public Health Journal, with a second manuscript currently under review.

The evaluation programme of our transformation projects has extended across approximately 50 projects, providing support in developing, implementing and reporting on new initiatives. The evaluation team hosts monthly clinics with colleagues across the system to advise and support them in localised pieces of work, helping to improve the culture of evaluation. Two large-scale evaluations on INCA and the West Visits Unscheduled Care project have been completed. The findings have been shared nationally through a variety of conferences, including hosting a workshop at the Health and Social Care Scotland Conference. Internationally, two research manuscripts from evaluation activity have been accepted for publication in peer-reviewed journals, with an additional manuscript currently under-review. The evaluation activity to date has been endorsed for its rigour and quality, including at a recent Audit & Performance Systems Committee meeting. A further two large-scale evaluations on Acute Care @ Home and House of Care will be completed by April 2019.

During 2018/19 ACHSCP experienced significant changes to the Executive Team, with three out of four members of that senior team moving on to work in other health and social care partnerships. A new Chief Officer was appointed in September 2018 and work has been undertaken to develop a new Leadership Team structure which, it is hoped, will support transformational activity and ensure the future sustainability of the partnership.

There are still issues in recruiting staff to qualified positions such as social workers, nurses, allied health professionals and general practitioners in the primary care setting.

### **The IJB's Position at 31 March 2019**

The accounts for the year ended 31 March 2019 show a usable reserves position of £5,578,337 (£8,306,965 2017/18). This is largely due to additional funding received in 2016/17 from the Scottish Government which the IJB is using on integration and change projects. A significant element of these funds has been committed and used in 2018/19. All of the recurring funding has now been allocated and the IJB had agreed through its Medium-Term Financial Strategy to use these funds in 2017/18, hence the reduction. The IJB agreed a reserves strategy and during the 2017/18 budget process agreed to hold back as earmarked reserves £2.5 million as a risk fund. The reserves position was confirmed during the 2019/20 budget process.

The majority of public sector organisations are facing challenges balancing their budgets in a context of increasing demand and costs, while the funding available is reducing in real terms. The 2019/20 budget was agreed on 12 March 2019 and included £4.6 million of budget reductions.



The major risk in terms of funding to the Integration Joint Board is the level of funding delegated from the Council and NHS and whether this is sufficient to sustain future service delivery. There is also a risk of additional funding being ring-fenced for specific priorities and policies, which means introducing new projects and initiatives at a time when financial pressure is being faced on mainstream budgets.

The IJB has made arrangements with social care providers to allow the Scottish Living Wage to be paid in 2019/20. Local negotiations will be undertaken with social care providers to provide funding to pay the Scottish Living Wage of £9 per hour from 1 May 2019. This was possible due to additional funding being made available. Should additional funding not be available in future years, it will be difficult for the IJB to fund any future increases in the Scottish Living Wage given the financial pressures being experienced across its services and the level of increase in Scottish Living Wage year on year.

Demand is expected to continue to rise given the increase in the number of over-65s forecast. At the same time the complexity of the care required is increasing due to improvements in medicine and the increased average life expectancy evidenced over the last few decades. This is evidenced in 2018/19 by our increasing social care spend on clients with learning disabilities. Also, there are greater expectations being placed on our services by clients and this, along with expectations from our other stakeholders, continues to drive performance on targets such as waiting times.

The implementation of the carers strategy in 2019/20 will expose the IJB to financial risk, as although additional resources will be provided and the calculation of the adequacy of these resources has been assessed through a comprehensive process at a national level, there are still concerns over the potential level of spend. In particular the demand for these services, whilst influenced by the local eligibility criteria, may be difficult to predict and manage. However, the implementation of this strategy will support carers to help them maintain their own health and wellbeing, as well as that of the person they care for.

The new policy which is seeking to provide free personal care to under-65s could also have implications on the IJB's budget. Whilst additional funding for this has been provided, the demand for this funding for clients who are currently not known to social care services is unknown. The IJB senior management team will be monitoring demand for this budget closely over the next financial year.

## **The IJB's Strategy and Business Model**

The IJB's Strategic Plan for 2016-19 set out how the National Health and Wellbeing Outcomes would be achieved. It confirmed our strategic priorities as:

- develop a consistent person-centred approach that promotes and protects the human rights of every individual and which enables our citizens to have opportunities to maintain their wellbeing and take a full and active role in their local community;
- support and improve the health, wellbeing and quality of life of our local population;

- promote and support self-management and independence for people for as long as reasonably possible;
- value and support those who are unpaid carers to become equal partners in the planning and delivery of services, to look after their own health and to have a quality of life outside the caring role if so desired;
- contribute to a reduction in health inequalities and the inequalities in the wider social conditions that affect our health and wellbeing;
- strengthen existing community assets and resources that can help local people with their needs as they perceive them and make it easier for people to contribute to helping others in their communities;
- support staff to deliver high quality services that have a positive impact on personal experiences and outcomes.

During 2018/19 work was undertaken to refresh the IJB's Strategic Plan. Following an extensive consultation process with a wide range of stakeholders, the Strategic Plan 2019-22 was approved by the IJB in March 2019. The refreshed plan identifies five new Strategic Aims – Prevention, Resilience, Personalisation, Connections and Communities. Each of these aims has a number of commitments and priorities identified, with the priorities being spread over the three-year lifetime of the plan.

Delivery of the Strategic Plan is underpinned by a number of Enablers – Empowered Staff, Principled Commissioning, Digital Transformation, Sustainable Finance and Modern and Adaptable Infrastructure.

During the 2019/20 the IJB will seek to: -

- deliver the commitments and Year 1 priorities of the Strategic Plan;
- implement the three-locality model, developing closer links with our community planning partners;
- embed transformational activity into mainstream service delivery;
- undertake a number of strategic commissioning projects that will transform service delivery, introduce co-design and co-production with our third and independent provider partners, and help develop a sustainable market in Aberdeen;
- consolidate the Leadership Team structure;
- continue to focus on delivering the Medium-Term Financial Framework.

## **Key Risks and Uncertainties**

The key strategic risks, as contained in the Strategic Risk Register, along with an assessment of level of risk facing the IJB, are as indicated below.

The Strategic Risk Register, is monitored and updated frequently by the IJB Leadership Team, who in turn report to the IJB and Audit & Performance Systems Committee and the IJB on a regular basis.

The IJB held a workshop in April 2018 on the Strategic Risk Register and the Board's Risk Appetite. As a result of the workshop, the revisions to both the Register

and the Appetite Statement were submitted to the Audit & Performance Systems Committee for approval.

The committee at its meeting on the 11<sup>th</sup> of September 2018 approved the revised Strategic Risk Register and Risk Appetite Statement and agreed to monitor three risks within the Strategic Risk Register on an ongoing basis at the committee up to the next formal review of the Register by the IJB.

At its meeting on 12 February 2019, the committee monitored strategic risks 1-3 (as detailed below) and provided comments which the Risk Owners have considered as part of the ongoing monitoring of the risks.

1. There is a risk that there is insufficient capacity in the market (or appropriate infrastructure in-house) to fulfil the IJB's duties as outlined in the integration scheme. This includes commissioned services and general medical services. **High**
2. There is a risk of financial failure, that demand outstrips budget and IJB cannot deliver on priorities, statutory work, and projects an overspend. **High**
3. There is a risk that the outcomes expected from hosted services are not delivered and that the IJB does not identify non-performance through its systems. This risk relates to services that the Aberdeen IJB hosts on behalf of Moray and Aberdeenshire, and those hosted by those IJBs and delivered on behalf of Aberdeen City. **High**
4. There is a risk that relationship arrangements between the IJB and its partner organisations (Aberdeen City Council & NHS Grampian) are not managed to maximise the full potentials of integrated and collaborative working. This risk covers the arrangements between partner organisations in areas such as governance, corporate service, and performance. **Medium**
5. There is a risk that the IJB, and the services that it directs and has operational oversight of, fail to meet both performance standards/outcomes as set by regulatory bodies and those locally-determined performance standards as set by the board itself. This may result in harm or risk of harm to people. **Medium**
6. There is a risk of reputational damage to the IJB and its partner organisations resulting from complexity of function, delegation and delivery of services across health and social care. **Medium**
7. Failure to deliver transformation at a pace or scale required by the demographic and financial pressures in the system **High**
8. There is a risk that the IJB does not maximise the opportunities offered by locality working **High**
9. There is a risk of failure to recruit and that workforce planning across the partnership is not sophisticated enough to maintain future service delivery. **High**

10. There is a risk that ACHSCP is not sufficiently prepared to deal with the impacts of a potential EU exit on areas of our business, including affecting the available workforce and supply chain. **High**

Future challenges are to achieve financial savings from mainstream services in order to sustain the financial viability of the IJB. Also, it will be challenging to transform service delivery while trying to maintain the services required by our service users.

### **Analysis of the Financial Statements**

The accounts show usable reserves of £5,578,337 at 31 March 2019 (£8,306,965 at 31 March 2018). This is largely due to unspent integration and change funds provided by the Scottish Government to the IJB via NHS Grampian. This level of reserve had been anticipated throughout the year in the budget monitoring reports.

Prescribing continues to be a major financial risk for the IJB. In 2017/18 an overspend on the prescribing budget of £1,616,080 was incurred. This was largely due to a discount anticipated in one medicine not materialising at the forecast levels and the price of some drugs substantially increasing due to short-supply issues. For 2018/19 the prescribing budget reported an underspend of £414,000. Work continues with our colleagues in pharmacy to reduce spend on prescribing and a regional approach is being developed across the North East supported by NHS Grampian.

This financial year the IJB has experienced significant cost increase on its social care spend for clients with learning disabilities. There are a number of reasons for this movement including suppliers seeking above-inflation increases, the number of clients increasing, the closure of wards in Royal Cornhill Hospital, the complexity of the clients being looked after increasing and more clients being sent to services out of area due to the specialist nature of their disability. Work is being undertaken by the IJB Senior Leadership Team to review the spend and determine ways in which this can be reduced in future years.

Hosted services continue to experience financial pressure as the governance and financial processes between the three Grampian IJBs are still being developed. As a result of this several budget legacy, funding issues continued to be incurred and this was compounded as the additional budget was not provided for the pay award. Workshops have been held with the three IJBs during this financial year to start developing and refining the governance and financial processes.

Budgets for large hospitals are managed by NHS Grampian. The IJB has a notional budget representing the consumption of these services by residents. The IJB is responsible for the strategic planning for these services as a result of the legislation which established the IJBs.

The services covered include:

- accident and emergency services at Aberdeen Royal Infirmary and Dr Gray's - inpatient & outpatient;

- inpatient hospital services relating to general medicine, geriatric medicine, rehabilitation medicine, respiratory medicine, learning disabilities, old age psychiatry, general psychiatry;
- palliative care services provided at Roxburghe House, Aberdeen, and The Oaks, Elgin.

One of the key priorities of the IJB and reasons why the IJBs were established is to reduce the use of these services by transferring them into the community. During the financial year NHS Grampian advised that the Aberdeen City IJB's use of these services had increased slightly as highlighted below.

<b>Set Aside</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
Budget	£46,732,000	£41,344,000	£46,416,000
Days used	152,498	142,349	143,055

Aberdeen City IJB used 706 days more of the hospital services than in 2017/18. The budget has increased due to movements in the price per bed days for the services. The IJB Senior Leadership Team are in the process of reviewing this data to see what actions can be taken to reduce hospital usage.

---

**Cllr Sarah Duncan**  
IJB Chair  
30 April 2019




---

**Sandra Ross**  
Chief Officer  
30 April 2019




---

**Alex Stephen**  
Chief Finance Officer  
30 April 2019



**Independent auditor's report to the members of Aberdeen City Integration Joint Board and the Accounts Commission – to follow after audit**

## **Statement of Responsibilities**

### **Responsibilities of the Integration Joint Board**

The Integration Joint Board is required to:

- make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the board has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973); in this authority, that officer is the chief financial officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland act 2003).
- approve the Annual Accounts.

I confirm that these Annual Accounts were approved for signature.

Signed on behalf of the Aberdeen City Integration Joint Board

**Sarah Duncan**

IJB Chair

30 April 2019

## **Responsibilities of the Chief Financial Officer**

The chief financial officer is responsible for the preparation of the IJB's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing the Annual Accounts, the chief financial officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation; and
- complied with the local authority Code (in so far as it is compatible with legislation).

The chief financial officer has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of the Aberdeen City Integration Joint Board as at 31 March 2019 and the transactions for the year then ended.

**Alex Stephen**  
Chief Finance Officer  
12 June 2018

## **Remuneration Report**

### **Introduction**

This Remuneration Report is provided in accordance with the Local Authority Accounts (Scotland) Regulations 2014. It discloses information relating to the remuneration and pension benefits of specified IJB members and staff.

The information in the tables below is subject to external audit. The explanatory text in the Remuneration Report is reviewed by the external auditor to ensure it is consistent with the financial statements.

### **Remuneration: IJB Chair and Vice-Chair**

The voting members of the IJB are appointed through nomination by Aberdeen City Council and NHS Grampian. The positions of IJB Chair and Vice-Chair alternate between a Councillor and a Health Board representative every two years.

The IJB does not provide any additional remuneration to the Chair, Vice-Chair or any other board members relating to their role on the IJB. The IJB does not reimburse the relevant partner organisations for any voting board member costs borne by the partner. The details of the Chair and Vice-Chair appointments and any taxable expenses paid by the IJB are shown below.

<b>Taxable Expenses 2017/18 £</b>	<b>Name</b>	<b>Post(s) Held</b>	<b>Nominated by</b>	<b>Taxable Expenses 2018/19 £</b>
Nil	Jonathan Passmore	Chair 01/04/17 to 31/12/18 Vice Chair 01/01/19 to 26/3/19	NHS Grampian	Nil
Nil	Cllr Sarah Duncan	Chair 01/01/19 to 31/03/19 Vice Chair 18/05/17 to 31/12/18	Aberdeen City Council	Nil
Nil	Luan Grugeon	Vice-Chair 27/03/19 to 31/03/19	NHS Grampian	Nil
Nil	Cllr Len Ironside CBE	Vice-Chair 01/04/17 to 03/05/17	Aberdeen City Council	Nil
<b>Nil</b>	<b>Total</b>			<b>Nil</b>

The IJB does not have responsibilities, either in the current year or in future years, for funding any pension entitlements of voting IJB members. Therefore no pension rights disclosures are provided for the Chair or Vice-Chair. From 3 May 2017 to 18 May 2017 there was no vice-chair due to the period of time between the local government elections and the statutory meeting of the Council.



## Remuneration: Officers of the IJB

The IJB does not directly employ any staff in its own right, however specific post-holding officers are non-voting members of the Board.

### Chief Officer

Under section 10 of the Public Bodies (Joint Working) (Scotland) Act 2014, a Chief Officer for the IJB must be appointed and the employing partner must formally second the officer to the IJB. The employment contract for the Chief Officer will adhere to the legislative and regulatory framework of the employing partner organisation. The remuneration terms of the Chief Officer's employment are approved by the IJB.

### Other Officers

No other staff are appointed by the IJB under a similar legal regime. Other non-voting board members who meet the criteria for disclosure are included in the disclosures below.

<b>Total 2017/18 £</b>	<b>Senior Employees</b>	<b>Salary, Fees &amp; Allowances £</b>	<b>Taxable Expenses £</b>	<b>Total 2018/19 £</b>
112,979	<b>Judith Proctor</b> Chief Officer 01/02/16 to 27/04/18	14,727	-	14,727
-	<b>Sally Shaw</b> Chief Officer 01/04/18 to 31/08/18	41,359	-	41,359
-	<b>Sandra Ross</b> Chief Officer 3/09/18 to 31/03/19 (FYE £104,768)	61,115	-	61,115
68,806	<b>Alex Stephen</b> Chief Finance Officer 04/07/16 to 31/03/19	71,214	-	71,214
<b>181,785</b>	<b>Total</b>	<b>188,415</b>	<b>-</b>	<b>188,415</b>

FYE = Full Year Equivalent

In respect of officers' pension benefits the statutory liability for any future contributions to be made rests with the relevant employing partner organisation. On

this basis there is no pensions liability reflected on the IJB balance sheet for the Chief Officer or any other officers.

The IJB however has responsibility for funding the employer contributions for the current year in respect of the officer time spent on fulfilling the responsibilities of their role on the IJB. The following table shows the IJB's funding during the year to support officers' pension benefits. The table also shows the total value of accrued pension benefits which may include benefits earned in other employment positions and from each officer's own contributions.

Officer Name	Responsibility	Pension as at 31/3/2019 £000	Pension Difference from 31/3/2018 £000	Lump Sum as at 31/3/2019 £000	Lump Sum Difference from 31/3/2018 £000	Pension Contribution 2018/2019 £	Pension Contribution 2017/2018 £
Judith Proctor	Chief * Officer 01/02/2016 – 27/04/2018	34	4	82	2	1,395	16,745
Sally Shaw	Chief Officer 01/04/18 - 31/08/18	-	-	-	-	7,982	-
Sandra Ross	Chief Officer* 3/09/18 to 31/03/19	-	-	-	-	9,106	-
Alex Stephen	Chief Finance Officer 01/07/2016 – 31/03/2019	24	2	33	1	13,744	13,280
						<b>32,227</b>	<b>30,025</b>

\*to be finalised

The IJB does not have its own pension scheme, however, details of the North East of Scotland Pension scheme can be found in Aberdeen City Council's accounts and details of the NHS pension scheme can be found NHS Grampian's accounts. Both documents are available on their respective websites.

### Disclosure by Pay Bands

As required by the regulations, the following table shows the number of persons whose remuneration for the year was £50,000 or above, in bands of £5,000.

Number of Employees in Band -2017/18	Remuneration Band	Number of Employees in Band - 2018/19
0	£60,000 - £64,999	1
1	£65,000 - £69,999	0
0	£70,000 - £74,999	1
1	£110,000 - £114,999	0

## Exit Packages

No exit packages were paid to IJB staff during this period or the previous period.

.....

.....

Sandra Ross

Chief Officer

Sarah Duncan

Chair

## **Annual Governance Statement**

### **Scope of Responsibility**

The Integration Joint Board (“IJB”) is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, safeguarding public funds and assets and making arrangements to secure best value in their use.

In discharging this responsibility, the Chief Officer has put in place arrangements for governance which include the system of internal control. This is designed to manage risk to a reasonable level but cannot eliminate the risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable but not absolute assurance of effectiveness.

The IJB has a reliance on the Aberdeen City Council and NHS Grampian systems of internal control, which support compliance with both organisations’ policies and promote achievement of each organisation’s aims and objectives, as well as those of the IJB.

The result of this is a situation where assurances are required on the effectiveness of the governance arrangements from the three partners. This means that a significant failure in the internal control environment of one of the three partners may require to be disclosed in the accounts of all three partners and not just the IJB and the partner where the issue occurred.

### **The Governance Framework**

In this complex environment of circular assurances it is important that the IJB has its own local code of corporate governance and regularly reviews performance against the governance principles included within this code. The IJB has developed an Assurance Framework in conjunction with the Good Governance Institute which provides readers with an understanding of the governance framework and the assurances that can be obtained from it.

The IJB agreed on 11 April 2017 at the Audit & Performance Systems Committee to adopt a local code of corporate governance which was built around the principles identified in the CIPFA\SOLACE<sup>1</sup> Delivering Good Governance in Local Government Framework (2016 Edition). The local code of governance is reviewed annually and reported to the same audit committee where the annual governance statement is approved. This code provides a list of documents\activities from an IJB, NHS Grampian and Aberdeen City Council perspective which provide assurance on the governance framework.

At the same meeting a review was undertaken by the Chief Finance Officer evaluating the IJB’s governance environment against the governance principles detailed in the CIPFA document titled the ‘The role of the chief financial officer in local government’.

Whilst both these documents were specifically written for local government the governance principles can be used by other public sector organisations. Also, the IJB is defined as a local government organisation per the Local Government (Scotland)

---

<sup>1</sup> CIPFA - The Chartered Institute of Public Finance and Accountancy

SOLACE – The Society of Local Authority Chief Executives

Act 1973 and Aberdeen City Council has also adopted the governance principles from the delivering good governance document in its own local code of corporate governance.

Against each of the seven governance principles adopted by the IJB there are key documents, activities, policies and arrangements which help address these. For the IJB some of these documents belong to NHS Grampian and Aberdeen City Council given their operational delivery role and the fact that the staff have remained employed by the partner bodies.

The seven governance principles identified in the local code of corporate governance and recommended in the CIPFA/SOLACE Framework are identified below, along with narratives evidencing compliance with the principles.

### **Principle 1 – Behaving with integrity, demonstrating strong commitment to ethical values and representing the rule of law,**

*Integrity:* The following values of the IJB are indicated in the Strategic Plan:

- caring
- person-centred
- enabling

These values form part of the decision-making process of the IJB and are evident in the actions and decisions made by the Board. The IJB has appointed a Standards Officer who is responsible, amongst other things, for the maintaining of Registers of Interests, Registers of Gifts and Hospitality and training on the Model Code of Conduct for Members of Devolved Public Bodies.

*Ethical Values:* The IJB has agreed in principle to adopt the Unison Ethical Care Charter and has provided funding to care providers to allow the Scottish Living Wage to be paid.

*Rule of Law:* A comprehensive consultation process has been developed with officers from Aberdeen City Council and NHS Grampian to ensure that decisions and reports comply with legislation. A member of the Council's Governance Team attends the IJB to ensure that decisions taken are in line with any legislative requirements. The IJB has appointed a Chief Finance Officer to ensure that the accounts and finances are in line with the statutory accounting environment. The IJB has standing orders and an integration scheme which provide information on where decisions can be made. Two sub committees have been created and each has its own terms of reference.

*Improvement activities undertaken during the year:* The standing orders of the IJB have been reviewed and updated, and were approved on 26 April 2018. The terms of reference for the two sub committees were reviewed and update at the same IJB meeting. An IJB Data Protection Officer was agreed on 22 May 2018. The activities of the Audit & Performance Systems Committee were reviewed on 11 September 2018 against the terms of reference for this committee to ensure there were no assurance gaps over the course of a year. The IJB has been working closely with both Aberdeen City Council & NHS Grampian to ensure that it meets the requirements of the EU

*General Data Protection Regulation and that members of staff are aware of the implications.*

## **Principle 2 – Ensuring openness and comprehensive stakeholder engagement,**

*Openness:* The IJB is a public board where members of the public and press can attend and agendas, reports and minutes are available publicly to review. Therefore, members of the public can assess whether they believe that decisions are being taken in the public interest. The Audit & Performance Systems Committee is also a public meeting. The IJB has its own complaints handling procedure which complies with Scottish Public Services Ombudsman's guidance.

*Stakeholder Engagement:* The non-voting membership of the IJB is set out in the Public Bodies (Joint Working) (Integration Joint Boards) (Scotland) Order 2014. This comprises six professional members and a minimum of four stakeholder representatives for each of the following groups - staff, third sector bodies, service users and carers. The IJB agreed a budget protocol on the 7 March 2017 which sought to formalise stakeholder engagement with the partner organisations around the budget process. Care providers are very much thought of as a key part of the partnership and invited to the majority of the events the IJB hosts. The IJB has established the Aberdeen City Joint Staff Forum, which includes representation from the trade unions and the staff partnership, as a forum for workforce issues affecting social care and health staff.

*Improvement activities undertaken during the year:* The IJB approved a new Strategic Plan covering the next three financial years on 26 March 2019. This plan and a decision to alter the number of localities were widely consulted on with our partners, the third sector and residents. The duty of candour guidance was rolled out to all staff and a workshop was held with the IJB to explain the implications. Some of our improvement projects, particularly those with a public health element have been undertaken using co-production principles which includes members of the public in the project. There have been good examples of pro-active engagement with families and media, particularly in relation to both the GP Practices where new arrangements were required and Care Homes which have closed or are in the process of closing.

## **Principle 3 – Defining outcomes in terms of sustainable economic, social and environmental benefits,**

*Economic:* The IJB has agreed a Medium Term Financial Framework which is updated annually. The transformation programme and IJB report format specifically highlight the economic impact of the decisions being taken on current and future financial years. Work has been undertaken to establish the financial and operational benefits of the major transformation projects.

*Social:* The IJB has published a revised Strategic Plan which identifies outcomes and the direction of travel over the next few years. The majority of outcomes are closely linked to how social care and health services will be delivered and improved over the life of the Strategic Plan.

*Environmental:* A public bodies climate change duties report is collated and submitted annually on behalf of the IJB.

*Improvement activities undertaken during the year:* Comprehensive evaluations have been completed for the West Visiting Unscheduled Care Service and the Integrated Neighbourhood Care Aberdeen (INCA) projects. Also, the partnership has adopted the lean 6 sigma continuous improvement methodology, has trained relevant staff and is undertaking six improvement projects.

**Principle 4 - Determining the interventions necessary to optimise the achievement of intended outcomes,**

*Interventions:* A transformation programme has been developed which will help support the delivery of the Strategic Plan. This programme is monitored on a regular basis and information on progress is received by the IJB and the Audit & Performance Systems Committee for scrutiny and challenge. Decisions to procure services costing over £50,000 are taken by the IJB in so far as they relate to a Direction made to the NHS or Aberdeen City Council in respect of a delegated function and each report contains a section on risk. The Transformation Board monitors any new projects ensuring that an option appraisal and project plans are developed in line with best practice. The benefits, both financial and non-financial, are highlighted and contained in the project plans.

*Improvement activities undertaken during the year:* All of the Leadership Team have received their objectives which directly link to the Chief Officer's objectives and the new Strategic Plan.

*Future Developments:* Align the transformation programme fully to the new Strategic Plan and seek to mainstream existing projects, focusing on strategic performance indicators to measure impact and demonstrate meaningful change. The new plan will require greater focus on prevention, early intervention and addressing health inequalities which will have an impact on improving outcomes.

**Principle 5 – Developing the entity's capacity, including the capability of its leadership and the individuals within it,**

*Entity's Capacity:* A workforce plan has been developed for the IJB covering health and social care services. Capacity is further developed and scrutinised by having stakeholders out with those employed by the IJB, ACC or NHS Grampian around the IJB and many of its working groups.

*Leadership:* The IJB has set itself goals and has evaluated their performance against these goals. An organisational development plan has been developed and agreed which has a focus on leadership. A conference was held by the partnership during the year focussing on social care and health which was well attended.

*Individuals:* An induction programme has been established for the IJB which complements the induction programmes of NHS Grampian and Aberdeen City Council. Monthly newsletters are sent to all staff and an awards ceremony was held to celebrate achievements during the year. Staff surveys have been undertaken for

Council staff and the 'imatter' survey is undertaken annually. The outputs from these surveys are discussed by the IJB Executive Team and any necessary improvement actions implemented.

*Improvement activities undertaken during the year: The 'imatter' survey was undertaken and teams have prepared their action plans on the basis of the information included. The iMatters survey indicated that leadership visibility could be improved and a further survey was conducted to establish what 'level' of leadership staff were referring to. A new IJB Workforce Plan was approved on the 26 March 2019. The partnership participated in a career ready programme which seeks to develop the skills of young people so they are ready for their future career.*

*Future Developments: Further roll out of the career ready programme and establish modern apprenticeships within services. Implement a new leadership team structure to allow Strategic Plan outcomes to be achieved.*

## **Principle 6 - Managing risk and performance through robust internal control and strong public financial management,**

*Risk:* Two risk registers have been developed. The first is an IJB Strategic Risk Register and this documents the risk that the IJB may face in delivery of the Strategic Plan. The second register covers operational risks and is a summary of the departmental operational risk registers. Both the Strategic Risk Register is updated frequently and reported to the Audit & Performance Systems Committee and the IJB.

*Performance:* A performance management framework has been developed for the IJB and is reported frequently to the Audit & Performance Systems Committee and the IJB. Performance is also monitored by bi-monthly city sector performance review meetings, where the Chief Executives and senior finance officers from NHS Grampian and Aberdeen City Council discuss performance and finance in a structured meeting with the Chief Officer and Chief Finance Officer. Performance management information is provided at a national NHS level and also contained within the statutory performance indicators reported by the Council. An annual performance report is required as defined in the legislation (Public Bodies (Joint Working) (Scotland) Act 2014) underpinning the creation of the IJB.

*Internal Controls:* The internal control environment is largely delivered by the partner organisations given their operational remit. However, internal controls are evidenced in the IJB integration scheme and financial regulations. A review of the IJB internal controls is undertaken annually by the Chief Internal Auditor and his opinion on the adequacy of the internal control environment is highlighted below.

*Financial Management:* The IJB has received quarterly reports on the financial position as indicated in the integration scheme. All IJB reports contain a financial implications section advising the IJB on the budget implications of agreeing the recommendations of the report.

*Improvement activities undertaken during the year: A Medium Term Financial Framework has been prepared and agreed by the IJB. The strategic risk register and*



*risk appetite statement were reviewed by the IJB in a workshop and subsequently formally approved.*

*Future Developments: The Audit & Performance Systems Committee has committed to undertake a 'deep dive' on the strategic risks through the next few meetings. The Clinical & Care Governance Committee is undertaking a robust review, including looking at the data submitted to the committee to ensure alignment with broader performance frameworks.*

## **Principle 7 – Implementing good practices in transparency, reporting, and audit to deliver effective accountability.**

*Transparency:* The IJB meetings are held in public and the agendas, reports and minutes are available for the public to inspect. Public attendance is welcome at the IJB meetings. The Audit & Performance Systems committee is held in public. The IJB has developed a publication scheme as required under the Freedom of Information (Scotland) Act 2002.

*Reporting:* The annual accounts management commentary section will have a focus on both financial and service performance over the last financial year.

*Audit:* The 2017/18 accounts received an unqualified audit opinion. The Audit & Performance Systems Committee has received an internal audit plan from the Chief Internal Auditor and internal audit reports over the last financial year.

*Improvement activities undertaken during the year: Work has been undertaken to review the clinical care governance arrangements in the partnership and the role of the Clinical Care Governance Committee in this process.*

*Future Developments: Implement the results from the review of the clinical care governance arrangements and consider whether the Clinical Care Governance Committee should be a public meeting. A review is being undertaken of the role of the North East Partnership which should strengthen governance arrangements for hosted and large hospital services.*

## **Review of Effectiveness**

The IJB has responsibility for conducting, at least annually, a review of the effectiveness of the governance arrangements, including the system of internal control. The review is informed by the work of the IJB Leadership Team (who have responsibility for the development and maintenance of the internal control framework environment), the work of the internal auditor and the Chief Internal Auditor's annual report, and reports from the external auditor and other review agencies and inspectorates.

The Chief Internal Auditor has reviewed the IJB's internal control framework and in his opinion reasonable assurance can be placed upon the adequacy and effectiveness of the Board's framework of governance, risk management and control in the year to 31 March 2019.

Whilst issues were identified in audits that have been completed, as reported to the Audit & Performance Systems Committee, areas of good practice, improvement, and procedural compliance were also identified.

The external auditor's 2017/18 annual report had one formal recommendation for the Leadership Team in relation to establishing a workforce plan to identify and address potential skills gaps. The partnership developed an IJB Workforce Plan which was approved by the IJB on 26 March 2019 to address this recommendation.

The governance framework was reviewed by the IJB Leadership Team against the governance principles identified in the CIPFA Role of the Chief Finance Officer Framework. The Audit & Performance Systems Committee was updated on progress with the implementation of improvement actions identified on the 30 April 2019.

The local code of corporate governance was agreed by the Audit & Performance Systems Committee on 11 April 2017 and progress against the seven principles is detailed above. At Audit & Performance Systems Committee on 10 April 2018 and the 30 April 2019 an update was provided on the sources of assurance contained in the local code of governance.

The work undertaken against the improvement actions highlighted in the 2017/18 annual governance statement is detailed in the improvement activities undertaken during the year sections detailed above.

It is recognised that the IJB's governance framework is evolving as it matures and that future development work is required to provide further assurance against the governance principles. A summarised list of the 2019/20 improvement actions is shown directly below:

	<b>Area for Improvement and Outcome to Be Achieved</b>	<b>Improvement Action Agreed</b>	<b>Responsible Party</b>	<b>Completion Date</b>
1.	Transformation Programme	Align to the new Strategic Plan	Transformation Lead	31 March 2020
2.	Workforce Development	Roll out career ready and modern apprenticeships	Business Manager	31 March 2020
3.	Clinical Care Governance	Review and implement new arrangements	Lead AHP	31 March 2020
4.	Leadership Team	Implement new structure	Chief Officer	31 March 2020

In addition, the review of the effectiveness of the governance arrangements and systems of internal control within Aberdeen City Council and NHS Grampian places reliance upon the individual bodies' management assurances in relation to the soundness of their systems of internal control.

Accordingly, the following notes support the reliance that is placed upon those systems:

## **i) Aberdeen City Council's governance framework**

Aberdeen City Council's governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled, and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives as set out in the Strategic Business Plan 2018/19, where the roles of governance, performance management and risk management are recognised as crucial in improving stewardship and how we do business. Reviewing our governance activity enables us to consider whether those objectives have led to the delivery of appropriate, cost effective services to the citizens of Aberdeen.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The Audit, Risk & Scrutiny Committee has a key role in this and an annual report of its activities will be approved by the committee and referred to Council for its consideration. This demonstrates the Council's governance arrangements through improved transparency, understanding and challenge of the activity and outcomes from the Audit, Risk & Scrutiny Committee.

The Council has an approved Local Code of Corporate Governance which sets out our commitment to the seven principles recommended in the CIPFA / SOLACE Framework 2016, by citing the primary sources of assurance which demonstrate the effectiveness of our systems of internal control.

- |                    |  |
|--------------------|--|
| <b>Principle A</b> | Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law |
| <b>Principle B</b> | Ensuring openness and comprehensive stakeholder engagement   |
| <b>Principle C</b> | Defining outcomes in terms of sustainable economic, social and environmental benefits                      |
| <b>Principle D</b> | Determining the interventions necessary to optimise the achievement of the intended outcomes               |
| <b>Principle E</b> | Developing the entity's capacity, including the capability of its leadership and the individuals within it |
| <b>Principle F</b> | Managing risk and performance through robust internal control and strong public financial management       |

**Principle G** Implementing good practices in transparency, reporting and audit, to deliver effective accountability

The Code, approved by Council on 15 March 2017, can be viewed at:

<https://committees.aberdeencity.gov.uk/documents/s67547/LocalCodeofCorporateGovernance.pdf>

In summary the Council has undertaken a self-evaluation of its Local Code of Corporate Governance and determined that there is strong compliance with the Code and that governance processes, procedures, performance reporting and engagement material are well managed by the organisation. The Council has a clear approach to the decision-making process and seeks to engage with those in the community and with partners and staff.

**The Chief Executive and Co-Leaders of the Council have certified that reasonable assurance can be placed upon the adequacy and effectiveness of Aberdeen City Council's systems of governance and that the annual review demonstrates sufficient evidence that the Code of Corporate Governance operates effectively. Furthermore, the Council proposes over the coming year to take steps to further enhance governance arrangements and is satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of the next annual review.**

## **ii) NHS Grampian governance framework**

NHS Grampian is required to operate within the aspects of the Scottish Public Finance Manual (SPFM) which are set out within the guidance issued to Chief Executives and more generally to all Board members by the Scottish Government Health and Social Care Directorates as being applicable to NHS Boards. The SPFM is issued by Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. The SPFM sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for efficiency, effectiveness and economy, and promotes good practice and high standards of propriety.

As Accountable Officer, the Chief Executive is responsible for maintaining an adequate and effective system of internal control that identifies, prioritises and manages the principal risks facing the organisation, promotes achievement of the organisation's aims and objectives and supports compliance with the organisation's policies and safeguarding public funds.

The Board continually monitors and reviews the effectiveness of the system of internal control with a specific focus on the delivery of safe and effective patient care, achievement of national and local targets and demonstrating best value and the efficient use of resources. Key elements of the system of internal control include:

- A Board which meets regularly to discharge its governance responsibilities, set the strategic direction for the organisation and approve decisions in line with the Scheme of Delegation. The Board comprises the Executive Directors and Non-Executive members. The Board activity is open to public scrutiny with minutes of meetings publicly available;
- The Board receives regular reports on Healthcare Associated Infection and reducing infection as well as ensuring that health and safety, cleanliness and good clinical practice are high priorities;
- Scheme of Delegation, Standing Orders and Standing Financial Instructions approved by the Board are subject to regular review to assess whether they are relevant and fully reflective of both best practice and mandatory requirements;
- Mature and organisation wide risk management arrangements built on localised risk registers and processes which ensure, as appropriate, escalation of significant instances of non-compliance with applicable laws and regulations;
- Dedicated full time members of staff for key statutory compliance functions including information governance, health and safety, fire and asbestos, tasked with ensuring they are up to date with all relevant legislation and are responsible for co-ordinating management action in these areas.
- A focus on best value and commitment to ensuring that resources are used efficiently, effectively and economically taking into consideration equal opportunities and sustainable development requirements;
- Consideration by the Board of regular reports from the chairs of the performance governance, patient focus and public involvement, staff governance, clinical governance, endowment and audit committees concerning any significant matters on governance, risk and internal controls;
- Each key governance committee is supported by a designated lead Executive Director who has the delegated management accountability for statutory and regulatory matters;
- Regular review of financial performance, risk management arrangements and non financial performance against key service measures and standards by the Performance Governance Committee;
- Regular review of service quality against recognised professional clinical standards by the Clinical Governance Committee;
- Regular review of workforce arrangements and implementation of the NHS Scotland Staff Governance standards by the Staff Governance Committee;
- An active joint management and staff partnership forum with staff side representation embedded in all key management teams and a dedicated full time Employee Director who is a member of the Board;
- Regular review of priorities for infrastructure investment and progress against the agreed Asset Management Plan by an Asset Management Group chaired by a

Board Executive Director and including management representatives from all operational sectors and representation from the clinical advisory structure;

- Clear allocation of responsibilities to ensure we review and develop our organisational arrangements and services in line with national standards and guidance;
- Consultation on service change proposals is undertaken with stakeholders and used to inform decision making;
- Promotion of effective cross sector governance arrangements through participation by the IJB Board members and the Chief Executives of each of the partner organisations in the North East Partnership forum, regular meetings between the Chief Executives of all public sector organisations in Grampian and performance review meetings with each IJB Chief Officer to further develop and drive improvement through integrated service delivery.
- A patient feedback service to record and investigate complaints and policies to protect employees who raise concerns in relation to suspected wrongdoing such as clinical malpractice, fraud and health and safety breaches; and
- An annual general meeting of all Trustees of the NHS Grampian Endowment Funds to approve the accounts and review investment policy and strategy.

Based on the evidence considered during the review of the effectiveness of the internal control environment operating within NHS Grampian, the Chief Executive has confirmed that he is not aware of any outstanding significant control weaknesses or other failures to achieve the standards set out in the guidance that applies to NHS Boards in relation to governance, risk management and internal control.

### **Certification**

**Subject to the above, and on the basis of assurances provided, we consider that the internal control environment operating during the reporting period provides reasonable and objective assurance that any significant risks impacting upon the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the internal control environment and action plans are in place to identify areas for improvement. It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Aberdeen City Integration Joint Board's systems of governance.**

.....

.....

Sandra Ross

Sarah Duncan

Chief Officer

Chair

## Comprehensive Income and Expenditure Statement

This statement shows the cost of providing services for the year according to accepted accounting practices.

2017/18			2018/19			
Gross Expenditure £	Gross Income £	Net Expenditure £		Gross Expenditure £	Gross Income £	Net Expenditure £
31,406,760	-	31,406,760	Community Health Services	31,594,608	0	31,594,608
21,724,509	-	21,724,509	Aberdeen City share of Hosted Services (health)	22,330,324	0	22,330,324
31,269,790	-	31,269,790	Learning Disabilities	34,621,408	0	34,621,408
20,065,177	-	20,065,177	Mental Health & Addictions	19,992,884	0	19,992,884
72,882,926	-	72,882,926	Older People & Physical and Sensory Disabilities	74,255,297	0	74,255,297
(475,319)	(112,000)	(587,319)	Head office/Admin	171,352	0	171,352
4,658,796	(4,749,806)	(91,010)	Criminal Justice	5,110,341	(5,011,925)	98,416
1,860,555	-	1,860,555	Housing	1,860,555	0	1,860,555
41,364,343	-	41,364,343	Primary Care Prescribing	40,316,656	0	40,316,656
37,234,075	-	37,234,075	Primary Care	38,885,208	0	38,885,208
1,480,487	-	1,480,487	Out of Area Treatments	1,689,920	0	1,689,920
41,344,000	-	41,344,000	Set Aside Services	46,416,000	0	46,416,000
5,011,678	-	5,011,678	Transformation	5,652,732	0	5,652,732
<b>309,827,777</b>	<b>(4,861,806)</b>	<b>304,965,971</b>	<b>Cost of Services</b>	<b>322,897,286</b>	<b>(5,011,925)</b>	<b>317,885,361</b>
-	(302,855,462)	(302,855,462)	Taxation and Non-Specific Grant Income (Note 5)	-	(315,156,732)	(315,156,732)
<b>309,827,777</b>	<b>(307,717,268)</b>	<b>2,110,509</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>322,897,286</b>	<b>(320,168,657)</b>	<b>2,728,628</b>
		<b>2,110,509</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>2,728,628</b>

*There are no statutory or presentation adjustments which affect the IJB's application of the funding received from partners. The movement in the General Fund balance is therefore solely due to the transactions shown in the Comprehensive Income and Expenditure Statement. Consequently, an Expenditure and Funding Analysis is not provided in these annual accounts.*

### **Movement in Reserves Statement**

This statement shows the movement in the year on the IJB's reserves. The movements which arise due to statutory adjustments which affect the General Fund balance are separately identified from the movements due to accounting practices.

<b>Movements in Reserves During 2018/19</b>	<b>General Fund Balance</b>	<b>Total Reserves</b>
	<b>£</b>	<b>£</b>
<b>Opening Balance at 31 March 2018</b>	<b>(8,306,965)</b>	<b>(8,306,965)</b>
Total Comprehensive Income and Expenditure	2,728,628	2,728,628
Adjustments between accounting basis and funding basis under regulation	-	-
<b>(Increase) or Decrease in 2018/19</b>	<b>2,728,628</b>	<b>2,728,628</b>
<b>Closing Balance at 31 March 2019</b>	<b>(5,578,337)</b>	<b>(5,578,337)</b>
<hr/>		
<b>Movements in Reserves During 2017/18</b>	<b>General Fund Balance</b>	<b>Total Reserves</b>
	<b>£</b>	<b>£</b>
<b>Opening Balance at 31 March 2017</b>	<b>(10,417,474)</b>	<b>(10,417,474)</b>
Total Comprehensive Income and Expenditure	2,110,509	2,110,509
Adjustments between accounting basis and funding basis under regulation	-	-
<b>(Increase) or Decrease in 2017/18</b>	<b>2,110,509</b>	<b>2,110,509</b>
<b>Closing Balance at 31 March 2018</b>	<b>(8,306,965)</b>	<b>(8,306,965)</b>



## **Balance Sheet**

The Balance Sheet shows the value of the IJB's assets and liabilities as at the balance sheet date. The net assets of the IJB (assets less liabilities) are matched by the reserves held by the IJB.

<b>31 Mar 2018</b>		<b>Notes</b>	<b>31 Mar 2019</b>
£			£
8,306,965	Short term Debtors	(6)	8,147,833
<b>8,306,965</b>	<b>Current Assets</b>		<b>8,147,833</b>
-	Short term Creditors	(7)	(2,569,497)
-	<b>Current Liabilities</b>		<b>(2,569,497)</b>
-	Provisions		-
-	<b>Long-term Liabilities</b>		-
<b>8,306,965</b>	<b>Net Assets</b>		<b>5,578,337</b>
(8,306,965)	Usable Reserve: General Fund	(8)	(5,578,337)
-	Unusable Reserve:		-
<b>(8,306,965)</b>	<b>Total Reserves</b>		<b>(5,578,337)</b>

The unaudited accounts were issued on 30 April 2019

### **Alex Stephen**

Chief Finance Officer

30 April 2019

Usable reserves may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Unusable Reserves includes reserves relating to statutory adjustments as shown in the Movement in Reserves Statement.

## **Notes to the Financial Statements**

### **1. Significant Accounting Policies**

#### General Principles

The Financial Statements summarises the authority's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019.

The IJB was established under the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014 and is a Section 106 body as defined in the Local Government (Scotland) Act 1973.

The Financial Statements are therefore prepared in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS), unless legislation or statutory guidance requires different treatment.

The accounts are prepared on a going concern basis, which assumes that the IJB will continue in operational existence for the foreseeable future. The historical cost convention has been adopted.

#### Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when settlement in cash occurs. In particular:

- Expenditure is recognised when goods or services are received and their benefits are used by the IJB.
- Income is recognised when the IJB has a right to the income, for instance by meeting any terms and conditions required to earn the income, and receipt of the income is probable.
- Where income and expenditure have been recognised but settlement in cash has not taken place, a debtor or creditor is recorded in the Balance Sheet.
- Where debts may not be received, the balance of debtors is written down

#### Funding

The IJB is primarily funded through funding contributions from the statutory funding partners, Aberdeen City Council and NHS Grampian. Expenditure is incurred as the IJB commissions specified health and social care services from the funding partners for the benefit of service recipients in Aberdeen City.

### Cash and Cash Equivalents

The IJB does not operate a bank account or hold cash. Transactions are settled on behalf of the IJB by the funding partners. Consequently, the IJB does not present a 'Cash and Cash Equivalent' figure on the balance sheet or a cashflow statement. The funding balance due to or from each funding partner as at 31 March is represented as a debtor or creditor on the IJB's Balance Sheet.

### Employee Benefits

The IJB does not directly employ staff. Staff are formally employed by the funding partners who retain the liability for pension benefits payable in the future. The IJB therefore does not present a Pensions Liability on its Balance Sheet.

The IJB has a legal responsibility to appoint a Chief Officer. More details on the arrangements are provided in the Remuneration Report. The charges from the employing partner are treated as employee costs. Where material the Chief Officer's absence entitlement as at 31 March is accrued, for example in relation to annual leave earned but not yet taken. In the case of Aberdeen City IJB any annual leave earned but not yet taken is not considered to be material.

### Provisions, Contingent Liabilities and Contingent Assets

Provisions are liabilities of uncertain timing or amount. A provision is recognised as a liability on the balance sheet when there is an obligation as at 31 March due to a past event; settlement of the obligation is probable; and a reliable estimate of the amount can be made. Recognition of a provision will result in expenditure being charged to the Comprehensive Income and Expenditure Statement and will normally be a charge to the General Fund.

A contingent liability is a possible liability arising from events on or before 31 March, whose existence will only be confirmed by later events. A provision that cannot be reasonably estimated, or where settlement is not probable, is treated as a contingent liability. A contingent liability is not recognised in the IJB's Balance Sheet but is disclosed in a note where it is material.

A contingent asset is a possible asset arising from events on or before 31 March, whose existence will only be confirmed by later events. A contingent asset is not recognised in the IJB's Balance Sheet but is disclosed in a note only if it is probable to arise and can be reliably measured.

### Reserves

The IJB is permitted to set aside specific amounts as reserves for future policy purposes. Reserves are generally held to do three things:

- create a working balance to help cushion the impact of uneven cash flows – this forms part of general reserves;

- create a risk fund to cushion the impact of unexpected events or emergencies; and
- create a means of building up funds, often referred to as earmarked reserves, to meet known or predicted liabilities.

The balance of the reserves normally comprises:

- funds that are earmarked or set aside for specific purposes; and
- funds which are not earmarked for specific purposes but are set aside to deal with unexpected events or emergencies.

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged against the appropriate line in the Income and Expenditure Statement in that year to score against the Surplus/Deficit on the Provision of Services. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement.

The IJB's reserves are classified as either Usable or Unusable Reserves.

The IJB's only Usable Reserve is the General Fund. The balance of the General Fund as at 31 March shows the extent of resources which the IJB can use in later years to support service provision.

#### Indemnity Insurance

The IJB has indemnity insurance for costs relating primarily to potential claim liabilities regarding Board member and officer responsibilities. NHS Grampian and Aberdeen City Council have responsibility for claims in respect of the services that they are statutorily responsible for and that they provide.

Unlike NHS Boards, the IJB does not have any 'shared risk' exposure from participation in CNORIS. The IJB participation in the CNORIS scheme is therefore analogous to normal insurance arrangements.

Known claims are assessed as to the value and probability of settlement. Where it is material the overall expected value of known claims taking probability of settlement into consideration, is provided for in the IJB's Balance Sheet.

The likelihood of receipt of an insurance settlement to cover any claims is separately assessed and, where material, presented as either a debtor or disclosed as a contingent asset.

#### Support Services

Corporate support services (finance, legal and strategy) are provided by Aberdeen City Council and NHS Grampian at no cost to the IJB and it is not possible to separately identify these costs. To the extent that delegated services include an element of overheads and support services costs, these will be included within the appropriate line within the Income and Expenditure statement.

## **2. Critical Judgements and Estimation Uncertainty**

The Financial Statements include some estimated figures. Estimates are made taking into account the best available information, however actual results could be materially different from the assumptions and estimates used. The key items in this respect are listed below.

#### Provisions

No financial provision for any future events has been made by the IJB in this accounting period.

### **3. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the IJB's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

The unaudited Annual Accounts were authorised for issue by the Chief Finance Officer on 30 April 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

#### **4. Expenditure and Income Analysis by Nature**

<b>2017/18</b>		<b>2018/19</b>
£		£
122,925,886	Services commissioned from Aberdeen City Council	128,849,426
186,873,091	Services commissioned from NHS Grampian	194,018,459
-	Employee Benefits Expenditure	-
-	Insurance and Related Expenditure	-
28,800	Auditor Fee: External Audit	29,400
-	Auditor Fee: Other	-
(4,861,806)	Service Income: Aberdeen City Council	(5,011,925)
-	Service Income: NHS Grampian	-
(302,855,462)	Partners Funding Contributions and Non-Specific Grant Income	(315,156,732)
<b>2,110,509</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>2,728,628</b>

#### **5. Taxation and Non-Specific Grant Income**

<b>2017/18</b>		<b>2018/19</b>
£		£
(85,168,829)	Funding Contribution from Aberdeen City Council	(86,855,919)
(217,686,633)	Funding Contribution from NHS Grampian	(228,300,813)
<b>(302,855,462)</b>	<b>Taxation and Non-specific Grant Income</b>	<b>(315,156,732)</b>

The funding contribution from the NHS Board shown above includes £46,416,000 in respect of 'set-aside' resources relating to acute hospital and other resources. These are provided by the NHS, which retains responsibility for managing the costs of providing the services. The IJB, however, has responsibility for the consumption of, and level of demand placed on, these resources.

The funding contributions from the partners shown above exclude any funding which is ring-fenced for the provision of specific services. Such ring-fenced funding is presented as income in the Cost of Services in the Comprehensive Income and Expenditure Statement.

## 6. Debtors

31 Mar 18		31 Mar 19
£		£
5,181,711	NHS Grampian	8,147,834
3,125,254	Aberdeen City Council	-
<b>8,306,965</b>	<b>Debtors</b>	<b>8,147,834</b>

Amounts owed by the funding partners are stated on a net basis. Creditor balances relating to expenditure obligations incurred by the funding partners but not yet settled in cash terms are offset against the funds they are holding on behalf of the IJB.

## 7. Creditors

31 Mar 18		31 Mar 19
£		£
-	Aberdeen City Council	(2,569,497)
-	<b>Creditors</b>	<b>(2,569,497)</b>

Amounts owed to the funding partners are stated on a net basis. Debtor balances relating to expenditure obligations incurred by the funding partners but not yet settled in cash terms are offset against the funds they are holding on behalf of the IJB.

## 8. Usable Reserve: General Fund

The IJB holds a balance on the General Fund for two main purposes:

- To earmark, or build up, funds which are to be used for specific purposes in the future, such as known or predicted future expenditure needs. This supports strategic financial management.
- To provide a risk fund to cushion the impact of unexpected events or emergencies. This is regarded as a key part of the IJB's risk management framework.

The table below shows the movements on the General Fund balance, analysed between those elements earmarked for specific planned future expenditure, and the amount held as a risk fund.

2017/18				2018/19			
Balance at 1 April 2017	Transfers In	Transfers Out	Balance at 31 March 2018		Transfers In	Transfers Out	Balance at 31 March 2019
£	£	£	£		£	£	£
(500,000)	-	-	(500,000)	Equipment	-	500,000	-
-	(2,639,806)	-	(2,639,806)	Primary Care	-	1,059,945	(1,579,861)
-	-	-	-	PCIP*	(281,152)	-	(281,152)
-	-	-	-	ADP*	(666,404)	-	(666,404)
(7,417,474)	-	4,000,315	(3,417,159)	Integration +Change	(399,806)	3,266,045	(550,920)
(7,917,474)	(2,639,806)	4,000,315	(6,556,965)	Total Earmarked	(1,347,362)	4,825,990	(3,078,337)
(2,500,000)	-	750,000	(1,750,000)	Risk Fund	(750,000)	-	(2,500,000)
<b>(10,417,474)</b>	<b>(2,639,806)</b>	<b>4,750,315</b>	<b>(8,306,965)</b>	<b>General Fund</b>	<b>(2,097,362)</b>	<b>4,825,990</b>	<b>(5,578,337)</b>

\* PCIP – Primary Care Improvement Funds

\* ADP – Alcohol & Drugs Partnership Funding

## 9. Agency Income and Expenditure

On behalf of all IJBs within the NHS Grampian area, the IJB acts as the lead manager for Sexual Health Services and Woodend Rehabilitation Services. It commissions services on behalf of the other IJBs and reclaims the costs involved. The payments that are made on behalf of the other IJBs, and the consequential reimbursement, are not included in the Comprehensive Income and Expenditure Statement (CIES) since the IJB is not acting as principal in these transactions.

The amount of expenditure and income relating to the Sexual Health Services agency arrangement is shown below.

2017/18		2018/19
£		£
1,259,746	Expenditure on Agency Services	1,269,269
(1,259,746)	Reimbursement for Agency Services	(1,269,269)
-	<b>Net Agency Expenditure excluded from the CIES</b>	-



The amount of expenditure and income relating to the Woodend Rehabilitation Services agency arrangement is shown below.

<b>2017/18</b> £		<b>2018/19</b> £
6,061,434	Expenditure on Agency Services	6,374,360
(6,061,434)	Reimbursement for Agency Services	(6,374,360)
-	<b>Net Agency Expenditure excluded from the CIES</b>	-

### **10. Related Party Transactions**

The IJB has related party relationships with the NHS Grampian, Aberdeen City Council and Bon Accord Care/Bon Accord Support Services. The nature of these relationships means that the IJB may influence, and be influenced by, these parties. The following transactions and balances included in the IJB's accounts are presented to provide additional information on the relationships.

#### NHS Grampian

<b>2017/18</b> £		<b>2018/19</b> £
(217,686,633)	Funding Contributions received from the NHS Board*	(228,300,813)
-	Service Income received from the NHS Board	-
186,687,549	Expenditure on Services Provided by the NHS Board	193,901,170
185,542	Key Management Personnel: Non-Voting Board Members	117,289
<b>(30,813,542)</b>	<b>Net Transactions with the NHS Grampian</b>	<b>(34,282,354)</b>

Key Management Personnel: The non-voting Board members employed by the NHS Board and recharged to the IJB include the Chief Officer and the Clinical Director. Details of the remuneration for some specific post-holders is provided in the Remuneration Report

\*Includes resource transfer income of £31,319,000

### Balances with NHS Grampian

<b>31-Mar-18</b>		<b>31-Mar-19</b>
£		£
5,181,711	Debtor balances: Amounts due from the NHS Board	8,147,834
-	Creditor balances: Amounts due to the NHS Board	-
<b>5,181,711</b>	<b>Net Balance with the NHS Grampian</b>	<b>8,147,834</b>

### Transactions with Aberdeen City Council

<b>2017/18</b>		<b>2018/19</b>
£		£
(85,168,829)	Funding Contributions received from the Council	(86,855,919)
(4,861,806)	Service Income received from the Council	(5,011,925)
122,864,232	Expenditure on Services Provided by the Council	128,730,637
90,454	Key Management Personnel: Non-Voting Board Members	148,189
<b>32,924,051</b>	<b>Net Transactions with Aberdeen City Council</b>	<b>37,010,982</b>

Key Management Personnel: The non-voting Board members employed by the NHS Board and recharged to the IJB include the Chief Financial Officer. Details of the remuneration for some specific post-holders is provided in the Remuneration Report. The Chief Social Work Officer is a non-voting member of the IJB and the costs associated with this post are borne by the Council.

<b>31-Mar-18</b>		<b>31-Mar-19</b>
£		£
3,125,254	Debtor balances: Amounts due from the Council	-
-	Creditor balances: Amounts due to the Council	(2,569,497)
<b>3,125,254</b>	<b>Net Balance with the Aberdeen City Council</b>	<b>(2,569,497)</b>

### Transactions with Bon Accord Care (BAC) and Bon Accord Support Services (BASS)

Bon Accord Care Limited and Bon Accord Support Services Limited are private companies limited by shares which are 100% owned by Aberdeen City Council. Bon Accord Care provides regulated (by the Care Inspectorate) care services to Bon Accord Support Services which in turn delivers both regulated and unregulated adult social care services to the Council.

<b>31-Mar-18</b>		<b>31-Mar-19</b>
£		£
(898,000)	Service Income received from the Council	(980,261)
28,975,742	Expenditure on Services Provided by the Council	29,010,581
<b>28,077,742</b>	<b>Net Transactions with BAC/BASS</b>	<b>28,030,320</b>

## **11. VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## **Glossary of Terms**

While the terminology used in this report is intended to be self-explanatory, it may be useful to provide additional definition and interpretation of the terms used.

### **Accounting Period**

The period of time covered by the Accounts, normally a period of 12 months commencing on 1 April each year. The end of the accounting period is the Balance Sheet date.

### **Accruals**

The concept that income and expenditure are recognised as they are earned or incurred not as money is received or paid.

### **Asset**

An item having value to the IJB in monetary terms. Assets are categorised as either current or non-current. A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock). A non-current asset provides benefits to the IJB and to the services it provides for a period of more than one year.

### **Audit of Accounts**

An independent examination of the IJB's financial affairs.

### **Balance Sheet**

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

### **CIPFA**

The Chartered Institute of Public Finance and Accountancy.

### **Consistency**

The concept that the accounting treatment of like terms within an accounting period and from one period to the next is the same.

### **Contingent Asset/Liability**

A Contingent Asset/Liability is either:

- A possible benefit/obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the IJB's control; or
- A present benefit/obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

## **Creditor**

Amounts owed by the IJB for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

## **Debtor**

Amount owed to the IJB for works done, goods received, or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

## **Entity**

A body corporate, partnership, trust, unincorporated association or statutory body that is delivering a service or carrying on a trade or business with or without a view to profit. It should have a separate legal personality and is legally required to prepare its own single entity accounts.

## **Exceptional Items**

Material items which derive from events or transactions that fall within the ordinary activities of the IJB and which need to be disclosed separately by virtue of their size or incidence to give a fair presentation of the accounts.

## **Government Grants**

Grants made by the Government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the IJB. These grants may be specific to a particular scheme or may support the revenue spend of the IJB in general.

## **IAS**

International Accounting Standards.

## **IFRS**

International Financial Reporting Standards.

## **IRAG**

Integration Resources Advisory Group.

## **LASAAC**

Local Authority (Scotland) Accounts Advisory Committee.

## **Liability**

A liability is where the IJB owes payment to an individual or another organisation. A current liability is an amount which will become payable or could be called in within the next accounting period e.g. creditors or cash overdrawn. A non-current liability is an amount which by arrangement is payable beyond the next year at some point in the future or will be paid off by an annual sum over a period of time.

## **Provisions**

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

## **PSIAS**

Public Sector Internal Audit Standards.

## **Related Parties**

Bodies or individuals that have the potential to control or influence the IJB or to be controlled or influenced by the IJB. For the IJB's purposes, related parties are deemed to include voting members, the Chief Officer, the Chief Finance Officer, the Heads of Service and their close family and household members.

## **Remuneration**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as these sums are chargeable to UK income tax) and the monetary value of any other benefits received other than incash.

## **Reserves**

The accumulation of surpluses, deficits and appropriation over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the IJB.

## **Revenue Expenditure**

The day-to-day expenses of providing services.

## **Significant Interest**

The reporting authority is actively involved and is influential in the direction of an entity through its participation in policy decisions.

## **SOLACE**

Society of Local Authority Chief Executives.

## **The Code**

The Code of Practice on Local Authority Accounting in the United Kingdom.