

Finance and Resources Committee

10am, Thursday, 24 September 2015

Health and Social Care Integration – Update

Item number	7.15
Report number	
Executive/routine	
Wards	All

Executive summary

This report presents an update on the integration of Council social care functions with NHS Lothian health functions under the Public Bodies (Joint Working) (Scotland) Act 2014.

Links

Coalition pledges	P12 and P43
Council outcomes	CO10, CO11, CO12, CO13, Co14, Co15
Single Outcome Agreement	SO2

Health and Social Care Integration – Update

Recommendations

- 1.1 Members are recommended to note:
 - 1.1.1 the outputs from the Corporate Programme Office (CPO) Programme ‘Health Check’ and Internal Audit review
 - 1.1.2 the high level management actions to address the recommendations in the assurance reports
 - 1.1.3 the dependencies with Council transformation projects.

Background

- 2.1 Finance and Resources Committee requested regular update reports to track progress with the work associated with health and social care Integration. This is the seventh report in 2015.

Main report

Edinburgh Integration Joint Board (EIJB)

- 3.1 Formal delegation of functions and resources to the EIJB is scheduled for 1 April 2016, following approval of the Strategic Plan.
- 3.2 The EIJB is currently meeting formally bi-monthly and in development mode bi-monthly. It held its first formal meeting in July and met in August to consider planning and service development proposals for services for older people. It will have its second formal meeting in September.
- 3.3 A range of work continues in order to prepare for the delegation of functions in line with the statutory timescale.

Assurance

- 3.4 The Scottish Government requires all parties to undertake appropriate assurance prior to the delegation of functions to the EIJB.
- 3.5 The Council’s Corporate Programme Office undertook a ‘health check’ of the integration programme. The Council’s Internal Audit function audited the arrangements for integration. The Terms of Reference for the reviews are different but complementary.

- 3.6 The timing of the programme 'health check' by the Council's Corporate Programme Office covered the period up to the submission of the Integration Scheme to Scottish Government and the 'next phase' referenced relates to the transition period where the Integration Joint Board is established prior to delegation of functions. The scope and associated assessment score (five being the best possible, zero being the worst possible) are summarised below:
- Strategic Alignment – Five
 - Governance – Four
 - Business case – Four
 - Risk management – Four
 - Resource management – Three
 - Engagement – Four
 - Readiness for the Next Phase – Four
- 3.7 The overall rating is 'Amber-Green', indicating that 'delivery is probable' and the programme is ready to enter the next phase. The CPO also recognised the significant challenges ahead in later phases (once the EIJB is established and begins to implement its Strategic Plan) and the need for the EIJB to maintain tight control over a programme of this scale. A copy of the 'health check' report is provided in Appendix 1, including the recommendations for action and the management response to address each.
- 3.8 The timing of the Internal Audit review covered the period immediately following approval of the Integration Scheme by Scottish Government. The scope and associated risk rating (a five point scale: advisory, low, medium, high, critical) is provided below.
- Governance – High risk
 - Risk Management – Low risk
 - Project Management – Medium risk
 - Finance – High risk
- 3.9 A copy of the Internal Audit report is provided in Appendix 2, including the recommendations for action and the management response to address each.
- 3.10 In summary, the major management actions required to address recommendations from both reviews are:
- prompt appointment of EIJB Chief Officer and Chief Finance Officer by the Council and NHS Lothian
 - clarity on any ongoing stakeholder arrangements between NHS Lothian and the Council once functions are delegated

- clarity on how business support services will be provided by NHS Lothian and the Council to the EIJB for operational oversight of the delivery of service change, this includes strategic planning and programme management/implementation of the delivery of service re-design/integration; and
 - further detail on the arrangements for establishing EIJB budget and managing overspend by the Council and NHS Lothian.
- 3.11 This work is being led by the Chief Executives of NHS Lothian and the Council. The corporate support and finance actions are being taken forward by the relevant corporate support functions, including Corporate Finance.
- 3.12 NHS Lothian internal audit has also undertaken a review of their internal arrangements for delegation of functions to the EIJB. Finance was not in scope of this audit.

Chief Officer and Chief Finance Officer

- 3.13 The recruitment process for the Chief Officer is underway. Interviews will take place during the first week in October and it is likely the post holder will be in place by the turn of the year.
- 3.14 An interim Chief Finance Officer was appointed in August to ensure adequate financial assurance for the EIJB. The permanent post is within a proposed integrated management structure, which is still under discussion.

Strategic Plan

- 3.15 The consultation on the EIJB's Strategic Plan started at the beginning of August and will run to the end of October. The Council is a formal consultee and the document is available at <https://consultationhub.edinburgh.gov.uk/>
- 3.16 Council and NHS Lothian staff are supporting a range of workshops and consultation events with stakeholders and partners across the city to ensure wider consultation and debate. This builds on the collaborative approach adopted in the planning process to draft the Plan.

Impact on the Council

Review of Existing Governance Arrangements

- 3.17 The principle agreed in the Integration Scheme is that existing governance structures will be reviewed and amended to reduce potential for duplication.

Furthermore, the EIJB will have the authority to develop additional governance committees as it sees fit.

- 3.18 The EIJB has a statutory role for planning and commissioning and for integrated performance of delegated functions. Both of these areas impact on the role of Health, Social Care and Housing Committee.
- 3.19 The EIJB has determined that it wishes to create a Performance Sub Group and an Audit and Risk Committee.
- 3.20 A review of reporting is underway to determine the impact of these proposals on Council committees.

Transformational Change: Dependencies

- 3.21 A statutory requirement of the Public Bodies legislation is to integrate health and social care functions from the point of view of recipients. This is to be achieved via the role of the Chief Officer who is required to manage the delegated services in an integrated structure, to oversee service-redesign, local planning and operational management.
- 3.22 In line with Council and NHS Lothian agreement to adopt a locality approach, it has been agreed to appoint interim locality managers to support the development of locality planning and operational management for the new integrated functions. This will accelerate progress towards integration.
- 3.23 The process for appointment has begun and it is likely that managers will be in place by October. These managers will relate to the new arrangements for locality governance being developed in the city, but will be separate to the structure being developed for other Council functions. It is expected that these posts will relate to the community planning partnership 'Locality Leadership Teams' alongside senior managers from the Council and other community planning partners.
- 3.24 The Integration Scheme guidance requires that both NHS Lothian and the Council provide Professional/Technical and Administrative' (PTA) (or business support services) to the Integration Joint Board jointly. NHS Lothian directors are considering the PTA services for the IJBs from a pan-Lothian perspective.
- 3.25 Within the Council, a number of workshops are planned during September with staff who provide PTA/business support within Health and Social Care and corporately. These are being run as part of the Business Support Services (BSS) project. The purpose is to consider options for business support provision, which

ensure adequate support for the EIJB in line with the Integration Scheme. This will need to take into account an appropriate way to handle planned savings for 2016/17, given the new role of the EIJB.

- 3.26 Following on from these deliberations, a joint approach with NHS Lothian will be articulated for each of the Professional/Technical and Administrative services.

Measures of success

- 4.1 The Scottish Government has issued National Outcomes for the delivery of integrated health and social care as part of the final regulations. These are as expected [National Health and Wellbeing Outcomes Framework](#).
- 4.2 The Strategic (Commissioning) Plan work stream is tasked with planning for the delivery of these outcomes for the services in scope. The Programme Sub-Group on Performance and Quality is tasked with establishing local outcomes for measuring the success of the new Health and Social Care Partnership in relation to the national outcomes. A joint baseline has been developed and work is underway on a joint framework for the future.
- 4.3 The content of the Annual Performance Report is set out in regulations and includes performance with respect to the integration planning principles and in respect of localities.
- 4.4 The Edinburgh Integration Scheme outlines the process for determining the performance arrangements and for allocating responsibility for performance.
- 4.5 The EIJB has agreed to set up a Performance Sub-Group to ensure an integrated overview of the performance of functions and service re-design.

Financial impact

- 5.1 It is estimated that the Edinburgh Integration Joint Board will include a combined budget in the transition year 2015/16 of around £560 million; c£200 million of Council funds, c£300 million of community health NHS Lothian funds, and an early estimate of acute hospital related 'set aside' funds of c£60 million.
- 5.2 The resources for the functions in scope will be delegated to the Integration Joint Board for governance, planning and resourcing purposes. The delegated resources will be subject to financial assurance in order for the Integration Joint Board to understand any underlying financial risks. The figures may also vary subject to any impact of the Business Support Services proposals.
- 5.3 The Strategic Plan will identify how the resources are to be spent (at a high level) in order to deliver on the national outcomes and how the balance of care

will be shifted from institutional to community-based settings. Planned variances will be retained by the Integration Joint Board, which will have the power to carry reserves.

Risk, policy, compliance and governance impact

- 6.1 A detailed risk log is maintained for the Integration Programme and is reported through the status reporting process to the Shadow Health and Social Care Partnership and through the Corporate Programme Office Major Projects reporting procedure.
- 6.2 Major risks to both the Council and NHS Lothian as a result of the programme of change are also identified on Corporate Management Team, Health and Social Care and NHS Lothian risk registers.
- 6.3 The approach to risk management for the Integration Joint Board and respective parties is set out in the Edinburgh Integration Scheme and the EIJB received a report on 17 July on proposals to develop its Risk Management Strategy.

Equalities impact

- 7.1 The integration of health and social care services aims to overcome some of the current 'disconnects' within and between health and social care services for adults, to improve pathways of care and to improve outcomes.
- 7.2 The intention is to improve access to the most appropriate health treatments and care. This is in line with the human right to health.
- 7.3 A combined impact assessment procedure between NHS Lothian and Health and Social Care has been developed. This will be used for all impact assessments, as required across the joint service, once the Integration Joint Board is fully established.
- 7.4 An impact assessment of all four Lothian Draft Schemes was completed on 10 February 2015 by representatives from NHS Lothian and the four Lothian councils.

Sustainability impact

- 8.1 The proposals in this report will help achieve a sustainable Edinburgh because:
 - joint health and social care resources will be used more effectively to meet and manage the demand for health and care services
 - integrated services will promote personal wellbeing of older people and other adults in need support; and

- they will promote social inclusion of and care for a range of vulnerable individuals.

Consultation and engagement

- 9.1 Consultation and engagement form a key work stream in the programme. A number of events have taken place with managers and staff during the shadow arrangements.
- 9.2 The Integration Scheme to establish the EIJB was consulted upon widely. A full report on the consultation on the Integration Scheme was provided to Council on 30 April 2015.
- 9.3 A number of members of the EIJB, in line with statute, bring broader perspectives such as service users, carers and the third sector.
- 9.4 A comprehensive engagement programme is also underway to engage with a wide range of staff and stakeholders across the community in relation to the production of the Strategic Plan. The formal consultation on the draft plan will run from August to October. The Council will be a formal consultee.

Background reading/external references

[Finance and Resources Committee – 27 August 2015, Health and Social Care Integration Update.](#)

[Finance and Resources Committee – 4 June 2015, Health and Social Care Integration Update](#)

[Finance and Resources Committee – 13 May 2015, Health and Social Care Integration Update.](#)

[City of Edinburgh Council – 30 April 2015, Health and Social Care Integration Scheme - Consultation Responses](#)

[Health, Social Care and Housing Committee – 21 April 2015, Health and Social Care Integration Update.](#)

[Finance and Resources Committee – 19 March 2015, Health and Social Care Integration Update.](#)

[City of Edinburgh Council – 12 March 2015, Health and Social Care Integration Scheme: Final for Submission.](#)

Finance and Resources Committee – 3 February 2015, Health and Social Care: Draft Integration Scheme Consultation.

Health, Social Care and Housing Committee – 27 January 2015, Draft Integration Scheme Consultation.

Corporate Policy and Strategy Committee – 20 January 2015, Health and Social Care Integration Scheme: Draft for Public Consultation.

Finance and Resources Committee – 15 January 2015, Health and Social Care Integration; General Update.

City of Edinburgh Council – 11 December 2014, Health and Social Care Integration Scheme; Update on Draft Integration Scheme.

Finance and Resources Committee – 27 November 2014, Health and Social Care Integration Update.

Finance and Resources Committee – 30 October 2014, Health and Social Care Integration Update.

Finance and Resources Committee – 30 September 2014, Health and Social Care Integration Update.

Finance and Resources Committee – 28 August 2014, Health and Social Care Integration Update.

Corporate Policy and Strategy Committee – 5 August 2014, Health and Social Care Integration – Options Analysis of Integration Models.

See reports above for earlier reporting.

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Links

Coalition pledges	Ensuring Edinburgh and its residents are well cared for.
Council outcomes	Health and Wellbeing are improved in Edinburgh and there is a high quality of care and protection for those who need it.
Single Outcome Agreement	Edinburgh's citizens experience improved health and wellbeing, with reduced inequalities in health
Appendices	Appendix 1: Integration Programme 'Health Check'. Appendix 2: Internal Audit Report: Integrated Health and Social

Health Check Report

Health & Social Care Integration

FINAL, 18.06.15, Version V0.4

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Document control

Document	Corporate Asset Management Group Review Terms of Reference
Filename	Healthcheck_Report_H&SC_Integration_V0.4_20150618
Author(s)	Scott Robertson
Contributors	Karen Kelly, Susan Joyce

Version control

Version	Changes	Status	Version date
V0.1	Initial draft	Draft	01.06.15
V0.2	Incorporate Peer Review changes	Draft	08.06.15
V0.3	Incorporate Clarity & Accuracy feedback	Draft	15.06.15
V0.4	Incorporating final comments	Final	18.06.15

Distribution and review history

Version	Distribution list	Purpose	Comment/action location	Distribution date
V0.1	Karen Kelly	CPO Peer Review		01.06.15
V0.2	Susanne Harrison	Clarity & Accuracy		08.06.15
V0.3	Michelle Miller, Susanne Harrison	Final comment		15.06.15
V0.4	Michelle Miller, Susanne Harrison	Final		18.06.15

Executive Summary

Health check Assessment

RAG Assessment

Amber-Green

The Review Team finds that the overall programme/project status is Amber Green – Delivery probable.

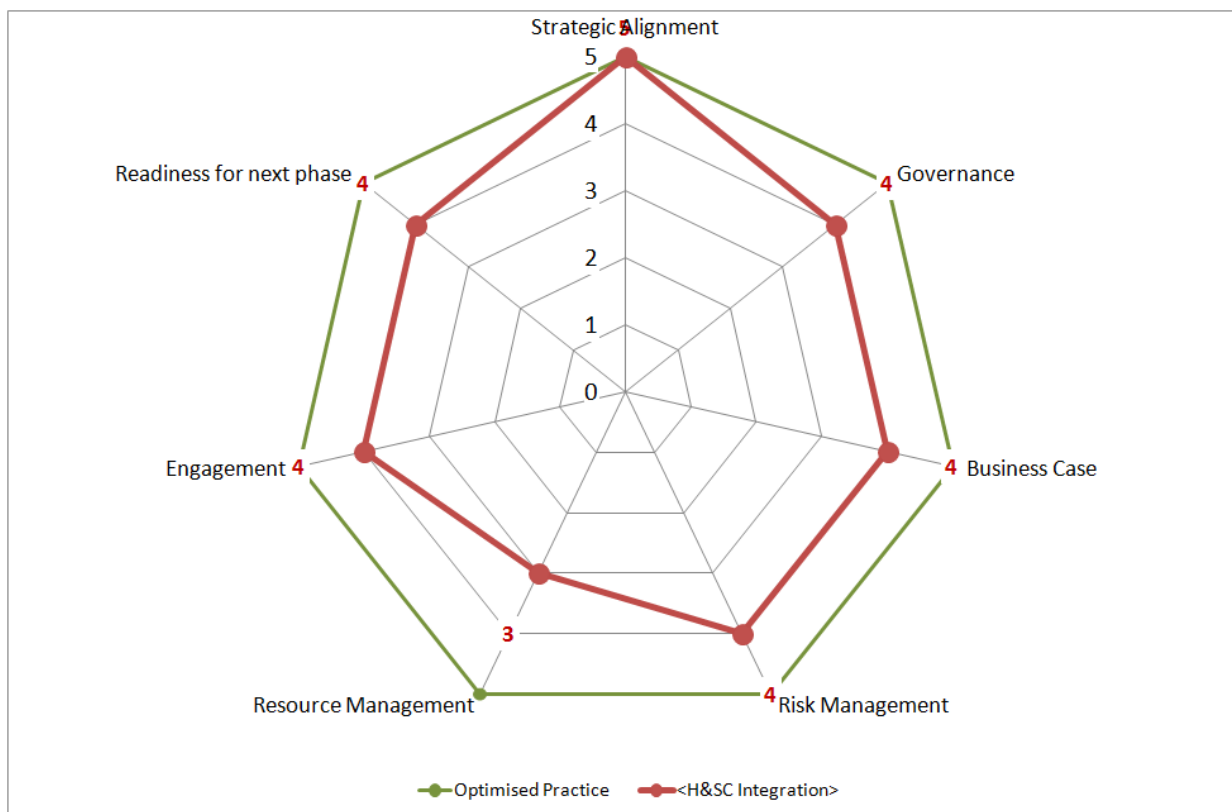
Overall the health check review team found that the Programme is employing good Programme Management practice. Strong strategic alignment is demonstrated by alignment with a number of Coalition pledges, Council outcomes and the Single Outcome Agreement. Governance is strong but the Programme should now be reviewing arrangements in light of the upcoming formation of the Integrated Joint Board (IJB) and in particular the role of the Leadership Group going forward. The Programme has a detailed Strategic Business Case that includes all of the key areas a Business Case should have, but ongoing updates, particularly at each stage of Programme Delivery should be undertaken.

Engagement to date has been strong with all key and other stakeholders involved when required. The Programme is entering a crucial phase that will deliver the key building blocks to deliver on implementation of the Strategic Plan and associated service design so it is crucial that engagement activities continue and where required are enhanced.

It is important that the Business Case for the programme is updated at each of the key stages or milestones of the programme to ensure it remains valid and that the most up to date information is conveyed to stakeholders. Finance and Resources Committee on 19th March 2015 expressed concerns over a lack of detail in the plan accompanying the business case, particularly in relation to task owners and progress with completion of tasks. A historical version of the plan was included as indicative of the detailed ongoing work. This demonstrates the importance of sharing the most up to date version with key stakeholders, even when intended to be indicative of the work ongoing.

The Programme benefits from a number of experienced and skilled staff who are motivated to drive the Programme forward. However, although not unique, the Programme does find itself delivering in an environment where some key resource crucial to delivery are outwith the jurisdiction and not accountable to or indeed managed by the Programme Manager or SRO. This is a risk to the Programme in terms of inability to lever deliverables and/or delivery of tasks taking longer than may be required.

Whilst the programme is ready to move to next phase, , significant challenges lie ahead once the Integrated Joint Board (IJB) is formed and the new organisation begins to implement its strategic plan. The importance of maintaining a tight control of a programme of this scale cannot be over-estimated. The Council and NSHL need to be assured of the IJB's capacity to undertake the delegation of functions and it will be the job of the new IJB itself to ensure it is adequately assured of its finances and of arrangements for the delivery of its change programme once established. A programme of this scale and complexity brings with it a number of major risks and these must be managed carefully. Continued tight programme controls will support such assurance.



Recommended Areas for Action

The recommendation of the Review Team is that the following are priority areas for action:

1. Governance: It is recommended that the remit is agreed for the Stakeholder Group prior to the delegation of functions to the IJB.
2. Business Case: should be updated at all key stages of the Programme and ideally in conjunction with NHS Lothian. The review team suggest that as a minimum the Business Case should be updated prior to Implementation of the new Governance model, i.e. formation of the IJB, at revision of the Strategic Plan and then again just prior to the delegation of functions.
3. Business Case: Programme Plan continues to be regularly reviewed to ensure any slippage outwith Programme tolerances can be identified as early as possible and addressed by the appropriate governance body. When a detailed programme plan is presented to stakeholders, the most recent version must always be presented, even when intended as indicative.
4. Resource Management: The Programme should consider provision of additional resource to manage 'touch points' with other key Projects and Programmes where dependencies have been identified to ensure there is understanding, clarity and input when decisions are made that will impact on the H&SC integration deliverables.
5. Resource Management: The IJB, once formed, should review the activities required through to the 1st April 2016 and put processes in place to ensure the right mix of skills and number of resources are in place particularly in relation to change where there will be a significant requirement to ensure there is a smooth transition to commence work required to deliver integrated services.

6. Engagement: The following documentation should be reviewed and if required updated for IJB approval, (i) stakeholder maps and engagement plans, (ii) Communication Plan, (iii) Involvement campaigns, (iv) Coaching and training plans.
7. Readiness for next phase: Undertake a workshop with key stakeholders within NHS Lothian and the Council to ensure there is a common understanding of activities, timelines, roles and accountabilities to ensure all activities for the Implementation of the Strategic Plan and service re-design are delivered by 1st April 2016.

These recommendations and further suggested actions are shown at appendix three.

Health check

1 Review Context

- 1.1. This Health check has been undertaken as the Programme is at a key stage in the preparation for delivery of the scheme. The draft H&SC Integration scheme detailing the local integrated care plans was submitted to the Scottish Government for Ministerial approval on 16th March, prior to the 1st April 2015 deadline.
- 1.2. The scheme is now moving through a 12 week approval process which includes laying the order for the establishment of the new body before Parliament. The submitted draft scheme has now been reviewed by the Scottish Government and minor changes required have been agreed by the Council and NHS Lothian and were submitted to Scottish Government in mid May. The IJB will be established by 27 June 2015 and its first meeting will be 17 July 2015.
- 1.3. The IJB where NHS Lothian and the Council are represented will make decisions about, and control the budget for, the delivery of integrated services. One of the key priorities for this board once formed will be to deliver the statutory Strategic Plan for how it will run services.
- 1.4. The national timescale for full operation of all the integration of authorities and associated delegation remains unchanged at the 1st April 2016. This is the date that the Scottish Ministers intend to prescribe as the date by which all functions must be delegated to NHS Lothian and the Council. All the integration arrangements as set out in the Act, Orders and Regulations, must be in place and responsibility for the functions delegated.
- 1.5. Post 1st April 2016 work will then progress with Implementation of the Strategic Plan and management of the service re-design.
- 1.6. The review took place against the following project context:
 - 1.6.1. The review took cognisance of the Council progress with delivery of the scheme only. NHS Lothian, the other key partner in the Programme were not included in the review.
 - 1.6.2. The creation of the Integration Authority also requires a comprehensive and three way due diligence process for NHS Lothian, the Council and the new IJB. Council Finance and Internal Audit are currently in discussion with NHSL Finance and Auditors to agree a process and therefore Financial Assurance did not form part of the scope of this review.
 - 1.6.3. Agreement by the Director of Corporate Governance that the Corporate Programmes Office would undertake a review of the Programme following concerns relating to the Programme delivery at the Finance & Resources Committee on 19 March 2015. A separate Financial Assurance exercise will be undertaken by Internal Audit as highlighted in section 1.6.2.
 - 1.6.4. To note that integration of authorities and associated delegation is just the first stage in delivering fully operational integrated services post 1st April 2016.

2 Approach Taken

- 1.1. The approach taken was one following standard practice for the assurance of programmes or projects through Gateway Reviews, as referenced in PRinCe2, Managing Successful

Programmes (MSP), the Association of Project Management's (APM) Book of Knowledge (6th Edition).

- 1.2. The Project/Programme Team were asked to provide key project documentation. A desktop review of this was undertaken by the Health Check Team. This was followed by a series of interviews with key staff from within the programme structure and stakeholders. The interviews were guided by a series of assessment criteria examining seven factors, as laid out in the CPO's Assurance Review Evidence Framework¹, tailored to reflect the fact that this was a Health Check. The evidence gathered was then assessed and an overall Red/Amber/Green (RAG) score determined based on a five point scale

RAG	Delivery Capability
Green	Delivery Highly Likely
Amber-Green	Delivery probable
Amber	Delivery feasible
Red-Amber	Delivery doubtful
Red	Delivery unachievable

¹ Assurance Reviews Evidence Framework_v6_20130325

Findings and Recommendations

3 Strategic Alignment

- 3.1. Public sector reform policy is the main driver behind integration. The primary legislative requirement is the Public Bodies (Joint Working) (Scotland) Act 2014 which places a statutory requirement on both constituent authorities to delegate functions to an Integration Authority, to make associated payments to the new body and respond accordingly to the directions issued by it.
- 3.2. Timescales for delivery of the Integration Authority have been set by the Scottish Government who mandated delivery of the integration of authorities and delegation of functions by the 1st April 2016.
- 3.3. The balance of care and resources has not been shifted sufficiently in the last ten years and the cost of doing nothing is unaffordable. Maintaining the status quo over the next twenty years is estimated nationally, by the Scottish Government, to be £2.5billion which would necessitate annual uplifts of 1.25% and 2.7% to NHS and Local Authority budgets respectively until around 2030.
- 3.4. Additionally the Programme demonstrates strong strategic alignment to Coalition Pledges P12 and P43, Council Outcomes CO10, CO11, CO12, CO13, CO14 and CO15, and Single Outcome Agreement SO2.

4 Governance

- 4.1. The Programme demonstrates strong Governance arrangements currently. It has been agreed that the Leadership Group will wind down during the transition year. It is likely that it will be replaced by an ongoing Stakeholder Group made up of Council and NHS leaders with a remit to ensure ongoing dialogue between the delegating parties.
- 4.2. ***Recommendation: It is recommended that the remit is agreed for the Stakeholder Group prior to the delegation of functions to the IJB.***

5 Business Case

- 5.1. A Strategic Business Case has been prepared and was presented to Finance and Resources Committee on 19 March 2015. The Business Case presented contained all of the key elements a Business Case should have. However the Programme Plan, added as an appendix, had not been updated in the report that went to Committee which made progress with delivery look slower than it actually was. The plan has since been revised to reflect all of the key tasks, owners and delivery dates.
- 5.2. As the Business Case is a living document throughout the Programme delivery the Programme Manager has responsibility for ensuring it is kept up to date and as the recommendation below highlights, should be updated at least at each stage of Programme Delivery.
- 5.3. ***Recommendation: Business Case should be updated at all key stages of the Programme and ideally in conjunction with NHS Lothian. The review team suggest that as a minimum the Business Case should be updated prior to Implementation of the new Governance model, i.e.***

formation of the IJB, at revision of the Strategic Plan and then again just prior to the delegation of functions.

- 5.4. Recommendation: Programme Plan continues to be regularly reviewed to ensure any slippage outwith Programme tolerances can be identified as early as possible and addressed by the appropriate governance body. When a detailed programme plan is presented to stakeholders, the most recent version must always be presented, even when intended as indicative.**

6 Risk Management

- 6.1. Although the review team has no specific recommendations for the Programme in relation to risk management, it is worth noting that due to the complexity of the Programme there are not just risks to delivery of the Programme, there are also risks specific to the different parties involved, i.e. the Council, NHS Lothian and the IJB.
- 6.2. The added complexity is that mitigating actions for some actually exacerbate risks in other quarters, e.g. actions to bring down financial exposure to the Council effectively increase the financial risk to NHS Lothian and/or the IJB or vice versa.
- 6.3. The Programme is in regular contact with the Council Risk team who have sight of this through Departmental and Corporate Risk Registers. The review team do not think this requires any remedial action but should be noted.
- 6.4. The Programme Risk register is colour coded to distinguish where the risk falls and NHS Lothian record their own risks through their own organisational approach.

7 Resource Management

- 7.1. Although there are a number of highly skilled staff delivering the Programme, there is a risk that some key resource, in particular those from NHS Lothian, are not managed on a day to day basis by the Programme. Although this has not had a detrimental effect on the Programme so far it has on occasions increased the amount of time spent reaching agreement that should be noted.
- 7.2.** There are also key dependencies or 'touch points' with other Programmes and Projects that need to be carefully managed, e.g. The Transformation Programme and the work being undertaken by the Citizens and Neighbourhoods and Business Support Services function that the review team feel would benefit from a resource managing these 'touch points' to support Programme Management and to ensure blueprint and phasing development takes account of the role and statutory requirements of the new Integration Authority.
- 7.3.** There are currently significant pressures on both health and social care budgets. The total financial resource available to the Integration Authority will be c£580M. This includes an early estimate of the amounts to be 'set aside' for the Integration Authority which is in the region of £90M.
- 7.4.** As described in 1.6.2 above there is to be a Financial Assurance exercise taken forward in the next couple of months that will provide greater transparency on the budgetary pressures highlighted.
- 7.5. Recommendation: The Programme should consider provision of additional resource to manage 'touch points' with other key Projects and Programmes where dependencies have**

been identified to ensure there is understanding, clarity and input when decisions are made that will impact on the H&SC integration deliverables.

- 7.6. ***Recommendation: The IJB, once formed, should review the activities required through to the 1st April 2016 and put processes in place to ensure the right mix of skills and number of resources are in place particularly in relation to change where there will be a significant requirement to ensure there is a smooth transition to commence work required to deliver integrated services.***

8 Engagement (Stakeholder & Market)

- 8.1. The project has demonstrated good stakeholder management with engagement undertaken with all stakeholders when required. Evidence of this engagement was seen prior to submission of the draft integration scheme to the Scottish Government. Formal consultation took place between January and February 2015 with twenty three responses received, eleven from organisations and twelve from individuals.
- 8.2. Moving forward towards the 1st April 2016 the review team would recommend that engagement is increased to ensure all stakeholders and staff are fully briefed and engaged in the activities between now and next April. This will ensure the transition required to implement the strategic plan and the management of service re-design activities post April 2016 to ensure the best chance of success.
- 8.3. ***Recommendation: The following documentation should be reviewed and if required updated for IJB approval, (i) Stakeholder maps and engagement plans, (ii) Communication plan, (iii) Involvement campaigns, (iv) Training and coaching plans.***

9 Readiness for the next phase

- 9.1. The 'next phase' of this Programme encompasses the time from submission of the draft integration scheme to the Scottish Government through to formation of the IJB, development, consultation and revision of the of the Strategic Plan through to integration of authorities and delegation of functions by 1st April 2016. It excludes the activities post 1st April 2016 whereby the Strategic Plan will be implemented and management of service re-design.
- 9.2. The Programme has a detailed plan of activities, with owners assigned to deliver the above phases but this will need to be ratified once the IJB is formed. Additionally the Programme should review resourcing (as detailed in section 7 above) particularly in the area of change as a significant element of change is required that will need to not only be resourced sufficiently but also managed effectively if the Integration of authorities and delegation of functions is to be successful.
- 9.3. ***Recommendation: Undertake a workshop with key stakeholders within NHS Lothian and the Council to ensure there is a common understanding of activities, timelines, roles and accountabilities to ensure all activities for the Implementation of the Strategic Plan and service re-design are delivered by 1st April 2016.***

Appendix One: Interviewees

Name	Role
Peter Gabbitas	Dir. of Health & Social Care
Cllr Ricky Henderson	Chair, Edinburgh Health & Social Care Partnership
Susanne Harrison	H&SC Integration Programme Manager
Dorothy Hill	Communications & Engagement
Wendy Dale	Strategic Commissioning Manager
Hugh Dunn / Karen Dallas	Finance and Resourcing

Appendix Two: Review Team

Name	Role
Scott Robertson	Lead Reviewer
Susan Joyce, Joanna Hamilton- Rigg	Review team member(s)
Karen Kelly	CPO peer review and sign off

Appendix Three: Priority Recommendations & Suggested Actions

The table below shows priority actions recommended from this review. Project/Programme responses to the actions are recorded in the final version of the report and will be subject to tracking by the Corporate Programmes Office.

Ref.	Theme	Priority Recommendation	Priority (vital/important)	Response / Action Date: Contributors:	Target Date
1	Governance	It is recommended that the remit is agreed for the Stakeholder Group prior to the delegation of functions to the IJB.	Important	<p>This is being addressed by the Chief Executives of NHS Lothian and the Council through the Joint Leadership Group</p> <p>An interim Chief Finance Officer is now in post.</p> <p>Recruitment for the Chief Officer is in progress and an appointment is likely by early October at the soonest.</p> <p>Governance arrangements for older people's service- redesign are also currently being reviewed. This will link into future 'Stakeholder Group' arrangements</p>	1 April 2016
2	Business Case	Business Case should be updated at all key stages of the Programme and ideally in conjunction with NHS Lothian. The review team	Important	The Strategic Plan will, in effect, be the next stage of business case development for the integrated services. It will be available by January 2016. The Draft	31 January 2016

		suggest that as a minimum the Business Case should be updated prior to Implementation of the new Governance model, i.e. formation of the IJB, at revision of the Strategic Plan and then again just prior to the delegation of functions.		<p>Plan will be out for consultation between early August and the end of October 2015</p> <p>It is expected that each of the proposals for major service change will have detailed business cases and that these will be developed during the first year of full operation of the Edinburgh Integration Joint Board.</p> <p>Work has been progressing most recently on the 'Bridging Fund' proposal for services to frail older people. The EIJB will be reviewing proposals at its meeting in September 2015.</p>	<p>31 December 2016</p> <p>31 August 2015</p>
3	Business Case	Programme Plan is regularly reviewed to ensure any slippage outwith Programme tolerances can be identified as early as possible and addressed by the appropriate governance body. When a detailed programme plan is presented to stakeholders, the most recent version must always be presented, even when intended as indicative.	Vital	<p>The Programme Plan is reviewed in detail bi monthly in line with the Council's Status reporting arrangements.</p> <p>A high level update of progress is provided monthly to Council's Finance and Resources Committee.</p>	Ongoing
4	Resources	The Programme should consider provision of additional resource to manage 'touch points' with other key Projects and Programmes where dependencies have been identified to ensure there is understanding, clarity and input when decisions are made that will impact on the	Important	The Scottish Government Transition Fund monies have been used to support programme resources. The Edinburgh Integration Joint Board is to determine the use of monies available for 2015/16	30 September 2015

		H&SC integration deliverables.			
5	Resources	The IJB, once formed, should review the activities required through to the 1 st April 2016 and put processes in place to ensure the right mix of skills and number of resources are in place particularly in relation to change where there will be a significant requirement to ensure there is a smooth transition to commence work required to deliver integrated services.	Vital	The EIJB Development session in October is to focus on financial matters including due diligence/assurance in readiness for delegation of functions	31 October 2015
6	Engagement	The following documentation should be reviewed and if required updated for IJB approval, (i) Stakeholder maps and engagement plans, (ii) Communication plan, (iii) Involvement campaigns,(iv) Training and coaching plans.	Important	<p>The EIJB was updated on the Strategic Plan development on 17 July. This included the approach to development of the Draft Plan and the consultation.</p> <p>The EIJB have requested details of the proposed communication and consultation on the older people's service re-design as outlined in the 'Bridging Fund Paper' and on more general communications matters such as website and branding.</p> <p>The EIJB have requested an update on the integrated Learning and Development Plan. This will be provided as agenda allows.</p>	14 September 2015
7	Readiness for next phase.	Undertake a workshop with key stakeholders within NHS Lothian and the Council to ensure there is a common understanding of activities,	Vital	The Strategic Plan must be written and agreed by 1 April 2016, prior to delegation of functions. The changes	Timescale to be determined

		<p>timelines, roles and accountabilities to ensure all activities for the Implementation of the Strategic Plan and service re-design are delivered by 1st April 2016.</p>		<p>need not be implemented by this time.</p> <p>The reality is that the scale of change is such that the first three year Strategic Plan will address the most important areas of service re-design. This has started with a focus on services for older people as part of the 'Bridging Finance' proposal.</p> <p>The Chief Officer must lead, on behalf of the EIJB, on the implementation of the Strategic Plan</p> <p>A workshop will be considered once the Chief Officer is appointed.</p>	<p>by Strategic Plan 'Implementation Plan' details and Chief Officer</p>
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The table below shows additional suggested actions arising from the review and indication of where help and support might be available to implement these.

Ref.	Theme	Suggested Action	Additional support / resources available
1		None	
2			
3			
4			

5			
...			

Appendix Four: Documents Reviewed

Document
Strategic Business Case
Project Plan
Status Reports
Governance arrangements
Project Board Papers
Financials
Risk register
Issue Log
Comms / Stakeholder Engagement
Other key documents specific to this project

The City of Edinburgh Council **Internal Audit**

Integrated Health and Social Care

Final Report
August 2015

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Although there are a number of specific recommendations included in this report to strengthen internal control, it is management's responsibility to design, implement and maintain an effective control framework, and for the prevention and detection of irregularities and fraud. This is an essential part of the efficient management of the Council. Communication of the issues and weaknesses arising from this audit does not absolve management of this responsibility.

Executive summary

Conclusion

The implementation of the Edinburgh Integration Joint Board (EIJB) is ongoing, with the board being legally established on 27 June 2015 and meeting for the first time on 17 July. After this initial meeting, the EIJB will work with the Council and NHS Lothian (NHSL) to ensure that all agreed functions can be delegated to the EIJB by the statutory deadline of 1 April 2016.

Through this audit, we have identified several areas where there is significant scope for improvement, in particular relating to financial management and governance. Failure to implement improvements to the current structure and governance could result in delays to implementation of the integration scheme and failure to meet the 1 April 2016 transition deadline with an effective EIJB in place.

Summary of Findings

The four areas which were investigated during the audit work can be summarised in the following table:

Control Area	Overall Risk Rating
Governance	High
Risk Management	Low
Project Management	Medium
Finance (includes one 'critical' rated finding)	High

Our detailed findings and recommendations are laid out within Section 3: Detailed Findings.

1. Background and scope

Introduction

The Public Bodies (Joint Working) Scotland Act 2014 was designed to ensure better connected and co-ordinated services for adults through the integration of health and social care services currently provided separately by local authorities and health boards.

The City of Edinburgh Council (CEC) and NHS Lothian (NHSL) will create an Integration Joint Board, the EIJB, to plan for and oversee the provision of adult care within the city. A shadow board was in place at the time of the audit. The new EIJB was established in law on 27 June 2015 and its first meeting took place on 17 July 2015. Functions, services and resources will be fully delegated by 1 April 2016.

The creation of the Integration Joint Board means that a single legal entity will have responsibility for the strategic planning, resourcing and operational oversight of a number of health and social care services. This will require strategies to be in place to ensure that there is an effective relationship between the three bodies, and that any items which require further discussion within either CEC or NHSL can be considered within the appropriate area, whilst still being under the ultimate remit of the EIJB.

In March 2015, the Draft Integration Scheme was submitted to the Scottish Government. It was reviewed and an update made. This update was approved, leading to the establishment in law of the EIJB. This scheme details how the Board intends to operate, covering key areas such as delivery arrangements, clinical care, governance and finance. Prior to 1 April 2016, more detailed governance arrangements will need to be put in place, clearly defining which responsibilities each of the stakeholders will have, as well as how they will work together to support the EIJB and to achieve full integration.

The Scottish Government issued the "Guidance for Integration Financial Assurance" in December 2014. This guidance provides advice for bodies involved in integration on how to use assurance to ensure that Integration can occur successfully. It is recommended that during the integration process, internal audit is used to provide assurance on:

- The plans for financial governance, risk and financial assurance;
- Whether lessons learned from other integration projects have been used;
- The financial provisions to be included in the Integration Scheme; and
- That the financial measures which will be used by officers to assess whether integration has met its objectives have been identified and that there is a process for obtaining data which can be used for base lining.

This review has been completed as a part of the assurance work required for the EIJB, with NHS Lothian performing a similar review in line with their requirements. The scope of the NHS Lothian report specifically did not include finance.

The Corporate Programme Office (CPO) within CEC has performed a Health Check on Health and Social Care (H&SC) Integration to provide guidance and recommend areas of best practice which could be beneficial to CEC at the current stage in the process. We would also note that CEC commissioned KPMG to prepare a report on the achievability of the H&SC budget for 2015/16. As part of phase II of their work, KPMG is working with H&SC to create business cases and plans for a transformational programme to address the opportunities identified in their

earlier report to build on existing work and create a sustainable Adult Social Care service.

Scope

This review was designed to assess the development of Governance, Risk Management and Project Management for the Integrated Board and consider the approach used to allocate finances from the Council to the EIJB. The sub-processes and related control objectives included in this review were agreed within the Terms of Reference (Appendix One).

The approach taken was:

- Obtain an understanding of the processes and controls in place through discussions with key personnel, review of systems documentation and walkthrough tests; and
- Evaluate the design and maturity of the controls and processes in place.

This work was performed using the checklist shown within the Terms of Reference and does not cover clinical governance.

To avoid any overlap with the KPMG report, we have not considered the feasibility of planned savings for 15/16 within the Adult Social Care budget, or the deliverability of this budget.

2. Main Findings

The EIJB draft Integration Scheme was agreed by the Scottish Government following a 12 week approval process in May 2015. This scheme takes into consideration that the EIJB is not planned to be fully operational until 1 April 2016, therefore acknowledging that there are still many considerations to be made and many areas to be worked on prior to implementation, as is the case across Scotland.

Through our testing, we noted a total of 9 control weaknesses. These have been assessed as 1 critical risk, 3 high, 2 medium and 3 low.

The key risks identified can be summarised as follows:

Governance

- There is no Chief Officer or Chief Financial Officer in place, meaning that no officer has overall ownership for the project; and
- There is not clarity around what will replace the current Joint Leadership Group (which is due to stand down), and in what format this group will meet;

Project Management

- There is not yet clarity over how the integrated management structure which is to be put in place will operate, or how this will report to the Chief Officer. In addition to this, there is not yet agreement over how functions that will not be delegated to the EIJB will support it, or how these will be split between the partner bodies

Risk Management

- The EIJB's risk management function and risk appetite have not yet been developed.

Finance

- There is no clarity around whether the funding provided by the partners in the EIJB is aligned with the functions /services they assess as being required;
- As the EIJB has not yet been formed, CEC is meeting the costs that they are incurring in connection with establishing the EIJB. The costs of this are included within the Health and Social Care budget, currently running with a predicted overspend net of current savings planned of £9.5m; and
- Once established, should the EIJB have an overspend, it may request further funding from CEC or the NHS. There is no clarity over CEC's responsibilities in such an event.

3. Detailed findings

Governance	
1.1: An integration Joint Board is in place and attended by all relevant stakeholders	High
<p>Observation and Risk</p> <p>It has been agreed that during the transition year (1 April 2015 to 1 April 2016), once the EIJB is fully established and ready to have functions delegated to it, the leadership group will stand down in its current form. However, there is not yet clarity around what will replace the leadership group, what the format will be and which stakeholders will be included.</p> <p>The CEC Finance and Resources Committee, NHS Lothian and members of the shadow EIJB have supported and approved an outline structure of a future stakeholder group "in principle" however the detailed structure remains to be agreed.</p>	
<p>Recommendation</p> <p>A clear remit for the stakeholder group to replace the current leadership group and how this will interact with the EIJB should be agreed. This should include the composition of the membership, as well as how the reporting structure will operate.</p>	
<p>Management Response</p> <p>The remit of the current Leadership Group is to establish a fully functioning EIJB in readiness for formal delegation of functions to it. It will not be stood down until this work is completed, which will not be before December 2015. Plans are underway to establish relevant groups to function after 1 April 2016.</p> <p>Management Action</p> <p>The role and membership of the replacement joint stakeholder group will be developed by December 2015. Work has started on this in relation to a 'Risk Sharing' stakeholder arrangement. This timeline fits with that for developing and approving the statutory Strategic Plan which is the pre-requisite for the delegation of functions to the EIJB.</p>	
<p>Responsibility:</p> <p>Chief Executives of City of Edinburgh Council and of NHS Lothian</p>	<p>Target date:</p> <p>31 December 2015</p>

1.2: The Board has clear terms of reference and the decision making processes are clear

High

Observation and Risk

There is no Chief Officer (CO) or Chief Finance Officer (CFO) appointed for the EIJB. The previous Joint Director left the Council/NHS in June 2015. The interim arrangements established involve an NHS lead for integration and the Chief Social Work Officer as the Council's SRO. The split interim arrangement mean that there is no single owner with overarching control and responsibility for the project. The split ownership for the project presents a risk that progress is not being made in an organised manner, with the two bodies not acting in concert to achieve the same aims.

A lack of CO and CFO results in a risk that there is insufficient oversight of the EIJB strategic plan and budget as a whole, which is particularly relevant at the current time given the overspend occurring within CEC H&SC budget. There is also no independent adjudicator in any financial disagreements between the NHS and CEC regarding funding.

The most up to date Strategic Business Case is dated 2 March 2015, and is already obsolete. This brought the project to a set position; however did not provide clarity around the future operations of the EIJB in the period up to 1 April 2016. The Statutory Integration Scheme set out the arrangements that must be put in place prior to delegation of functions.

The EIJB's draft strategic plan has been developed in partnership with a wide range of stakeholders. It was approved by the EIJB for public consultation on 17 July 2015 and this consultation launched on 3 August. The final draft plan, taking account of the consultation will be presented to the EIJB in December for approval and in readiness for 1 April 2016. We would expect the EIJB's CO and CFO to play a significant role in co-ordinating and formalising this process.

Recommendation

A Chief Officer and a Chief Financial Officer should be appointed as soon as possible to ensure that there is clear ownership of the project and the budget for the integrated services.

The relevant remits and documents demonstrating the aims of the EIJB in the coming periods should be written and used during the period to 1 April 2016.

Management Response

A recruitment process for the Chief Officer has started and a recruitment agency appointed. Options for an interim CFO are being considered by the CEC Head of Finance and NHS Lothian Director of Finance.

The split responsibility in the interim arrangements will be managed though the Joint Leadership Group, the associated Chief Officer Group and the Unscheduled Care Group which both interim lead officers will attend.

Strategic Business Cases are, by their very nature, a snap shot in time. The statutory Integration Scheme identified a range of additional arrangements, such as EIJB role, governance, performance and risk arrangements within the EIJB. This was consulted on in February and the final version published following approval by Scottish Government in May.

The statutory Strategic Plan will provide more detail on the strategic direction, blueprint and financial allocations across the delegated functions. This is currently in development in line with statutory requirements (started in December 2014) with the input of the EIJB. A draft was considered by the EIJB at its first meeting.

Implementation plan(s) will be devised to reflect the Strategic Plan which will include resourcing and milestones. Detailed business cases will be required by the EIJB for specific major service re-design proposals to justify any movements of resources across functions.

Management Action

1. Appoint CO and CFO
2. Implement content of Integration Scheme
3. Complete Strategic Plan
4. Develop business cases for implementation of relevant areas of Strategic Plan, including any changes to financial spend
5. Appoint interim CFO

Responsibility:

1. Chief Executives of City of Edinburgh Council, NHS Lothian and Chair of EIJB.
2. Strategic Plan – Strategic Planning Manager
3. Implementation Plan – EIJB Chief Officer
4. Detailed Business Cases – relevant SROs for the service re-design.
5. Head Finance of City of Edinburgh Council and NHS Lothian Director of Finance.

Target date:

1. 31 December 2015
2. 31 December 2015
3. 30 April 2016
4. During 2015/16 as advised by IJB
5. 31 August 15

1.3: The Board is receiving sufficient information to take informed decisions	Low
<p>Observation and Risk</p> <p>There is a set deadline within the Integration Scheme of 1 April 2016 for the EIJB to be fully formed. Although this does not include the strategic plan being implemented, nor the full re-design of service activities, specific items as disclosed within the scheme must be agreed by this date such as an approved Strategic Plan and financial assurance over the scheme.</p> <p>The intention is that by 1 April, there will be a high level plan which will assist in agreeing the detail of how functions will be delegated, and how the Board will operate effectively, with the detail of this being agreed in the period after 1 April 2016. There is therefore a risk that the high level plan will not be in place by 1 April, or there will not be an effective plan due to this set deadline. This could then lead to inefficiencies, budgets to be stretched and staff to be performing work for which there are not yet sufficient resources in place.</p> <p>Management within the Shadow Health and Social Care Partnership (the Shadow EIJB) receive information regarding progress of the project via reports made by the CEC programme team using information from the Work Programme. This demonstrates the key tasks which must be completed, as well as the lead CEC and NHS officer for each and the progress of each against its assigned deadline. This ensures that the decisions which are made are informed. Therefore, the risk identified is not relating to the reliability of the data, but around the requirement for key deadlines to be agreed and met.</p>	
<p>Recommendation</p> <p>The EIJB should agree fixed deadlines for key decisions to be made, and both partners should confirm that an outcome must be agreed by this point, to allow delegation to occur on 1 April 2016.</p> <p>A detailed service redesign implementation plan should be prepared.</p>	
<p>Management Response</p> <p>The Integration Scheme identified all the major matters to be implemented prior to delegation of functions. A joint project plan is in place to deliver these actions. The Strategic Plan is the mechanism by which service redesign can occur.</p> <p>Management Action</p> <p>Monitor and maintain project plan</p> <p>Develop Strategic Plan</p>	

Responsibility:	Target date:
SRO and Programme Manager	Ongoing
SRO and Strategic planning Manager	31 December 2015

Risk Management	
2.1: A risk process has been developed to monitor and assess risk facing the board	Low
<p>There is a risk register in place which is used by the programme management to assess the risks within the project, and to understand which controls are in place to mitigate these risks. The EIJB was established in law on 27 June and therefore a risk appetite for the EIJB has yet to be determined.</p> <p>Deep dive investigations are performed in relation to Health and Social Care Integration and are reported to the shadow board.</p> <p>The risk process is been developed in line with CEC risk management methodology, and through discussion between the programme teams at CEC, the NHS and involving the current shadow board.</p> <p>The first draft of the risk management strategy, including proposals for addressing the risk appetite, for the EIJB will be reported to the first EIJB meeting in July 2015.</p>	
<p>Recommendation</p> <p>The EIJB should continue to develop its risk function as the shape of the strategic plan becomes clearer. The EIJB should also seek to establish its risk appetite to assist the continued development of its risk function.</p>	
<p>Management Response</p> <p>Agree with recommendations</p> <p>Management Action</p> <p>To support the EIJB to develop its Risk Strategy and risk appetite.</p>	
<p>Responsibility:</p> <p>Director of Strategic Planning NHS Lothian</p> <p>Director of Social Care</p>	<p>Target date:</p> <p>1 April 2016</p>

2.2: The risk process is embedded into the day to day activities of the Board	No issues noted
<p>We identified no significant issues in relation to this control objective.</p> <p>The risk process has been developed in line with CEC Risk Management guidance and by staff who have experience in developing risk strategies and documentation.</p> <p>Risk is reported on a regular basis within the updates to the Finance and Resources Committee, as well as the Shadow Health and Social Care Partnership. Any significant matters are reported to CEC as required.</p>	

Project Management	
3.1: The project plan is broken down into appropriate work streams and contains relevant milestones.	Medium
<p>Observation and Risk</p> <p>Although responsible officers have been assigned from both NHS Lothian and CEC for several processes, it is not clear how, in the final EIJB, functions will be split between the two parties. This includes, but is not limited to, how the EIJB will use the skills and resources of both partners effectively, and meet the demands for Health and Social care appropriately.</p> <p>Staff who support the Integration Joint Board are employed by CEC or NHS Lothian independently, and this will continue to be the case following delegation. There is therefore a risk that there will be difficulty in managing resources jointly, for example it may take longer to agree changes in working times or structures, as these will have to go through both bodies. In addition, when forming the board it may take longer to make key decisions as some members of the management structure will not be directly employed by the EIJB, and must contact their home organisation prior to making key decisions.</p> <p>An integrated management structure has not yet been agreed, which may take a significant amount of time to implement once the structure has been agreed.</p> <p>Functions which are not delegated, for example business support roles, will be managed separately by CEC and NHSL. The operation of these functions will need to be agreed by both bodies, and the two must work co-operatively to agree how best to support the IJB. This will be made more difficult by the changes in management as internal secondments finish, and as the new management structure begins, therefore potentially losing continuity between the pre and post delegation management structures. .</p>	
<p>Recommendation</p> <p>NHS Lothian and CEC will need to work together to ensure that the staff being recruited have the right mix of skills and the correct number of people with these skills are being recruited. A formal programme should be set up which assesses the staffing levels and manages them on an EIJB level, rather than separately by the two organisations. This will ensure that the appropriate staff are employed and used in the right places, whilst ensuring that the operations of the two partners as separate entities does not suffer.</p>	
<p>Management Response</p> <p>The Integration Scheme outlines the proposals for determining Business Support Services, including programme/project management. An initial meeting took place with NHS Lothian colleagues in June to consider a joint approach. NHS Lothian Directors of business support functions are to lead on a Lothian approach and to engage with councils.</p> <p>A series of focus groups is planned during summer 2015 with business support colleagues in the Council to discuss options for supporting the EIJB. This work will be undertaken with the</p>	

Project Manager responsible for the Council Business Support Project within the CEC Transformation programme.

Proposals from this will impact on the management structure under the EIJB Chief Officer. This structure is currently in development for the integrated functions.

Service level agreements will be required for any services provided out with this organisational structure

Management Action

1. Undertake Focus groups for EIJB business support services and establish options
2. Implement integrated organisational management structure
3. Establish SLAs for business support outwith organisational management structure

Responsibility:

1. Integration Programme Manager and BSS Project Manager
2. EIJB Chief Officer
3. EIJB Chief Officer

Target date:

1. 30 October 2015(or as defined by Council BSS Programme)
2. 30 April 2016
3. 1 April 2016

3.2: The Board receives regular updates as to progress against the project plan/milestones	No issues noted
<p>We identified no significant issues in relation to this control objective.</p> <p>The Shadow Board and Council's Finance and Resources Committee receive reports from the CEC programme team using information which is filtered from management into the Work Programme. In addition, specific risks as well as any known delays in implementation of the project are discussed and reported. This includes progress against milestones and key project objectives.</p>	

Finance	
4.1: There is clarity over the services which the Board will be responsible for and that the proposed CEC budget transfer is aligned to those services	Medium
<p>Observation and Risk</p> <p>The cost of services and how they will be allocated between CEC and NHS Lothian after the EIJB takes over responsibility for services has not yet been agreed. Therefore, the budget contribution which has been designated for the EIJB by CEC cannot be assessed to understand whether it is aligned to the services for which CEC will be responsible, or whether the funding is in line with what the EIJB considers will be required to provide an appropriate level of service provision.</p> <p>CEC is in the process of putting detailed mapping in place (on the basis of a number of assumptions) as part of the preparation work for the Strategic Commissioning Plan, but this is currently being undertaken in isolation. We note that the Strategic Planning Group does include members from NHS Lothian, however the mapping is being undertaken by CEC.</p> <p>Although the Integration Scheme states that both parties will “work together in the spirit of openness and transparency” in relation to finances, both are experiencing significant financial pressures, adding to the risk of insufficient funds being available for effective operation of the EIJB based on services assessed as being required..</p>	
<p>Recommendation</p> <p>The EIJB needs to complete the Strategic Commissioning Plan and identify the budget they believe is required to fulfil their remit.</p> <p>The alignment of services with this plan should be clearly documented and a responsible party for each service agreed.</p>	
<p>Management Response</p> <p>Agree with recommendations.</p> <p>Management Action</p> <p>KPMG has been commissioned to support H&SC to prepare a transformational programme for adult social care services to address current budget pressures. A due diligence process will also be undertaken for the 2016/17 budget.</p>	
Responsibility:	Target date
Head of Finance	31 March 2016

Finance	
4.2.1 : The CEC Budgeting process incorporates input from operational staff, incorporates appropriate assumptions for demographic change and is subject to robust challenge	Critical
<p>Observation and Risk</p> <p>The CEC budget has been determined in line with CEC’s normal processes and procedures. This involves consideration of demographic and cost trends, consulting with stakeholders from throughout the business to form the initial budget, escalating it to Committees as appropriate and seeking approval from the Finance and Resources Committee. This budget has been prepared whilst being mindful of other cost pressures within the council.</p> <p>There remain significant pressures on Adult Social Care. The funding gap net of £14m planned saving, is currently predicted to be £6m for 15/16.</p> <p>As the EIJB has not yet been formed, any overspends on service delivery incurred before 1 April 2016 will fall to the party who incurs them. Therefore any overspend for 15/16 will have to be funded by CEC through reducing pressures and delivering mitigating actions as discussed at Committee level.</p> <p>The KPMG report, which provides a financial assessment of Adult Services, has considered these expected savings. Using a risk rating over expected savings, the net funding gap is predicted to be £9.4m – an additional £3.4 million above the gap predicted by the Council. We believe that risk remains in the savings that KPMG expect to be delivered and consider that an inferior outcome on these savings remains possible.</p> <p>The likely overall cost position for 2015/16 remains dynamic and management is continuing to seek additional savings.</p>	
<p>Recommendation</p> <p>Management should continue to monitor the current Adult Health & Social care spend closely, track progress on identified savings, seek further savings and escalate accordingly as the year progresses.</p>	
<p>Management Response</p> <p>Agree with recommendations.</p>	
<p>Management Action</p> <p>Monthly financial monitoring is being undertaken along with trend data on key cost drivers e.g. care at home hours, number of residential places.</p> <p>The Corporate Leadership Group (CLG) is considering activities that can be taken to mitigate the financial impact on the Council of this predicted overspend. These will be considered by</p>	

F&R Committee which will examine how this overspend is being managed.

Responsibility: Head of Finance

Target date: 30 September 2015

Finance	
4.2.2: The CEC Budgeting process incorporates input from operational staff, incorporates appropriate assumptions for demographic change and is subject to robust challenge	Low
<p>Observation and Risk</p> <p>The current level expenditure incurred by CEC to introduce the integration scheme is not transparent. This relates to the costs to establish the EIJB, as well as the full costs of implementing a re-designed service and associated support costs which will be required as implementation occurs. Costs are spread across a number of budget heads within Adult Health and Social Care. Therefore, overruns specifically relating to the costs of integration cannot easily be identified.</p>	
<p>Recommendation</p> <p>Action should be taken to identify the cost of the integration process to date, and how much this varies from the integration budget set aside by CEC. The costs of the integration process should then be monitored going forward.</p>	
<p>Management Response</p> <p>The cost of this transition is within existing budgets and is in the main, being undertaken by existing staff who have been budgeted for within the Health & Social Care budget.</p> <p>A fixed sum has been provided by Scottish Government for transitional costs which is substantially less than that requested. A protocol between the organisations will be put in place for the draw down of agreed expenditure against transition funding provided.</p> <p>As a consequence, management do not consider that it is cost effective to prepare detailed management accounts for this spend as it will have no impact on the level of funds received from the Scottish government.</p> <p>Management Action</p> <p>Establish protocol for draw down of transition funding.</p>	
<p>Responsibility:</p> <p>Head of Finance</p>	<p>Target date:</p> <p>31 December 2015</p>

<p>4.3: The mechanisms for addressing any overspend by the Board are understood.</p>	<p>High</p>
<p>Observation and Risk</p> <p>The process for addressing and reducing any overspend is as follows:</p> <ul style="list-style-type: none"> - The Chief Officer of the EIJB has to take action to prevent the overspend or minimise its effects - Failing this, the Chief Financial Officer develops a recovery plan involving generating savings and moving resources. This plan is then presented to the EIJB for approval. - If this does not reduce the overspend, then the two contributing parties (CEC and NHS Lothian) can be asked to provide further funding to the EIJB, either as a one-off payment or as a loan. <p>Therefore, a reduction in overspend relies upon savings being agreed between the EIJB, NHS and CEC. If this fails, then the EIJB may request that CEC and the NHS provide more funding.</p> <p>Due to the cost pressures facing all public sector bodies, and known difficulties in budgeting in Adult Health and Social care, there is a strong possibility that the EIJB will seek additional funding from CEC. It is not clear what the process is if this occurs, and what CEC's ultimate responsibilities are regarding any additional funding requests.</p>	
<p>Recommendation</p> <p>It should be clarified and agreed exactly how any overspend will be managed, what the mechanism is for the EIJB to seek additional funding, and what CEC's responsibility is in this circumstance.</p>	
<p>Management Response</p> <p>Accepted that further clarification on this issue is required, however, the key task is to develop robust budgets for 2016/17.</p> <p>Management Action</p> <p>Further due diligence will be undertaken as part of the 2016/17 budget process which will assist in discussion re responsibility of overspends between parties.</p>	
<p>Responsibility:</p> <p>EIJB Chief Officer</p>	<p>Target date:</p> <p>28 February 2016</p>

Appendix 1 – Basis of our classifications

Management Action Ratings

Finding rating	Assessment rationale
Critical	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Critical impact on operational performance; or • Critical monetary or financial statement impact; or • Critical breach in laws and regulations that could result in material fines or consequences; or • Critical impact on the reputation or brand of the organisation which could threaten its future viability.
High	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Significant impact on operational performance; or • Significant monetary or financial statement impact; or • Significant breach in laws and regulations resulting in significant fines and consequences; or • Significant impact on the reputation or brand of the organisation.
Medium	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Moderate impact on operational performance; or • Moderate monetary or financial statement impact; or • Moderate breach in laws and regulations resulting in fines and consequences; or • Moderate impact on the reputation or brand of the organisation.
Low	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Minor impact on the organisation's operational performance ; or • Minor monetary or financial statement impact; or • Minor breach in laws and regulations with limited consequences; or • Minor impact on the reputation of the organisation.
Advisory	<p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>

Appendix 2 – Terms of Reference

Integration of Health & Social Care

Terms of Reference – Budgeting process

To: Hugh Dunn
Head of Finance

From: Magnus Aitken
Chief Internal Auditor

Date: 8 June 2015

Cc:

This review is being undertaken as part of the 2015/16 internal audit plan approved by the Governance, Risk and Best Value Committee in March 2015.

Background

The Public Bodies (Joint Working) Scotland Act 2014 aims to provide better connected and co-ordinated services for adults through the integration of health and social care services currently provided by local authorities and health boards.

The City of Edinburgh Council (CEC) and NHS Lothian (NHSL) will create an Integrated Board to over-see adult care provision. A shadow board has been created with a go live date for the Integrated Board by 1 April 2016.

The creation of the Integrated Board will result in the share of responsibility for the operational provision of a number of services between CEC, NHSL and the Integrated Board.

Scope

The scope of this review will be to assess the development of Governance, Risk Management, and Project Management for the Integrated Board and consider the approach used to allocate finances from the Council to the Integrated Board. The sub-processes and related control objectives included in the review are:

Sub-process	Control Objectives
Governance	1.1 An Integrated Board is in place and attended by all relevant stakeholders; 1.2 The Board has clear terms of reference and the decision making processes are clear; and 1.3 The Board is receiving sufficient information to take informed decisions.
Risk management	2.1 A risk process has been developed to monitor and assess risk facing the Board; and

	2.2 The risk process is embedded into the day to day activities of the Board
Project management	3.1 The project plan is broken down into appropriate work streams and contains relevant milestones; and 3.2 The Board receives regular updates as to progress against the project plan/milestones.
Finance	4.1 There is clarity over the services which will the Board will be responsible for and that the proposed CEC budget transfer us aligned to those services; 4.2 The CEC Budgeting process incorporates input from operational staff, incorporates appropriate assumptions for demographic change and is subject to robust challenge; and 4.3 The mechanisms for addressing any overspend by the Board are understood.

Approach & limitations of scope

Our audit approach will be as follows:

- Obtain an understanding of the processes and control in place through discussions with key personnel, review of systems documentation and walkthrough tests; and
- Evaluate the design and maturity of the controls & processes in place.

We have set out in Appendix 1 the checklist we intend to use to establish the maturity of the processes and controls in place during the review process.

We are aware of the KPMG review of the CEC Adult Social Care budgets for 2014/15 and 2015/16. As part of this review KPMG are considering the deliverability of the 2015/16 Adult Social Care budget and the feasibility of the planned savings. To avoid an overlap with this review, we will not consider these areas.

NHS Lothian

The Internal Audit Function of NHSL are conducting a similar review with a similar scope. CEC Internal Audit will co-operate with NHSL IA to attempt to ensure that the scopes of the two reviews align. It is anticipated that the results of the NHSL IA review will be made available to the shadow board members in due course.

Internal Audit Team

Name	Role	Contact Details
Magnus Aitken	Chief Internal Auditor	0131 469 3143
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Key Contacts

Name	Title	Role	Contact Details
Hugh Dunn	Head of Finance	Review Sponsor	0131 4693150
Susanne Harrison	Integration Programme Manager	Key contact	0131 469 3982
Karen Dallas	Principal Accountant – Health & Social Care	Key contact	0131 529 7937

Appendix 1:

Governance	
1.	Is there a Project Board or similar senior decision making body, attended by all relevant stakeholders, in place and maintaining a high level monitoring role over the project and ensuring that decisions made regarding the project are adequately considered?
2.	Are roles and responsibilities clearly articulated and understood including: <ul style="list-style-type: none"> • terms of reference, role descriptions and delegated authorities? • clear identification of the management structure and decision making process within the project, including who is acting as project manager? • a process for the escalation of issues to the appropriate forum, where decisions will be made on the action (s) required to address them?
3.	Is the Project Board receiving regular information/evidence that the project and key actions are 'under control' and risks are being managed in terms of delivery on time, within budget and the expected outcomes originally intended?
4.	Is there a realistic and sufficiently detailed project plan to ensure that tasks, relevant officers' responsibilities and timescales for actions and decision making points are clear and subject to regular review/monitoring?
5.	Are there clear governance arrangements in place to ensure that when project issue cross organisational boundaries there are arrangements in place to ensure sustainable alignment with the corporate objectives and management arrangements of all organisations involved?
6.	Is there a requirement for on-going independent review and challenge of the project, to provide assurance that the project continues to be effective and if so, have any such arrangements been defined and approved?
Risk Management	
7.	Has a risk register been developed, which assesses the likelihood and impact and the resultant relative importance of individual risks, and are the results used to inform the management of project risks and reported to the Project Board?
8.	Are the project's risk processes consistent with, and informed by, CEC's and NHSL's risk management frameworks?
9.	Is the project's risk management framework embedded within the day-to-day project processes, such as constraints, assumptions, risks, dependencies?
10.	Has the Project Board established tolerances for cost, time and quality for the project and put in place agreed clear escalation levels should the level of risk be outside agreed limits?
Project Management	
11.	Is there a project plan broken down into manageable work streams and relevant project milestones which are meaningful to the Project Board to allow accurate and frequent tracking of progress on the project and maximise visibility of critical path activities and any inter-dependencies?

12.	Does the Project Board regularly receive an analysis of progress against plan/key milestones and/or the effects of any slippage in time, cost, scope or quality?
13.	Has the Project Team developed a resource plan for the duration of the project, in order to inform the Project Board on future and on-going resource requirements?
14.	Does the Project Team have sufficient allocated resources and the necessary skills and/or access to relevant specialist expertise to achieve the project objectives successfully?
15.	Is there regular reporting of performance, against pre-defined criteria on cost, time and quality and project milestones to the Project Board and to other key stakeholders (e.g. CEC and NHSL) which clearly highlights the key issues affecting the project at the time of reporting?
Finance	
16	The allocation of services to The Project Board is clear and the proposed budget allocation made by CEC accurately reflects the budgets for the services that the Project Board will administer.
17	The CEC budgets for Adult Social Care incorporate the input of operational staff, follow the CEC standard methodology and are subject to a robust review process.
18	Significant assumptions within the CEC budgets for Adult Social Care (including allowances for demographic change) and deviations from previous experience should be identifiable and understood.
19	The mechanisms for addressing and allocating any over spend by the Integrated Board are understood.
20	There are sufficient monitoring processes in place to ensure that any potential overspend by the Integrated Board which would have an impact on CEC is detected timeously.