

Subject: Appointment of the Chief Financial and Transformation Officer

Purpose: To appoint a Chief Finance and Transformation Officer.

Recommendation: The Integration Joint Board agrees:

1. that it is now necessary to put in place a dedicated full-time Chief Finance and Transformation Officer for the Integration Joint Board (IJB);
 2. that this post will have responsibility for strategic financial planning and management of all services delegated to the IJB (with accountability to the Council, Health Board and IJB), strategic transformation and to lead in terms of section 95 of the Local Government (Scotland) Act 1973
 3. that pending the appointment of a permanent Chief Finance Officer that the current interim Head of Finance for the HSCP Council services be appointed as interim Chief Finance and Transformation Officer of the Integration Joint Board (IJB), and; to recommend to North Ayrshire Council and NHS Ayrshire and Arran that the additional costs of the post are met jointly by them.
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1. INTRODUCTION

- 1.1 This report seeks agreement to appoint a full-time Chief Finance and Transformation Officer to have responsibility for strategic and operational finance and transformation. As all Council and NHS decision making has been delegated to the IJB, including strategic, operational, and transformational duties, the IJB requires to receive financial advice on the totality of these duties. Otherwise the IJB is unable to adopt an integrated approach to finance and transformation. Accordingly the role covers finance and transformation functions relating to the delivery of services and their transformation, as well as strategic finance functions. This means that while the post will hold the role of section 95 officer in terms of the Local Government (Scotland) Act 1973, it will also have accountability to the Council and Health Board.

2. PROPOSALS

- 2.1 Section 13 of the Public Bodies (Joint Working) (Scotland) Act 2014 applies part 7 of the Local Government (Scotland) Act 1973 Act, including section 95. Section 95 states that the IJB "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." Accordingly the IJB is required to appoint a Chief Finance Officer.
- 2.2 The IJB's previous Chief Finance Officer held joint posts as the IJB's Chief Finance Officer and North Ayrshire Council's Head of Finance. This officer resigned from these posts in December 2017 to take up a dedicated Head of Finance with another HSCP in Scotland. Accordingly the IJB is required to appoint a new Chief Finance Officer with some speed to ensure that the IJB is kept informed of all national developments and appropriate correspondence and information is made available to the IJB. This is particularly urgent as Scottish Government starts to outline the 2018/19 Scottish Budget.
- 2.3 The Chief Finance Officer is the Accountable Officer for financial management and administration of the IJB. Their responsibilities include assuring probity and sound corporate governance and responsibility for achieving Best Value. They are accountable to the IJB for the planning, development and delivery of the IJB's financial strategy; are responsible for the provision of strategic financial advice and support to the IJB and its Chief Officer, and for the financial administration and financial governance of the Integration Joint Board.
- 2.4 It is important to recognise that the role of the Chief Finance Officer is to give financial advice and support to the IJB on the totality of the functions it delivers. The level of such support will vary from one IJB to another, depending on the duties delegated to the particular IJB. The Public Bodies etc. (Scotland) Act 2014 sets out minimum functions which must be delegated to an IJB. However the Integration Scheme for North Ayrshire IJB, by maximising delegation to the IJB, sought to pursue a truly integrated approach to health and social care. In addition to exercising strategic functions, the IJB exercises all Council and NHS decision making functions in relation to delegated functions. These include decisions about service delivery and the transformation of services required to deliver an integrated service within budget. The IJB requires sound and independent financial advice on all these functions, not just strategic finance. Otherwise an integrated approach will not be possible.
- 2.5 In governance terms it is also important to recognise that section 95 of the 1973 Act has two separate duties. Firstly, the IJB is required to make arrangements for the proper administration of its financial affairs. Secondly, it is required to appoint a Chief Finance Officer who has responsibility for those affairs. This means that the Chief Finance Officer has to be appointed on a basis which ensures they are able to properly administer the Board's financial affairs. Key to this is transformation, both in terms of further integration of services, and in addressing the increasing financial challenges facing the IJB. The degree of ongoing financial challenge can be seen from the table in Appendix 1 which summarises key financial information for the HSCP since 2014/15.

2.6 Previous Chief Finance Officers were appointed on a part-time basis. When the Partnership was formally established the anticipated governance was that the IJB CFO would only provide strategic financial advice to the IJB and that the budgets when devolved back to the Council and Health Board would become the responsibility of the Council or Health Board. This is not how it works in practice with the previous post holder being a full member of the HSCP Senior Management Team, taking a lead role in all strategic and operational financial matters, including development of the Strategic Plan, the Medium term Financial Plan, Challenge Fund initiatives and significant support to enable the HSCP to move towards financial balance. It is difficult to see how any other arrangement could properly advise the IJB on the totality of its functions, let alone deliver an integrated approach to financial planning and management.

2.7 Following the resignation of the previous Chief Finance officer, the opportunity was taken to reassess the level of strategic financial advice provided to both the Council and the IJB/HSCP. A number of factors are relevant:-

- Firstly, the fact that both North Ayrshire Council and NHS Ayrshire and Arran have chosen to delegate all Council Social Work functions and non-acute NHS functions to the IJB means that the remit of the role is far wider than might have been the case had the minimum required duties been delegated.
- Secondly, it is evident that there are significant financial challenges facing the IJB, driven by increasing demand and ongoing reductions in public sector funding. Of particular note are:
 - The IJB has a revenue budget in excess of £200m.
 - An increased risk to the financial stability of both the Council and Health Board as a result of the financial challenge;
 - The deficit of £3.2m that the Partnership carried forward from 2016/17;
 - The projected overspend in 2017/18 of £5.315m (as at period 8), elements of which, similar to previous years, relate to the inability to deliver approved savings;
 - The difficulty the HSCP / IJB is experiencing in identifying opportunities to support financial sustainability;
 - Increasing demand pressures;
 - Requirement for an increased pace and scale of transformation, supporting delivery of agreed savings, Challenge Fund initiatives and ultimately financial sustainability.
- Thirdly, the extent to which there needs to be sound financial advice supporting transformation has become increasingly clear. The only way of meeting the financial challenge is through effective transformation. This requires sound financial advice, both to those undertaking transformation and to the IJB when making decisions. This needs to cover not only strategic but operational transformation. Otherwise there will not be a joined-up approach to transformation.

- Finally, the limited strategic financial support within the North Ayrshire HSCP and the other two Ayrshire Partnerships is unique, with most other Partnerships having a dedicated post for strategic financial advice, supporting both the Director of the HSCP and the IJB.

For all of these reasons it is now evident that the post requires to be a full time one if the IJB is to comply with its section 95 duty to “to make arrangements for the proper administration of its financial affairs”. It is no longer sustainable for the role to be an add-on to another busy post.

- 2.8 It is proposed that the post would also take the lead on transformation. Effective transformation is key to successful integration for a number of reasons. The underlying rationale for integration was to enable the health and social care sector to operate in an integrated manner, with shared priorities and budget allocation focussed on such priorities. As well as delivering a more integrated and customer-focussed service, this should also help to relieve pressure on the Acute sector and deliver efficiencies. The fact that demand is steadily increasing while resources decrease means that transformation is essential if services are to be sustainable. Transformation is an integral part of the role of the Chief Finance and Transformation Officer in terms of providing robust financial support for transformation and in quantifying the costs and savings delivered. Having regard to the increasing importance of effective transformation, and its impact on the work of the Chief Finance Officer it makes sense to include the transformation function within the remit of this senior post.
- 2.9 The cost of appointing this post on a full time basis is £104,569, based on Council grading scales. Given the current financial situation of the IJB it is recommended that this additional funding is sought from North Ayrshire Council and NHS Ayrshire and Arran. The Council has already agreed to fund an interim Head of Finance to support the HSCP in respect of Services delegated back to the Council.
- 2.10 If agreed, it is intended to advertise the full-time permanent Chief Finance and Transformation Officer Post as soon as possible. In the meantime, to avoid the risks inherent in the IJB operating without proper financial advice, it is essential to ensure the IJB has an interim Chief Finance Officer. As identified in paragraph 2.8, pending agreement on the level of strategic support required by the IJB / HSCP, North Ayrshire Council's Cabinet, at its meeting on 14 November 2017, agreed that appropriate strategic financial support be put in place as soon as possible. An interim Head of Finance, with a focus on the social care element of the HSCP, was therefore appointed on 11 December. It is recommended that this interim Head of Finance, is appointed on a full-time, interim basis as the IJB's Chief Finance and Transformation Officer, pending recruitment of a permanent full time Chief Finance and Transformation Officer to support the Partnership develop and deliver its significant transformation programme, key to securing financial sustainability.

3 PROPOSALS

- 3.1 It is recommended that the Integration Joint Board agrees:

1. that it is now necessary to put in place a dedicated full-time Chief Finance and Transformation Officer for the Integration Joint Board (IJB);
2. that this post will have responsibility for strategic financial planning and management of all services delegated to the IJB (with accountability to the Council, Health Board and IJB), strategic transformation and to lead in terms of section 95 of the Local Government (Scotland) Act 1973;

3. that pending the appointment of a permanent Chief Finance and Transformation Officer the current interim Head of Finance for the HSCP Council services be appointed as interim Chief Finance and Transformation Officer of the Integration Joint Board (IJB), and;
4. to recommend to North Ayrshire Council and NHS Ayrshire and Arran that the costs of the post are met jointly by them'

4 IMPLICATIONS

Financial :	The IJB requires to make arrangements for the proper administration of their financial affairs and ensure that a proper officer of the authority has responsibility for the administration of those affairs. Audit Scotland have been critical of IJBs who have failed or delayed to appoint a Chief Finance Officer. It is now evident that this role requires a full- time appointment. The additional annual cost of this is £104,569. Given the current IJB overspend it is recommended that this be met by North Ayrshire Council and NHS Ayrshire and Arran.
Human Resources :	It is intended to advertise the full-time permanent Chief Finance Officer post. In the interim, given the need to ensure proper and independent financial advice for the IJB, the Council have secured the services of a full-time, interim post.
Legal :	The IJB require to appoint a Chief Finance Officer under section 95 of the 1973 Act. This report recommends that a full- time post is necessary in order to comply with the duty to "make arrangements for the proper administration of their financial affairs".
Equality :	There are no significant equality implications of this report. The appointment of a Chief Finance Officer ensures that the duties set out in 2.4 are complied with. In turn, these benefit children and young persons through the provision of Best Value services.
Environmental & Sustainability :	There are no implications.
Key Priorities :	Proper financial support for the IJB underlies all of its strategic priorities.
Community Benefits :	There are no community benefits.

5. CONCLUSION

- 5.1 There has been consultation with the Chief Executives and Chief Finance Officers of NHS Ayrshire and Arran and North Ayrshire Council, and the IJB Chair.

A handwritten signature in black ink that reads "Elma Murray". The script is cursive and fluid.

Elma Murray OBE
Chief Executive