Appendix 1

Financial Governance Arrangements and Decision-Making in the Context of System-Wide Financial Deficits

Purpose

To provide the Integration Joint Board (IJB) with an assessment of the governance implications arising from the current financial position, where both partner organisations are managing significant financial challenges, and to seek agreement on the governance approach required to support lawful, transparent and sustainable decision-making.

Executive Summary

The IJB's financial position must be considered within a wider system context in which both NHS Dumfries and Galloway and Dumfries and Galloway Council are experiencing significant financial pressures.

The IJB remains responsible for the strategic planning, allocation and governance of delegated resources; however, it does not possess independent funding powers and remains dependent upon contributions from its partner bodies through the Integration Scheme.

IJB members therefore requires clarity regarding how financial decisions should be taken where recurring expenditure exceeds available resources and where partner organisations may have limited capacity to provide additional financial support.

This paper presents a number of governance options for consideration.

Background

The Public Bodies (Joint Working) (Scotland) Act 2014 established the IJB as the strategic decision-making body for delegated health and social care functions. The IJB is responsible for:

- Preparing and delivering the Strategic Plan.
- Allocating delegated resources.
- Issuing Directions to partner organisations.
- Monitoring delivery, performance and outcomes.
- Ensuring effective governance and stewardship of public funds.

The current financial environment presents a significant challenge nationally. Audit Scotland has reported that Integration Joint Boards are facing increasing financial

pressures, reducing reserve balances and widening funding gaps, whilst NHS Boards and Councils are simultaneously experiencing severe financial constraints.

Governance Considerations

The IJB must ensure that:

1. Decisions are affordable and evidence-based – Directions play a key part in this.
2. Statutory duties continue to be met.
3. Risks are explicitly identified and managed.
4. The consequences of financial decisions are transparent.
5. Partner organisations are clear regarding their respective responsibilities.

Failure to address financial sustainability creates risks relating to:

- Service continuity.
- Delivery of Strategic Plan priorities.
- Statutory performance duties.
- Financial sustainability.
- Organisational and reputational risk.

Governance Options

Option 1 - Continue Current Arrangements

Description

Continue existing financial governance arrangements, with the IJB receiving financial monitoring reports and relying on partners to manage operational financial recovery actions.

Advantages

- No governance change required.
- Consistent with existing reporting arrangements.
- Minimal resource implications.

Disadvantages

- Limited visibility of delivery against recovery plans.
- Risk that savings programmes are insufficiently coordinated.
- Potential lack of assurance regarding achievement of recurrent savings.

Risk Assessment

High risk of delayed decision-making and inadequate strategic oversight.

Option 2 - Enhanced Financial Recovery Governance

Description

Establish a formal Financial Recovery Framework reporting directly to the IJB through the Strategic Planning and Commissioning arrangements and Audit Committee.

The framework would include:

- Monthly recovery reporting.
- Agreed savings tracker.
- Escalation thresholds.
- System-wide risk register.
- Benefits realisation reporting.
- Formal assurance from partner organisations.

Advantages

- Strengthened governance and assurance.
- Improved transparency and accountability.
- Earlier identification of delivery risks.
- Supports evidence-based decision-making.

Disadvantages

- Additional reporting requirements.
- Increased management and governance resource.

Risk Assessment

Medium risk and provides enhanced assurance.

Option 3 - Prioritisation and Service Redesign Programme

Description

The IJB undertakes a strategic prioritisation exercise to align expenditure with available resources.

The programme would require:

- Review of all commissioned services.
- Prioritisation framework.
- Clinical and professional advice.

- Public and stakeholder engagement.
- Development of redesign proposals.

Advantages

- Creates alignment between strategic priorities and available resources.
- Supports longer-term sustainability.
- Enables investment to be focused on highest-priority services.

Disadvantages

- May involve difficult decisions regarding service reduction or disinvestment.
- Significant engagement and programme resource required.

Risk Assessment

Medium to high implementation risk but potentially highest long-term benefit.

Option 4 - System Financial Sustainability Agreement

Description

Develop a formal tripartite agreement between the IJB, NHS Board and Council establishing:

- Shared financial recovery principles.
- Responsibilities of each organisation.
- Escalation arrangements.
- Risk-sharing mechanisms.
- Governance routes for unresolved financial issues.

Advantages

- Clarifies accountability.
- Reduces ambiguity regarding deficits and risk ownership.
- Supports collective decision-making.

Disadvantages

- Requires agreement from all parties.
- May not remove underlying financial pressures.

Risk Assessment

Medium risk with significant governance benefits.

Preferred Approach

It is recommended that the IJB adopts a combination of Options 2, 3 and 4.

This would provide:

- Strengthened financial assurance arrangements.
- A clear and transparent approach to prioritisation.
- Agreed responsibilities between the IJB, NHS Board and Council.
- Improved governance of financial recovery and transformation activity.

Financial Implications

The paper does not seek additional funding.

Implementation of the preferred option may require review of governance support, programme management and financial planning capacity.

Risk Implications

The principal risks are:

- Failure to achieve financial balance.
- Inability to deliver Strategic Plan commitments.
- Reduction in available reserves.
- Increased service demand.
- Delayed implementation of savings and transformation programmes.

Recommendations

The Integration Joint Board is asked to:

1. Note the governance challenges associated with the current financial position across the partnership.
2. Agree that the IJB remains responsible for the strategic allocation and governance of delegated resources whilst recognising the statutory financial responsibilities of partner organisations.
3. Approve the development of an Enhanced Financial Recovery Framework.
4. Approve the development of a system-wide prioritisation and service redesign programme.

5. Request NHS Dumfries and Galloway and Dumfries and Galloway Council to develop a joint Financial Sustainability Agreement for consideration by the IJB.
6. Receive a detailed implementation plan and governance framework at a future meeting.

This approach provides the strongest governance position for the IJB whilst recognising the financial realities facing both partners and the wider health and social care system.