

# East Lothian Integration Joint Board

2023/24 Annual Audit Report



 AUDIT SCOTLAND

Prepared for East Lothian Integration Joint Board and the Controller of Audit  
December 2024

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# Key messages

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## 2023/24 annual accounts

- 1 Audit opinions on the annual accounts of the East Lothian Integration Joint Board (“the IJB”) are unmodified i.e. the financial statements and related reports are free from material misstatement.

## Financial management

- 2 The IJB has appropriate financial management arrangements in place.
- 3 The IJB reported a deficit of £5.779 million in 2023/24. This represented an overspend against the 2023/24 budget. There was an unplanned use of reserves of £1.934 million and the requirement for an additional funding contribution of £0.740 million by NHS Lothian.

## Financial sustainability

- 4 A five-year medium-term plan has been developed and includes recovery actions to deliver a balanced financial plan for 2024/25. However, budget deficits are projected in the four following years (culminating in a projected £14.763 million deficit for 2028/29) and the IJB is reliant in the use of its reserves during 2024/25 to meet its financial challenges in year. An updated five-year financial plan is expected to be produced in December 2024.
- 5 Financial sustainability therefore remains a significant risk to the IJB’s strategic objectives and the IJB faces challenging decisions to support the delivery of services within the financial resources available.

## Vision, leadership, and governance

- 6 Governance arrangements are appropriate and have operated effectively. There is effective scrutiny, challenge, and informed decision making.

## Use of resources to improve outcomes

- 7 Performance reporting in the annual accounts met the minimum requirements but could be developed to provide more useful insights.
- 8 The IJB is performing above the Scottish average in most of the national integration indicators. However, the IJB is yet to adopt a Best Value Framework but has plans to do so in the near future. With the IJB facing significant financial challenges, it will be important that it works with its partners to ensure resources are focused on strategic priority areas.

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# Introduction

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**1.** This report summarises the findings from the 2023/24 annual audit of the East Lothian Integration Joint Board. The scope of the audit was set out in an Annual Audit Plan presented to the 12 March 2024 meeting of the Audit and Risk Committee. This Annual Audit Report comprises:

- significant matters arising from an audit of The IJB’s annual accounts
- conclusions on the following wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#):
  - Financial Management
  - Financial Sustainability
  - Vision, Leadership, and Governance
  - Use of Resources to Improve Outcomes.
- conclusions on The IJB’s arrangements for meeting its Best Value duties.

**2.** This report is addressed to the board of the IJB and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

## Audit appointment

**3.** John Boyd has been appointed by the Accounts Commission as auditor of the IJB for the period from 2022/23 until 2026/27.

**4.** The audit team would like to thank Audit Committee members, senior management, and in particular those staff involved in the preparation of the annual accounts for their cooperation and assistance in this year and we look forward to working together constructively over the course of the remainder of the five-year appointment.

## Responsibilities and reporting

**5.** The IJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The IJB is also responsible for compliance with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

**6.** The appointed auditor’s responsibilities as independent auditor are established by the Local Government (Scotland) Act 1973, the Code of Audit

Practice 2021, supplementary guidance and International Standards on Auditing in the UK.

**7.** Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management of the IJB from its responsibility to address the issues raised and to maintain adequate systems of control.

**8.** This report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation.

## **Auditor Independence**

**9.** We confirm that we comply with the Financial Reporting Council's Ethical Standard. We also confirm that we have not undertaken any non-audit related services and therefore the 2023/24 audit fee of £33,360 as set out in the 2023/24 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

**10.** The annual audit adds value to the IJB by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability
- sharing intelligence and good practice identified.

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# 1. Audit of 2023/24 annual accounts

Public bodies are required to prepare annual accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

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## Main judgements

Audit opinions on the annual accounts of the IJB are unmodified.

The unaudited annual accounts were received in line with the agreed audit timetable. However, the timing of the audit was delayed beyond the statutory target date of 30 September as a result of audit resourcing pressures.

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## Audit opinions on the annual accounts are unmodified

**11.** The annual accounts for the IJB for the year ended 31 March 2024 were approved on 6 December 2024. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the Remuneration Report was prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014
- the Management Commentary and Annual Governance Statement were consistent with the financial statements and properly prepared in accordance with the applicable requirements.

## Overall materiality was assessed on receipt of the annual accounts as £4.5 million

**12.** Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues

may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

**13.** Our initial assessment of materiality was carried out during the risk assessment phase of the audit. This was reviewed and revised on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#).

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## Exhibit 1

### Materiality values

Materiality level	Amount
Overall materiality	£4.500 million
Performance materiality	£3.375 million
Reporting threshold	£0.225 million

**14.** The overall materiality threshold for the audit of the annual accounts of The IJB was set with reference to gross expenditure, which we judged as the figure most relevant to the users of the financial statements.

**15.** Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 75% of overall materiality, reflecting a history of no significant errors in our previous audits of the financial statements.

**16.** It is the audit team's responsibility to request that all misstatements, other than those below the reporting threshold are corrected. However, the final decision on making the correction lies with those charged with governance.

### Significant findings and key audit matters

**17.** Under ISA (UK) 260, we communicate significant findings from the audit to the board, including our view about the qualitative aspects of the body's accounting practices.

**18.** The Code of Audit Practice also requires me to highlight key audit matters, which are defined in ISA (UK) 701 as those judged to be of most significance.

**19.** We have no issues to report from the audit.

### Audit work responded to the risks of material misstatement identified in the annual accounts

**20.** We obtained audit assurances over the identified significant risks of material misstatement in the annual accounts. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in the 2023/24

Annual Audit Plan. It also summarises the further audit procedures performed during the year to obtain assurances over these risks and the conclusions from the work completed.

### Exhibit 3

#### Significant risks of material misstatement in the annual accounts

Audit risk	Assurance procedure	Results and conclusions
<p><b>1. Risk of material misstatement due to fraud caused by management override of controls</b></p> <p>As stated in ISA (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>We made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</p> <p>We agreed balances and transactions to East Lothian Council and NHS Lothian financial reports and ledgers.</p> <p>We obtained assurances from the auditors of East Lothian Council and NHS Lothian over the completeness, accuracy and allocation of income and expenditure.</p> <p>We performed a review to identify any significant adjustments at year-end where we would consider there to be greatest risk of material misstatement through management override of controls.</p> <p>We reviewed financial monitoring reports during the year.</p> <p>We assessed the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements.</p> <p>We performed a review to identify any significant transactions outside of the normal course of business.</p>	<p>We did not identify any inappropriate or unusual activity relating to the processing of journal entries and other adjustments through our inquiries with those identified in the financial reporting process.</p> <p>No material differences were identified between The IJB's balances and transactions and the corresponding balances and transactions in the East Lothian Council and NHS Lothian financial reports and ledgers.</p> <p>The assurances obtained from the auditors of East Lothian Council and NHS Lothian did not indicate any errors over the completeness, accuracy and allocation of income and expenditure.</p> <p>No significant year-end adjustments or significant transactions outside the normal course of business were identified.</p> <p>We did not identify any undisclosed related party relationships or transactions.</p>



## **There were no identified misstatements above our reporting threshold**

**21.** Our audit identified no misstatements above the reporting threshold. All errors identified below the reporting threshold were corrected for and were not cumulatively material or above the reporting threshold.

## **The unaudited annual accounts were received in line with the agreed audit timetable. However, the timing of the audit was delayed beyond the statutory target date of 30 September as a result of audit resourcing pressures**

**22.** The unaudited annual accounts were received in line with the agreed audit timetable on 19 July 2024. The timing of the audit was delayed beyond the agreed timetable due to audit resourcing pressures. As a result, the audit concluded and the annual accounts were approved in December 2024.

## **Limited progress was made on prior year recommendations**

**23.** The IJB has made limited progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management and are set out in [Appendix 1](#).

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## 2. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

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### Conclusion

The IJB has appropriate financial management arrangements in place.

The IJB reported a deficit of £5.779 million in 2023/24. This represented an overspend against the 2023/24 budget and, as a result, there was an unplanned use of reserves of £1.934 million and the requirement for an additional funding contribution of £0.740 million by NHS Lothian.

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### The 2023/24 budget included planned contributions from reserves to address the funding gap

**24.** The IJB accepted NHS Lothian's 2023/24 budget offer in March 2023 and East Lothian Council's budget offer in May 2023. Included in the budget was £3.844 million of funding from 2022/23 which the IJB had planned to use in 2023/24 through its reserves.

### The IJB returned an overspend in 2023/24

**25.** The IJB does not have any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer and Chief Finance Officer. All funding and expenditure for the IJB is incurred by partner bodies and processed in their accounting records.

**26.** The IJB returned an overspend of £2.674 million compared to its budgeted net deficit. As a result, there was an unplanned use of reserves during year, as well as additional funding being provided from NHS Lothian.

**27.** The IJB reserves decreased by £5.779 million as a result of the net deficit in the year. At the year-end, the closing reserves balance was £4.343 million. The level of reserves is no longer in line with the IJB's target of 2% of turnover and during 2024/25 these reserves have been fully utilised.

**Exhibit 5****Performance against budget**

<b>IJB budget summary</b>	<b>Budget £'000</b>	<b>Actual £'000</b>	<b>Variance £'000</b>
Health Net Deficit	2,657	3,397	740
Social Care Net Deficit	1,187	3,121	1,934
<b>Total Net Deficit before Additional Funding</b>	<b>3,844</b>	<b>6,518</b>	<b>2,674</b>
Additional Funding Contribution	-	(740)	(740)
<b>Total Net Deficit After Additional Funding (reported in Financial Statements)</b>	<b>3,844</b>	<b>5,779</b>	<b>1,934</b>
Net Deficit Financed through Planned Use of Reserves	3,844	3,844	-
Net Deficit Financed through Unplanned Use of Reserves	-	1,934	1,934

Source: 2023/24 Annual Report and Financial Statements

<b>Reconciliation of Net Deficit in the Financial Statements to Performance against Budget</b>	<b>£'000</b>
Net Deficit reported in the Financial Statements	5,779
Unplanned Additional Funding Contribution included in the Financial Statements	740
<b>Net Deficit excluding Additional Funding Contribution</b>	<b>6,518</b>
Budgeted Net Deficit Financed through Planned Use of Reserves	(3,844)
<b>Remaining Net Deficit (Overspend against Budget)</b>	<b>2,674</b>
Overspend Financed through Additional Funding Contribution	740
Overspend Financed through Unplanned Use of Reserves	1,934

Source: 2023/24 Annual Report and Financial Statements

## **Budget monitoring arrangements are appropriate but cost pressures resulted in unplanned use of reserves in year**

**28.** Detailed budget monitoring reports were submitted to the IJB throughout the year. The outturn to date and projected year-end outturn position were clearly stated in these reports, with the actual year-end outturn position being higher than that initially budgeted for.

**29.** We observed that senior management and members receive regular and accurate financial information on the IJB's financial position and have concluded The IJB has appropriate budget monitoring arrangements.

**30.** We also observed that mitigating actions have been taken on a timely basis where an adverse performance against budget is reported to the IJB, such as the convening of finance workshops to identify cost efficiencies. However, due to increased cost pressures facing the IJB, these actions have not been able to fully mitigate the IJB's budgetary pressures in all instances.

## **The IJB has appropriate financial control arrangements in place**

**31.** The IJB does not have its own financial systems and instead relies on partner bodies' financial systems. All financial transactions are therefore processed under the partner bodies' internal controls.

**32.** As part of our audit approach, we sought assurances from the external auditors of NHS Lothian and East Lothian Council. Neither auditor reported any significant weaknesses that could result in a material misstatement in the accounts of the IJB.

## **Standards of conduct and arrangements for the prevention and detection of fraud and error were appropriate**

**33.** In the public sector there are specific fraud risks, including those relating to payments and other claims made by individuals and organisations. Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery, and corruption.

**34.** The IJB has adequate arrangements in place to prevent and detect fraud or other irregularities.

**35.** Appropriate arrangements are in place for the prevention and detection of fraud and error. We are not aware of any specific issues we require to bring to your attention.

# 3. Financial sustainability

Financial Sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

## Conclusion

A five-year medium-term plan has been developed and includes recovery actions to deliver a balanced financial plan for 2024/25. However, budget deficits are projected in the four following years (culminating in a projected £14.763 million deficit for 2028/29) and the IJB is reliant in the use of its reserves during 2024/25 to meet its financial challenges in year. An updated five-year financial plan is expected to be produced in December 2024.

Financial sustainability therefore remains a significant risk to the IJB's strategic objectives and the IJB faces challenging decisions to support the delivery of services within the financial resources available.

## Audit work in response to risks relating to and financial sustainability identified in the 2023/24 Annual Audit Plan

**36.** [Exhibit 6](#) sets out the wider scope risks relating Financial Sustainability identified in the 2023/24 Annual Audit Plan. It summarises the audit procedures performed during the year to obtain assurances over these risks and the conclusions from the work completed.

### Exhibit 6

#### Risks identified from my wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p><b>1. Financial sustainability</b></p> <p>At the planning stage of the audit, the IJB was projected to return an overspend against budget. As outlined in the Financial Management section above, the final performance for 2023/24 did result in an overspend.</p>	<p>We reviewed the financial monitoring reports provided to the IJB during the year.</p> <p>We reviewed the controls in place over financial sustainability at the IJB.</p> <p>We reviewed the decision making over financial</p>	<p>From our review of the IJB's financial monitoring activities during the year, we have observed that the IJB's medium-term financial sustainability has been subject to regular focus and scrutiny.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>The IJB's current five-year financial plan shows projected overspends starting at £4.012m in the 2025/26 financial year, rising to £14.763m in the 2028/29 financial year.</p> <p>The projected overspends are likely to be adversely impacted by the significant financial challenges faced by the IJB's partner bodies, East Lothian Council and NHS Lothian.</p> <p>The IJB continues to be faced with significant financial challenges; difficult decisions will be required.</p>	<p>sustainability by members of the IJB.</p> <p>We reviewed the alignment of resources and compared them with the IJB's strategic priorities.</p> <p>We reviewed the Management Commentary in the annual accounts for disclosures on the IJB's financial decision making during 2023/24.</p>	<p>We have noted that the IJB had identified recovery actions to produce a balanced budget for 2024/25. However, a balanced budget will not be achieved without further cost recovery actions being identified and implemented. Consequently, the IJB has utilised reserves to support financial performance in 2024/25. Furthermore, deficits are projected for subsequent years and the IJB does not hold sufficient reserves to fund the projected deficits.</p> <p>We are satisfied that the disclosures contained within the Management Commentary are sufficiently clear and transparent over the medium-term challenges that the IJB faces over financial sustainability.</p> <p><b>Conclusion:</b></p> <p>Financial sustainability remains a significant risk for the IJB. The IJB is still to identify measures to ensure a financially sustainable service delivery model.</p>

### The IJB has a medium-term financial plan but is yet to develop a longer-term plan

**37.** Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered. The IJB has a rolling five-year medium-term financial plan which identifies projected deficits of: £4.012 million in 2025/26; £7.614 million in 2026/27; £11.176 million in 2027/28; and, £14.763 million in 2028/29. During the current year, we have observed that the IJB have been able to identify recovery actions to meet short-term funding gaps but that there is yet to be a strategy put in place to ensure the IJB's financial sustainability in the longer term.

**38.** Historically, the IJB have had an ambition of maintaining a minimum level of reserves of 2% of its turnover. However, the deficit reported in the current year has resulted in the level of reserves falling below this threshold. Subsequent to the year end, in October 2024, the IJB voted to utilise its full unearmarked reserve balance in year as part of its funding strategy to support financial recovery. This effectively removes any contingency that the IJB has at its disposal to manage any unforeseen costs and limit the opportunity to use reserves for strategic investment. However, we recognise that the current funding scheme requires the relevant partner bodies to work with the IJB to address any financial overspends and in the event a recovery plan cannot be agreed, the relevant funding body would be required to address the financial gap.

**39.** Given the financial challenges faced, the IJB needs to make difficult decisions around the future delivery of services and the level of services that can be provided. The IJB needs to work with its partners to develop strategic solutions to address the current financial gaps faced.

### **Transformation programmes and efficiency plans are not yet finalised, and it is unclear how planned future savings will be achieved**

**40.** The IJB recognises the longer-term financial challenges it faces regarding its financial sustainability and the need to make efficiency savings to maintain financial balance. Its five-year financial plan included cost recovery actions to achieve a balanced budget in 2024/25. Following an adverse year-to-date performance, further finance workshops will be held to identify additional cost savings.

**41.** In the absence of additional future funding, substantial savings will be required to make the IJB financially sustainable in the longer term. Work is ongoing to identify how these savings can be achieved but this work is yet to be finalised. Furthermore, the recovery actions that had previously been identified to address short-term deficits in 2024/25 have not been fully realised in the IJB's actual year-to-date performance.

**42.** It is important that there is a clear strategic focus to ensure that transformational activity and decision making is taken in the context of the IJB's longer term financial outlook so that health and social care services are financially sustainable over the longer term.

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## **Recommendation 1**

The IJB should complete its work in identifying medium-term and long-term savings and efficiencies in order to achieve a financially sustainable position. This will include introducing transformational change to allow the IJB to deliver health and social care services in a sustainable way.

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# 4. Vision, leadership, and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

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## Conclusion

The governance arrangements are appropriate and operate effectively.

Following the departure of the Chief Finance Officer in September 2023, the position has been filled on an interim basis. The IJB continues to work to recruit a permanent replacement for the position.

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## Governance arrangements are appropriate

**43.** The IJB continues to have well established governance arrangements, with the Board being supported by the work and oversight of the Audit and Risk Committee. We consider the governance structures in place at the IJB are consistent with those that we would expect of a body of this type.

**44.** We have reviewed the minutes of the Board and the Audit and Risk Committee during the year. From our review, we have found that the meetings are conducted in a professional manner and there is a healthy degree of scrutiny and challenge by members.

**45.** We consider that governance arrangements are appropriate and support effective scrutiny, challenge and decision making.

## Changes in senior officers

**46.** There was a change in senior officers in year as the Chief Finance Officer left their post in September 2023 and a new Chief Finance Officer was appointed on an interim basis. The interim Chief Finance Officer has considerable experience. However, we note that given the financial challenges facing the IJB both in the short to medium term, it is important that the IJB look to ensure a permanent Chief Finance Officer is in place.



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# 5. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

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## Conclusion

Performance reporting in the annual accounts met the minimum requirements but could be developed to provide more useful insights.

The IJB is performing above the Scottish average in most of the national integration indicators. However, the IJB is yet to adopt a Best Value Framework but has plans to do so in the near future. With the IJB facing significant financial challenges, it will be important that it works with its partners to ensure resources are focused on strategic priority areas.

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## Performance reporting in the annual accounts met the minimum requirements but improved reporting would be more useful

**47.** Management Commentaries included in the annual accounts should provide information on a body, its main objectives and the principal risks faced. It should provide a fair, balanced and understandable analysis of a body's performance as well as helping stakeholders understand the financial statements.

**48.** The management commentary in the annual accounts provides a summary of the main service achievements during the year. The commentary was revised in the audited accounts to include further narrative on performance against the IJB's strategic objectives and outcomes. However, there remains a lack of specific targets and performance against such targets.

## East Lothian is yet to introduce appropriate arrangements for securing Best Value

**49.** Integration Joint Boards have a statutory duty to have arrangements to secure Best Value. To achieve this, IJBs should have effective processes for

scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account.

**50.** The IJB's statutory equalities reporting, financial reporting and performance reporting arrangements demonstrate key aspects set out in the statutory Best Value guidance. However, the IJB does not make an overall assessment of how it delivers Best Value. As part of our 2022/23 Annual Audit Report, we recommended that the IJB should consider formal self-assessment against Best Value guidance to demonstrate how it complies with its statutory Best Value duties.

**51.** A paper was presented to the Audit and Risk Committee in June 2024 where it was recommended and agreed that a formal Best Value framework be adopted. Initially, the target date for the framework was October 2024, however this has been delayed due to the Board prioritising its focus on the IJB's financial situation. A Best Value paper is expected to be presented to the Board in December 2024.

## The IJB is performing above the Scottish average in the National Integration Indicators

**52.** The Public Bodies (Joint Working) (Scotland) Act 2014 requires the IJB to produce an annual performance report covering areas such as assessing performance in relation to national health and wellbeing outcomes, financial performance and best value, reporting on localities, and the inspection of services.

**53.** The IJB's Annual Performance Report for 2023/24 was presented to the Board in June 2024 and published on the IJB's website in September 2024, with some supplementary commentary on the IJB's performance.

**54.** The Annual Performance Report contains information on how the IJB performed against the National Integration Indicators published by the Scottish Government. As with previous years, The IJB continues to perform better than the national average.

**55.** Of the National Integration Indicators based on the 2023/24 Health and Social Care Experience Survey, The IJB has performed better than the national average for all eleven questions.

**56.** Of the available Operational Performance Indicators, the IJB continues to perform better than or at the same level as the national average. The most significant over-performance is the number of days spent in hospital by people aged 75 and above when they are ready to be discharged (238 days per 1,000 population in East Lothian, compared with 902 days per 1,000 population in Scotland).

**57.** There has been a mixture of improvements and declines in the IJB's Operational Performance Indicators compared with the IJB's own performance in 2022/23, although none of the year-on-year movements are particularly significant.

**58.** The Annual Performance Report also covers the six ministerial steering group performance measures. The IJB has reported an improvement in most measures where 2023/24 data is available, including a reduction in the number of unscheduled hospital bed days, a reduction in new Accident and Emergency attendances and a reduction in the total number of bed days lost to delays. However, there has been an increase in the number of emergency admissions.

**59.** Similar to the management commentary in the Annual Report, the Annual Performance Report contains few performance targets, with performance largely measured using on year-on-year trends. There could be more information provided on what mitigating actions are being taken where performance is below target.

**60.** We have concluded that the IJB has measures in place for measuring and reporting performance, but the measurement of performance should go beyond year-on-year comparisons and incorporate performance targets. This was subject to a recommendation in the previous year's Annual Audit Report.

# Appendix 1. Action plan 2023/24

## 2023/24 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Financial Sustainability</b></p> <p>The IJB's five-year financial plan includes projected net deficits which exceed the IJB's current reserves.</p> <p>Risk – the IJB does not have sufficient reserves to fund its projected future net expenditure.</p>	<p>The IJB should complete its work in identifying medium-term and long-term savings and efficiencies in order to achieve a financially sustainable position. This will include introducing transformational change to allow the IJB to deliver health and social care services in a sustainable way.</p>	<p>At its March 2024 meeting the IJB set a balanced financial plan for 2024/25. This financial plan did not include the utilisation of any of the remaining IJB available reserves recognising that the use of reserves is clearly a nonrecurrent solution. The IJB has stepped up its financial management and planning processes for 2024/25, reporting its financial position at each meeting and continuing to review its five-year financial plan. A revised five-year financial plan is under development and this will provide the basis for the 2025/26 budget setting work. The IJB has had a series of finance workshop to fully consider the issues.</p>

## Follow-up of prior year recommendations

Issue/risk	Recommendation and agreed action	Progress
<p><b>b/f 1. Financial Sustainability</b></p>	<p>The IJB should identify savings measures to address the funding gap over the 5-year period of its medium-</p>	<p><b>Work in progress</b></p> <p>Following the publication of a revised 5-year plan in December 2023, a series of</p>

Issue/risk	Recommendation and agreed action	Progress
<p>The IJB's medium term financial plan identifies a funding gap of £13.964m before savings measures. Identified savings are not enough to close the gap. Service transformation will be needed to ensure services remain within the available resource constraints.</p> <p>Risk – the IJB's strategic plans are not financially sustainable.</p>	<p>term financial plan. The IJB should engage with its partners to identify financially sustainable service delivery options.</p>	<p>workshops took place in early 2024 to develop a range of recovery actions for 2024/25. However, year-to-date 2024/25 financial performance has not developed as well as had been hoped and therefore a further series of workshops have taken place to discuss further actions for both 2024/25 and for future years.</p> <p>A revised 5-year financial plan is expected to completed by December 2024.</p> <p>This work will continue to be led by the Chief Finance Officer.</p>
<p><b>b/f 2. Strategic financial planning</b></p> <p>The IJB's medium term financial plan covers a 5-year period and supports the IJB's strategic aims. Robust scenario planning could assist IJB members with strategic decision making in the context of increasing financial pressures and uncertainty over future funding.</p> <p>Risk – the IJB's strategic vision and decision making is not fully supported by a sustainable financial plan.</p>	<p>The IJB should develop robust scenario planning to support members' strategic decision making in the context of increasing uncertainty over future funding and increasing financial pressures.</p>	<p><b>Work in progress</b></p> <p>The work to address this recommendation overlaps with the work carried out for recommendation 1 above (financial sustainability). The Chief Finance Officer is working very closely with planning colleagues in order to ensure that the financial plan continues to be closely linked to the Strategic Plan. Further discussions are to be held at the IJB's Strategic Planning Group in November 2024.</p> <p>Strategic considerations will be incorporated into the revised 5-year financial plan. This is expected to be completed by December 2024.</p> <p>This work will continue to be led by the Chief Finance Officer.</p>

Issue/risk	Recommendation and agreed action	Progress
<p><b>b/f 3. Performance reporting</b></p> <p>The IJB’s performance reporting is unclear on whether performance is in line with expectations. It contains few targets and is not explicit on whether targeted improvement actions are planned for areas of concern.</p> <p>Risk – the IJB does not manage its performance effectively.</p>	<p>The IJB should expand its performance reporting to report whether performance is in line with targets and to report on mitigating actions planned in areas where performance is not in line with expectations.</p>	<p>The IJB has updated its performance management process and reports to the IJB on a bi-annual basis. This report shows, by each strategic goals, the actions required to deliver that goal and the current progress around that delivery.</p>
<p><b>b/f 4. Compliance with Best Value statutory duties</b></p> <p>The IJB does not have arrangements in place to demonstrate how it delivers Best Value. It has key elements such as financial and performance reporting in place but does not report an overall assessment of its delivery of Best Value.</p>	<p>The IJB should consider formal self-assessment against the Best Value guidance to demonstrate how it complies with its statutory Best Value duties.</p>	<p><b>Work in Progress</b></p> <p>A paper was presented to the IJB’s Audit and Risk Committee in June 2024 where it was recommended that the IJB adopt a Best Value framework. A further paper is planned to be presented to the Board in December 2024.</p>

# East Lothian Integration Joint Board

## 2023/24 Annual Audit Report

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