

North Ayrshire Integration Joint Board

2023/24 Annual Audit Report



 AUDIT SCOTLAND

Prepared for North Ayrshire Integration Joint Board and the Controller of Audit

November 2024

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Key messages

2023/24 Annual Accounts

- 1 Our audit opinions on the Annual Accounts of the North Ayrshire Integration Joint Board (the IJB) are unmodified. The financial statements give a true and fair view of the financial position of the IJB.

Financial management and sustainability

- 2 The IJB's 2023/24 budget was overspent by £7.464 million, reduced to £5.464m after a contribution of £2.0 million from earmarked reserves. There was a net reduction of £11.218 million in total reserves. Total IJB reserves are now only £5.510 million.
- 3 To balance the 2024/25 budget £10.290 million of 'achievable' savings need to be realised. On top of this, the latest financial reports are projecting an overspend of £6.697 million. Recovery actions are being implemented but an additional £2.995 million of financial recovery improvement actions still require to be identified.
- 4 Uncommitted reserves of £0.357 million (0.1% of budget) are below the IJB's Reserves Strategy target of 2-4% of budget. It is forecast that uncommitted reserves will be depleted by 31 March 2025. This situation is not sustainable. The IJB must urgently develop a financial recovery plan to achieve financial balance and map a clear route to restore reserves to its own target level
- 5 Comprehensive budget monitoring reports are presented to each meeting of the IJB but financial forecasting needs to improve. A Finance Working Group has been established to scrutinise the IJB's financial position.
- 6 A Medium-Term Financial Outlook has been prepared to forecast the IJB's financial position for 2025-26 and 2026-27. Current modelling shows a worst-case scenario of £17.116 million of required savings over the two-year period.
- 7 The Transformation Board provides the strategic integration and ownership of the IJB's transformation plans. With both the governance and funding in place the IJB now needs to take forward proposals and deliver on its transformation priorities.

Vision, leadership and governance

- 8** The IJB has a clear strategic vision that is supported by its partners but financial and workforce plans need to align to the vision to show how it can be delivered.
- 9** Work to rebalance the financial risk between the Health Board and Integration Joint Boards is ongoing. A revised Integration Scheme is scheduled for consideration by the partners in 2024/25. A new model has been agreed for costing the set aside arrangements from 2024/25.
- 10** Governance arrangements are appropriate and are operating effectively.

Use of resources to improve outcomes

- 11** Performance management arrangements are effective with indicators and targets kept under review. These arrangements contribute to the IJB's Best Value duty.
 - 12** Performance in relation to national measures shows some improvements but challenges remain in relation to delayed discharges.
 - 13** The IJB and Health Board acknowledge that the average length of stay within the Ayrshire acute hospitals post pandemic is higher than the Scottish average. Discussions are ongoing between the IJB and partners on how the costs of these stays are met and the length of stays can be reduced.
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Introduction

1. I, Fiona Mitchell-Knight (Audit Director), have been appointed by the Accounts Commission as auditor of North Ayrshire Integration Joint Board for the period from 2022/23 until 2026/27. The 2023/24 financial year was the second of my five-year appointment. My appointment coincides with the new Code of Audit Practice which was introduced for financial years commencing on or after 1 April 2022.
2. My team and I would like to thank members, senior management, and other staff, particularly those in finance, for their cooperation and assistance in this year.
3. This report summarises the findings arising from our 2023/24 audit of North Ayrshire Integration Joint Board (the IJB). The scope of the audit was set out in our Annual Audit Plan 2023/24 presented to the Performance and Audit Committee on March 1st, 2024. This Annual Audit Report comprises:
 4. significant matters arising from an audit of the IJB's Annual Accounts
 5. conclusions on the following wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#):
 - a. Financial Management
 - b. Financial Sustainability
 - c. Vision, Leadership, and Governance
 - d. Use of Resources to Improve Outcomes.
6. a review of the arrangements put in place by the IJB to secure Best Value.
7. 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 in due course.

Responsibilities and reporting

8. 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.
9. The responsibilities of the independent auditor are established by the Local Government (Scotland) Act 1973 and the [Code of Audit Practice 2021](#), and supplementary guidance and International Standards on Auditing in the UK.

10. 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 we raise and to maintain adequate systems of control.

11. This report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation. It also notes that the IJB has made good progress towards implementing the two agreed prior year recommendations relating to the Annual Accounts with one recorded as complete. For the action not yet completed (Transformation Plan), this will be taken forward during 2024/25 as noted at paragraphs 66 to 69.

Communication of fraud or suspected fraud

12. In line with ISA (UK) 240 (*The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*), in presenting this report to the Performance and Audit Committee (P&AC) we seek confirmation from those charged with governance of any instances of actual, suspected, or alleged fraud that should be brought to our attention. Should members have any such knowledge or concerns relating to the risk of fraud within the IJB, we invite them to communicate this to the appointed auditor for consideration prior to the Annual Accounts being certified.

Auditor Independence

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

14. We add 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.

1. Audit of 2023/24 Annual Accounts

The IJB is required to prepare Annual Accounts comprising financial statements and other related reports. These are the principal means of accounting for the stewardship of public funds.

Main judgements

Our audit opinions on the Annual Accounts of the North Ayrshire Integration Joint Board (the IJB) are unmodified.

The audited part of the Management Commentary, Annual Governance Statement and Remuneration Report were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

Key risks arising from the audit of the IJB's Annual Accounts were presented to the Performance and Audit Committee (P&AC) on 1st March 2024 in our Annual Audit Plan. There are no significant matters from that work to draw to the attention of members.

Our audit opinions on the Annual Accounts of the IJB are unmodified.

15. The IJB's Annual Accounts for the year ended 31 March 2024 were approved by the IJB on 14 November 2024. As reported in the independent auditor's report:

- 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 Management Commentary, Annual Governance Statement and Remuneration Report were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

16. We concluded that there were no matters upon which we are required to report, by exception, to the Accounts Commission.

The unaudited Annual Accounts were received in line with the agreed audit timetable.

17. The unaudited Annual Accounts were received in line with our agreed audit timetable on 25th June 2024. The Annual Accounts submitted for audit were of a good standard and supporting working papers were reasonable. IJB staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

Our audit testing reflected the calculated materiality level.

18. 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.

19. Our initial assessment of materiality was carried out during the risk assessment and planning phase of the audit. This was reviewed on receipt of the unaudited Annual Accounts and is summarised [Exhibit 1](#).

Exhibit 1 Materiality levels

Materiality level	Amount
Overall materiality: This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 2% of gross expenditure as at 31 March 2024.	£7.285 million
Performance materiality: This acts as a trigger point. If the aggregate of errors identified during the financial statements' audit exceeds performance materiality this would indicate that further audit procedures should be considered. We have assessed performance materiality at 70% of overall materiality.	£5.100 million
Reporting threshold: We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£0.365 million

Source: Audit Scotland

We have no significant findings to report on the Annual Accounts.

20. Under ISA (UK) 260 (*Communication with Those Charged with Governance*), we communicate significant findings from the audit to the IJB, including our view about the qualitative aspects of the IJB's accounting practices.

21. The Code of Audit Practice also requires all auditors to communicate key audit matters within the Annual Audit Report under ISA (UK) 701 (*Communicating key audit matters in the Independent Auditor's Report*). These are matters that we judged to be of most significance in our audit of the financial statements.

22. We have no issues to report from the audit.

23. The qualitative aspects of the IJB's accounting practices, accounting policies, accounting estimates and accounts disclosures are satisfactory and appropriate.

24. In accordance with normal audit practice, a few presentational and disclosure amendments were discussed and agreed with management. The disclosure changes were satisfactory.

No misstatements were identified.

25. It is our responsibility to request that all misstatements, other than those below our reporting threshold are corrected, although the final decision on making the correction lies with those charged with governance.

26. There were no identified misstatements within the Annual Accounts above our reporting threshold. In addition, we have no unadjusted misstatements to report.

Our audit work responded to the risk of material misstatement we identified in the Annual Accounts.

27. We have obtained audit assurances over the identified significant risk of material misstatement in the Annual Accounts. [Exhibit 2](#) sets out the significant risk of material misstatement to the financial statements we identified in our 2023/24 Annual Audit Plan. It also summarises the further audit procedures we performed during the year to obtain assurances over this risk and the conclusions from the work completed.

Exhibit 2

Significant risk of material misstatement in the Annual Accounts

Audit risk	Assurance procedures planned	Results and conclusion
<p>1. Risk of material misstatement due to fraud caused by the management override of controls</p> <p>As stated in ISA (UK) 240 (<i>The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements</i>), management is in a unique position to perpetrate fraud because of their ability to override controls that otherwise appear to be operating effectively.</p>	<p>Assurances to be obtained from the auditors of NHS Ayrshire and Arran and North Ayrshire Council on the completeness, accuracy and allocation of income and expenditure.</p> <p>Evaluate any significant unusual transactions outside the normal course of business.</p>	<p>Results: We obtained assurances from the auditors of NHS Ayrshire and Arran and North Ayrshire Council over the completeness, accuracy and allocation of income and expenditure.</p> <p>We evaluated any significant unusual transactions outside the normal course of business.</p> <p>Conclusion: We did not identify any incidents of management override of controls through our audit testing.</p>

Source: Audit Scotland

The audited part of the Management Commentary, Annual Governance Statement and Remuneration Report were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

28. The Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 requires IJBs to prepare and publish, along with the financial statements, a Management Commentary, Annual Governance Statement, and a Remuneration Report, which are consistent with the disclosures made in the financial statements.

29. Our audit work established that these were consistent with the financial statements and prepared in accordance with relevant regulations and guidance.

2. Financial management and sustainability

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively. Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Main judgements

The IJB's 2023/24 budget was overspent by £7.464 million, reduced to £5.464m after a contribution of £2.0 million from earmarked reserves. There was a net reduction of £11.218 million in total reserves. Total IJB reserves are now only £5.510 million.

To balance the 2024/25 budget £10.290 million of 'achievable' savings need to be realised. On top of this, the latest financial reports are projecting an overspend of £6.697 million. Recovery actions are being implemented but an additional £2.995 million of financial recovery improvement actions still require to be identified.

Uncommitted reserves of £0.357 million (0.1% of budget) are below the IJB's Reserves Strategy target of 2-4% of budget. It is forecast that uncommitted reserves will be depleted by 31 March 2025. This situation is not sustainable. The IJB must urgently develop a financial recovery plan to achieve financial balance and map a clear route to restore reserves to its own target level.

Comprehensive budget monitoring reports are presented to each meeting of the IJB but financial forecasting and needs to improve. A Finance Working Group has been established to scrutinise the IJB's financial position

A Medium-Term Financial Outlook has been prepared to forecast the IJB's financial position for 2025-26 and 2026-27. Current modelling shows a worst-case scenario of £17.116 million of required savings over the two-year period.

The Transformation Board provides the strategic integration and ownership of the IJB's transformation plans. With both the governance and funding in place the IJB now needs to take forward proposals and deliver on its transformation priorities.

Comprehensive budget monitoring reports are presented to each meeting of the IJB but financial forecasting needs to improve

30. Comprehensive budget monitoring reports are presented to each meeting of the IJB. These contain detail on the year-to-date financial position, forecast outturn for the year and, progress in delivering savings and update on financial risks of the in-year financial plan. The information is provided at timely intervals throughout the year which enables scrutiny from members.

31. Projections for the IJB financial position during the year varied significantly from actual outturn. The month 4 (July) monitoring report forecast a £4.576m overspend. Similar positions were reported for month 8 (£3.858m) and month 10 (£4.171m), however at month 12 the actual overspend was £7.464m.

32. In his month 12 financial monitoring report, the Head of Finance and Transformation reported that projecting the IJB financial position continued to be challenging during 2023/24 as there were a number of areas of uncertainty throughout the year. He also reported that a detailed review of the year-end projections identified inaccuracies in a predictive template relating to care at home costs. Action has been taken to rectify this for 2024/25.

Recommendation 1

Financial projections should be based on clear evidence and realistic assumptions.

The IJB's 2023/24 budget was overspent by £7.464 million primarily due to overspends in social care

33. The Annual Accounts show a budget overspend of £7.464 million for 2023/24, reduced to £5.464m after a contribution of £2.0 million from earmarked reserves (£4.634 million overspend in social care services and £0.830 million in health services). £4.451 million of the total overspend was in health and community care and £3.296 million was in children, families and justice. These were partially offset by underspends in mental health services and in management and support costs.

34. The main factors for the overspend were increased costs of care at home, agency and supplementary staffing costs in health and community care, and overspends in children's residential and respite care, including those for children with a disability.

35. The approved 2023/24 budget included £4.963m of savings. These were largely achieved, however savings of £0.273m relating to the reconfiguration of staffing within Children and Families were not achieved.

There was a net reduction of £11.218 million in total reserves.

36. The IJB holds general fund reserves, which are used to smooth financial variations over the years. At 31 March 2024, the general fund balance

amounted to £5.510 million compared to £16.728 million at 31 March 2023. [Exhibit 3](#) below sets out the reserves balances of the IJB between 2021/22 to 2023/24.

Exhibit 3 IJB reserves 2021/22 to 2023/24

General Fund	2021/22 £m	2022/23 £m	2023/24 £ m
Earmarked	24.305	10.907	5.153
Outstanding debt	(2.321)		
Uncommitted (contingency)	7.248	5.821	0.357
Total reserves	29.232	16.728	5.510

Source: North Ayrshire IJB Annual Accounts

37. The 2023/24 budget approved the use of £1.252m of previously earmarked reserves to support a balanced budget position for 2023/24. Further earmarked reserves of £2.0m were also agreed to support the financial position during 2023/24 and were drawn down. In addition, further transfers from/to earmarked reserves of £5.484m and £2.982m respectively, together with funding of the £5.464m overspend from uncommitted reserves, resulted in the total General Fund reserves balance of £5.510m shown at Exhibit 3 above.

38. The IJB Reserves Strategy recommends that the IJB will aspire to hold between 2 and 4% of its annual budgeted expenditure as an uncommitted reserve. The uncommitted reserve balance at 31 March 2024 was £0.357 million, representing only 0.1% of the IJB'S 2024/25 budget (£314.084 million excluding the set aside budget of £35.453 million) and therefore does not meet the minimum target. This matter is discussed further at paragraphs 49-51.

The 2024/25 budget includes £10.290 million of 'achievable' savings

39. The 2024/25 budget of £349.537 million (inclusive of the estimated set aside budget of £35.453 million) was approved by the IJB in March 2024. This did not require any draw on reserves. There was a total delegated funding increase for 2024/25 of £5.941 million. However, pressures of £16.131 million were identified, resulting in a funding gap of £10.290 million. 'Achievable' savings of £10.290m were approved to cover the funding gap, £9.767 million of which were RAG classified as "green" and £0.523 million classified as "amber". Many of these savings are non-recurring in nature.

40. The Month 4 (July) financial report notes that of the £10.290 million achievable savings, £9.015m are BRAG classified as blue (complete), £0.60m as green (on track) and £0.675m as amber (mainly on track).

41. The budget proposals were developed with Board member involvement. This included an IJB Budget Working Group who scrutinised the pressures and savings proposals prior to the presentation and approval of the budget at the IJB meeting in March.

£2.995 million of financial recovery improvement actions still require to be identified for 2024/25

42. At the end of Month 4 (July 2024), the IJB reported a projected year-end overspend of £6.697m (2.0%) for 2024/25 (£5.840m in social care services and £0.857m in health services). The main variances are in Health and Community Care Services; in particular, care home placements (£0.6 million overspend), care at home (£3.3 million overspend) and residential placements (£1.0 million overspend).

43. The Integration Scheme requires that where there is a projected overspend on the IJB integrated budget, a recovery plan should be agreed to balance the overspending budget. In line with these requirements, work has continued to develop the financial recovery plan and identify further targets for financial improvements. At month 4, identified financial improvement actions amount to £3.702m, including use of the remaining uncommitted reserves balance and a reduction in care home placements. Most of these actions are non-recurring in nature. A further £2.995m of financial recovery improvement actions still require to be identified.

44. Other management actions which have been implemented include:

- Review of expenditure authorisation levels across the Partnership
- Staff communication in relation to discretionary/non-essential spend
- Review of temporary posts and robust vacancy management/approval
- Restrictions on all but essential overtime working
- Ongoing review of future year savings or transformation programmes to identify scope for acceleration.

45. The Head of Finance and Transformation notes in his Month 4 financial report that the ability to deliver on the IJB's strategic priorities may be compromised due to the greater financial risk faced in 2024/25 and the increased focus required on financial improvement rather than service improvement. He also notes that if the IJB is unable to successfully develop a financial recovery plan to achieve financial balance, consideration may require to be given to revising the strategic commissioning plan.

46. Recurring pressures are currently being met with a combination of recurring and non-recurring solutions with an underlying recurring over-commitment. This needs to be addressed as a matter of urgency.

Recommendation 2

The IJB should ensure that savings plans are developed as a matter of urgency, identifying how the required £2.995 million of financial recovery improvement actions in 2024/25 will be achieved.

Service capacity of the Care at Home Service will be reduced with a resultant impact on workforce planning

47. The Care at Home service in North Ayrshire has a budget of £30.1m for 2024/25 and is projecting an overspend of £3.3m. This service has seen a 50% increase in the number of annual care visits in the last 4 years whilst the budget has remained relatively static in real terms. As part of the financial recovery plan, targeted savings £0.9m for the remainder of 2024/25 have been identified from the service. Most of the service cost relates to workforce and any reduction in workforce will result in reduced service capacity.

48. The required service changes include a reduction of the in-house workforce, reduction in Self Directed Support and actions related to the management of spend and approval of additional staffing costs linked to vacancies and sickness absence. It is proposed that workforce changes will be achieved by natural turnover and a targeted recruitment freeze.

49. Last year we reported that in October 2022, the Partnership published a three-year Workforce Plan 2022-25 which included an action plan intended to build the local HSCP workforce needed to meet future health and social care demand. The Plan forecast that both Social Work and Nursing workforce were expected to grow by around 10% over the three-year period of the Plan. The IJB also intends to implement further change in relation to the workforce as part of wider strategies supporting transformation.

50. As future service models emerge from the transformation activity, the current workforce plan will require to be developed further. Clear alignment will be needed with the IJB's Transformation Plan in order to ensure they adhere to the partnership's priorities over the medium and longer-term and maintain a synergy between workforce, service and financial plans.

51. Officers have advised that a report detailing progress in delivering the current workforce plan will be published later this year. The Workforce Plan for 2025-2028 will begin with the evaluation of the current plan and incorporate information from the census and labour market forecasting data to identify the future health and care needs of North Ayrshire. Work to develop the new plan will begin early next year.

Uncommitted reserves are forecast to be depleted by 31 March 2025. The IJB must urgently develop a financial recovery plan

to achieve financial balance and map a clear route to bring reserves back up to the minimum level

52. At Month 4, the IJB's projected reserves position at 31 March 2025 is shown at Exhibit 4 below. The IJB expect to draw down £4.581m of earmarked reserves during the year leaving a balance of £0.572m relating to the Service Redesign and Change Fund.

Exhibit 4 Projected IJB reserves 31 March 2025

	General Fund Reserve	Earmarked Reserves		Total
	Unearmarked	External Funding	HSCP	
	£m	£m	£m	
Balance – 1 April 2024	0.357	3.379	1.774	5.510
Anticipated Drawdown	(0.357)	(3.379)	(1.202)	(4.938)
Balance – 31 March 2025	-	-	0.572	0.572

Source: North Ayrshire IJB Financial Monitoring Report Month 4

53. As noted at paragraph 35 above, the uncommitted reserve balance at 31 March 2024 was £0.357 million (representing only 0.1% of the IJB'S 2024/25 budget) and will be depleted by the end of the financial year. This is contrary to the IJB's Reserves Strategy. Uncommitted reserves are required to cover unanticipated budget shortfalls and should not fall below the minimum recommended level.

54. This current position is unsustainable and poses a financial risk to North Ayrshire Council and NHS Ayrshire and Arran. The IJB must urgently develop a financial recovery plan to achieve financial balance and map a clear route to restore reserves to its own target level.

Recommendation 3

The IJB must urgently map a clear route to bring uncommitted reserves back up to its target level.

A Finance Working Group has been established to facilitate scrutiny of the IJB's financial position

55. In order to facilitate greater scrutiny of the financial position and the delivery of the financial recovery plan during 2024/25, the IJB agreed at its June 2024

meeting to establish a 'Finance Working Group', chaired by the IJB Vice Chair. The Director and Heads of Service are members of the group. This meets monthly to facilitate increased oversight and scrutiny of the financial position and transformation programme as well as detailed budget planning for future financial years.

The health board has requested the strategic commission of urgent care in order that contractual directions can be put in place to make clearer the shared ambition to reduce the length of stay for all patients

56. The Head of Finance and Transformation acknowledges that one of the main areas of risk for the IJB is the wider system financial challenges, especially the financial deficit of NHS Ayrshire and Arran Health Board, and the risks around upward movement in the national framework for financial escalation.

57. Recurring cash releasing efficiency savings identified for 2024/25 are £19.9 million for the health board and £4.2 million for health and social care partnerships, a total of £24.1 million. The Health Board and system partners acknowledge that the average length of stay within the Ayrshire acute hospitals post pandemic is higher than the Scottish average. A Financial Improvement Group national benchmarking pack shows Ayrshire and Arran having the highest length of stay for non-elective spells in Scotland with a potential saving of £12.4 - £15.3 million per quarter. Reduction of the average length of stay will allow the closure of unfunded additional acute beds, but thereafter the core bed base.

58. Factors affecting average length of stay include complexity in acute patients, clinical confidence to discharge and delays in discharge to social care, or due to housing or waits associated this moving to downstream rehabilitation following a stroke, trauma or orthopaedic injury. The integration scheme sets out the position in relation to the set aside budget that the Integration Joint Boards should contribute financially if they are responsible for increased use of acute services.

59. Occupied bed days for unscheduled care specialties used by NHS Ayrshire and Arran's three IJBs has increased by 22,000 compared to pre-pandemic levels. Risk sharing has been an area of discussion between partners but is not supported by the IJBs. As an alternative, the health board has requested the strategic commission of urgent care in order that contractual directions can be put in place to make clearer the shared ambition to reduce the length of stay for all patients. However, it is acknowledged by the health board that a financial contribution from the IJBs in 2024/25 is unlikely given their financial challenges.

A Medium-Term Financial Outlook has been prepared to forecast the IJB's financial position for 2025-26 and 2026-27.

Current modelling shows a worst case scenario of £17.116 million of required savings over the two-year period.

60. In our Annual Audit Plan we identified the IJB's financial sustainability as a significant wider scope audit risk. Financial sustainability looks to the medium-term to consider whether the organisation is planning effectively to continue to deliver its services or the way in which they should be delivered.

61. It is acknowledged that medium-term financial planning was difficult during the pandemic and during the current period of financial uncertainty. One-year funding settlements exacerbate this. The immediate priority continues to be responding to the current and emerging service challenges.

62. The Accounts Commission's July 2024 report on [Integration Joint Boards: Finance and Performance 2024](#) notes that there is a growing level of unmet and more complex needs and deepening challenges in sustaining the workforce, alongside increasing funding pressures. The uncertainty around the direction of the plans for a National Care Service has also contributed to the difficult context for planning and delivering effective services.

63. A Medium-Term Financial Outlook has been prepared to forecast the IJB's financial position for 2025-26 and 2026-27. Officers have confirmed that due to delays in preparation of the Scottish Government's Medium Term Financial Strategy, it has not yet been published in full however the modelling which has been carried out across best, medium and worst case was presented to the IJB in March 2024 and is outlined in Exhibit 4 below. This shows a best-case scenario of £2.844 million of required savings in total for the two years or worst case of £17.116 million of required savings.

Exhibit 4 Financial modelling - 2025/26 - 2026/27

Scenario	2025/26 £'million	2026/27 £'million	Total £'million
Best case	(1.836)	4.680	2.844
Mid case	(0.071)	6.934	6.863
Worst case	5.149	11.967	17.116

Source: NAIJB

64. The Head of Finance and Transformation noted in his report that it is highly likely that the IJB will continue to face significant budget gaps which will require to be addressed in order to set a balanced budget, particularly in 2026/27. He also noted that the Transformation Plan will form the basis of many of the cost

efficiencies which will be required to deliver financial balance beyond 2024/25. This is discussed further at paragraphs 66 to 69 below.

The Transformation Board provides the strategic integration and ownership of the IJB's transformation plans. With both the governance and funding in place the IJB now needs to take forward proposals and deliver on its transformation priorities.

65. The Accounts Commission's July 2024 report on [Integration Joint Boards: Finance and Performance 2024](#) emphasised the need for a more significant transformation of services to achieve financial sustainability. This is becoming increasingly important as recurring savings get more difficult to identify and achieve.

66. The IJB has recognised that the challenging financial environment it is operating in will likely continue for some years to come and agreed an updated Transformation Plan 2024-27 in March 2024. The Plan is recognised by the Transformation Board as critical to the ongoing sustainability and safety of service delivery and to supporting the delivery of financial balance in future. The Service Redesign and Change Fund aims to support the Transformation Plan through the redesign of services and investments in new technologies. The balance on the Fund at 31 March 2024 was £1.774 million. These funds are allocated on a non-recurring basis.

67. Currently there are 76 projects included in the Plan which are linked in to the IJB's strategic priorities. Examples include:

- Woodland View – Workforce redesign in alignment with new models of care
- Remodelling Children's Care Options – Reconfigure model of care in children's homes
- Digital Transformation – Delivery of a programme of digital transformation
- Leadership structures – review leadership structures across the Partnership.

68. Each project is profiled over the three-year period and includes planned completion dates. It is intended that in year 1 (2024/25), project aims, deliverables and constraints will be identified. Costings are also currently under development as part of the MTFO and budget development for 2025/26. Officers acknowledge that a number of the short-term initiatives will need considerable review (e.g. any reconfiguration of care) and medium and longer term initiatives (e.g. redesign of care or structures) will require policy and system redesign to realise.

69. We welcome the strategic integration and ownership of the IJB's transformation plans. With both the governance and funding in place the IJB now needs to take forward proposals and deliver on its transformation priorities. We will continue to monitor the progress of transformation at the IJB as part of our 2024/25 audit.

Financial systems of internal control operated effectively.

70. The IJB is reliant on the systems of its partner bodies, NHS Ayrshire and Arran and North Ayrshire Council, for its key financial systems including ledger and payroll. All IJB transactions are processed through the respective partners' systems and all controls over those systems are within the partner bodies rather than the IJB.

71. As part of our audit approach, we sought assurances from the external auditors of NHS Ayrshire and Arran and North Ayrshire Council. These assurances confirmed there were no significant weaknesses in the systems of internal control for either the health board or the council that could result in a risk of material misstatements to the Annual Accounts of the IJB.

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

72. The IJB does not maintain its own policies relating to the prevention and detection of fraud and error but instead depends on those in place at its partner bodies. We reviewed the arrangements in place at NHS Ayrshire and Arran and North Ayrshire Council through consideration of the work by partner body auditors and found them to be adequate. The IJB has a Code of Conduct in place to which members subscribe and the Members' Registers of Interest are publicly available on the websites of the partner bodies.

73. 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. Vision, leadership and governance

The IJB must have a clear vision and strategy and set priorities for improvement within this vision and strategy.

Main Judgements

The IJB has a clear strategic vision that is supported by its partners, but financial and workforce plans need to align to show how it can be delivered.

Work to rebalance the financial risk between the Health Board and Integration Joint Boards is ongoing. A review of the Integration Scheme remains ongoing, and the final revised scheme is scheduled for consideration by the partners in 2024/25. A new model has been agreed for costing the set aside arrangements from 2024/25.

Governance arrangements are appropriate and are operating effectively.

The IJB has a clear strategic vision that is supported by its partners.

74. The Public Bodies (Joint Working) (Scotland) Act 2014 requires the IJB to prepare a strategic plan that sets out the arrangements in place to carry out the integration functions over the period of the plan. The Act also requires that the plan set out how those arrangements are intended to achieve, or contribute to achieving, the national health and wellbeing outcomes.

75. To support the IJB in achieving these responsibilities, it has established a clear strategic vision as set out in its “Caring Together” Strategic Plan 2022-2030. The plan contains five strategic objectives priorities.

- Enable communities
- Develop and support workforce
- Provide early and effective support
- Improve mental and physical health and wellbeing
- Tackle inequalities

76. The IJB provides services as set out in its Integration Scheme. The Strategic Plan objectives aim to give direction to the services provided and commissioned by the IJB and are based on its engagement with its partners and other key stakeholders together with consideration of national outcomes.

77. In 2022/23 we reported that the IJB was to refresh the Strategic Plan in 2024 to ensure it is relevant and up to date. That review is now underway and includes the development of a new action plan together with a refresh of the main document to bring this in line with the current landscape. The updated document will be produced in March 2025.

A review of the Integration Scheme remains ongoing, and the final revised scheme is scheduled for consideration by the partners in 2024/25.

78. The Public Bodies (Joint Working) (Scotland) Act 2014 places a legal duty on councils and health boards to review the Integration Schemes at least every 5 years to consider whether any changes are necessary or desirable.

79. The IJB and its partners have agreed on a timetable for the review of the Integration Scheme. Officers from the IJB and its partners are working closely with colleagues in South and East Ayrshire Councils and with NHS Ayrshire and Arran to undertake the review. This will ensure a consistent pan-Ayrshire approach for the Integration Schemes. The review is ongoing.

80. Five sub-groups were set up relating to specific workstreams:

- scope of services delegated
- resources
- governance and legal
- care governance
- communication and engagement.

81. The output from the sub-groups and any subsequent change to the Integration Schemes will be considered by the partners, NHS Ayrshire and Arran and South and East Ayrshire Council, during 2024/25.

A new model has been agreed for costing the set aside arrangements from 2024/25

82. The funding for large hospital services is referred to as the ‘set aside’ budget – it is excluded from the payment to the Integration Joint Boards but is ‘set aside’ for direction by the IJBs through the Strategic Plan. Legislation requires that the method for determining the amount to be set aside should be included in the Integration Scheme.

83. In 2022/23 we reported that work was ongoing with the IJBs around set aside services and the development of commissioning plans as the Integration Schemes were reviewed during 2023/24.

84. Ayrshire Finance Leads have now developed and agreed on a new model for costing the set aside arrangements, based on actual bed usage and average costs. A baseline level of usage has been agreed based on the average actual use across years 2016/17 to 2019/20, the last four years prior to the pandemic. A pan-Ayrshire Joint Commissioning Plan is currently under development; this will outline the level of acute unscheduled care provision that each of the IJBs want to commission from the Health Board.

85. Following approval by the three IJBs, the Plan is expected to be enacted operationally through the mechanism of Directions by the Local Authorities and NHS Ayrshire and Arran during 2024/25.

Work to rebalance the financial risk between the Health Board and Integration Joint Boards is ongoing

86. NHS Ayrshire and Arran currently meet the increased costs of energy, e-health and all drugs (including primary care prescribing). The integration scheme sets out the position in relation to primary care prescribing, however the scheme also requires that in relation to the set aside budget, the Integration Joint Boards should contribute financially if they are responsible for increased use and risk sharing in these areas.

87. In 2022/23 we reported that work was ongoing to change the balance of the financial risk between the Ayrshire and Arran Health Board and the Integration Joint Boards in relation to primary care prescribing and overspends. Primary care prescribing budgets are currently delegated to IJBs within each local authority area in Scotland. One example where Ayrshire differs from the rest of Scotland is in relation to the risk management of over or underspends against the primary care prescribing budget. This is currently managed by the Health Board which meets the cost of overspends or retain underspends, whereas in other local authority areas the IJBs manage this risk.

88. During 2023/24, a Task Group relating to Primary Care Prescribing and led by the Health Board's Director of Finance, agreed in principle that whilst IJBs should hold full responsibility for Primary Care Prescribing, a prudent approach would be to undertake a period of learning to enable chief officers and funding partners to fully understand the implications of such a decision.

Governance arrangements are appropriate and operating effectively

89. There continues to be an increasing focus on demonstrating the best use of public money. Openness and transparency in how a body operates and makes decisions is key to supporting understanding and scrutiny. Transparency means that the public has access to understandable, relevant, and timely information about how the body is taking decisions and using resources.

90. For 2023/24 the IJB held its meetings in person. The meeting papers and minutes are available on the IJB's website. All Performance and Audit Committee meetings continued to be held remotely.

91. We consider that governance arrangements are appropriate and generally support effective scrutiny, challenge and decision-making.

4. Use of resources to improve outcomes

The IJB needs to make best use of its resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

Main Judgements

Performance management arrangements are effective with indicators and targets kept under review. These arrangements contribute to the IJB's Best Value duty.

Performance in relation to national measures shows an overall improving position but challenges remain with delayed transfers of care.

Performance management arrangements are effective with indicators and targets kept under review. These arrangements contribute to the IJB's Best Value duty.

92. 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.

93. We have not undertaken any specific Best Value work in 2023/24. However, based on our findings in this report, we consider that the IJB has arrangements in place to secure Best Value. This is evidenced through:

- a clear strategy (Strategic Plan 2022-30) and performance reporting, including its framework for continuous improvement.
- established governance and decision-making arrangements.
- recognition that strategic priorities must be delivered within the financial and workforce resources available.

94. 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.

95. The Annual Performance Report 2023/24 was presented to the IJB in August 2024. The report is informative and transparent. It details in a balanced way the IJB's performance in the year, including its financial performance. It also includes a section on Best Value, including details of recent independent inspection report findings and the IJB's response.

96. The IJB has effective arrangements in place for managing and reviewing performance.

Performance in relation to national measures shows some improvements but challenges remain in relation to delayed discharges

97. There are 16 local indicators used for performance reporting by the IJB, however for comparability when assessing the performance of the IJB, we have considered the Ministerial Strategic Group for Health and Community Care (MSGHCC) measures that are used to track performance in Integration Authorities. [Exhibit 5](#) sets out the IJB's results against these measures for 2023/24.

Exhibit 5

National performance measures (age 18+)

Measures	23/24 performance	Improving from 22/23
Emergency admissions	7.3% increase	No
Unplanned bed days (acute)	2.6% decrease	Yes
Delayed transfers of care bed days (all)	3.6% decrease	Yes

Source: North Ayrshire IJB - Annual Performance Report 2023-24

98. Performance in relation to the national measures shown above highlights both areas of improvement and areas of declining performance, with a decrease in delayed discharges bed days. The IJB and its partners are committed to continuing to improve this position going forward.

99. The [Integration Joint Boards: Finance and Performance 2024](#) puts North Ayrshire IJB's performance into context. It uses the 23 National Health and Wellbeing Outcomes indicators. North Ayrshire scores below the Scottish average in a number of areas.

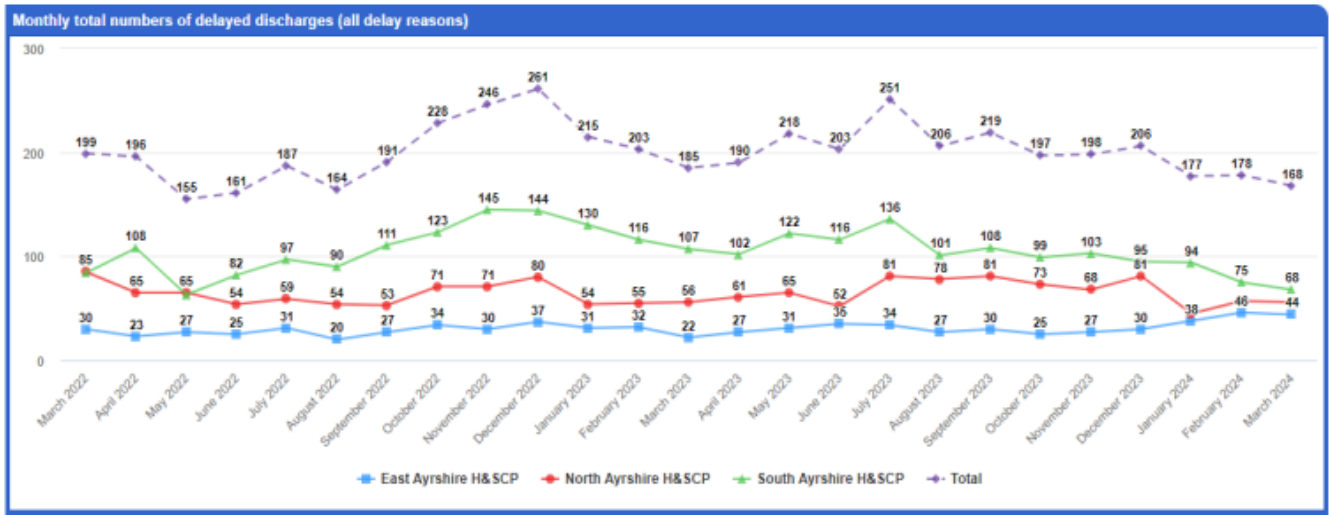
The IJB is still experiencing challenges with delayed transfers of care but is working to address the issue

100. Monthly delayed Discharge Occupied Bed Days (OBDs) for all delay reasons (see [Exhibit 6](#)) fell in North Ayrshire overall during 2023/24, however

they rose towards the end of the reporting year to 44. This was still the third lowest month in the past two reporting years.

101. The national target is for no non-complex delays over 2 weeks, however in March 2024 there were 19 such delays within North Ayrshire HSCP an increase from 15 at February 2024.

Exhibit 6
Number of bed days occupied by delayed transfers of care (all reasons)



Source: NHS Ayrshire and Arran

102. Work is ongoing between the health board and the IJB’s around improving performance in this area.

Appendix 1. Action Plan

2023/24 Audit Scotland recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Financial management</p> <p>Financial monitoring report projections during the year varied significantly from actual outturn.</p> <p>Risk</p> <p>Financial forecasts may not provide sufficient information to allow members to review financial performance and make informed decisions.</p>	<p>Financial projections should be based on clear evidence and realistic assumptions.</p> <p>Paragraph 32</p>	<p>The projection for Care at Home costs in 2023/24 was understated due to an error in the forecasting template. This was explained to the IJB at the June meeting and has been rectified for 2024/25.</p> <p>Officer</p> <p>Head of Service (Finance and Transformation)</p> <p>Target Date</p> <p>Complete.</p>
<p>2. Unidentified savings</p> <p>At the end of Month 4 (July 2024), the IJB reported a projected year-end overspend of £6.697m. Identified financial improvement actions amount to £3.702m, A further £2.995m of financial recovery improvement actions still require to be identified.</p> <p>Risk</p> <p>The IJB may be unable to deliver on the its strategic priorities. The current position also poses a financial risk to both North Ayrshire Council and NHS Ayrshire and Arran.</p>	<p>The IJB should ensure that savings plans are developed as a matter of urgency, identifying how the required £2.995 million of financial recovery improvement actions in 2024/25 will be achieved.</p> <p>Paragraph 46</p>	<p>Accepted</p> <p>Action</p> <p>Work has been ongoing since June to develop the financial recovery plan which already sets out over £5m of in-year savings and this will continue for the remainder of the financial year. The Finance Working Group has been put in place to oversee financial planning.</p> <p>Officer</p> <p>Head of Service (Finance and Transformation)</p> <p>Target Date</p> <p>31st March 2025.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>3. Uncommitted reserves The IJB Reserves Strategy recommends that the IJB will aspire to hold between 2 and 4% of its annual budgeted expenditure as an uncommitted reserve. The uncommitted reserve balance at 31 March 2024 was £0.357 million (representing only 0.1% of the IJB'S 2024/25 budget) and therefore does not meet the lower target. In addition, uncommitted reserves are forecast to be depleted by 31 March 2025.</p> <p>Risk Without an uncommitted or contingency element in reserves, the IJB may not be able to meet unexpected events or emergencies without impacting on planned service delivery or earmarked development.</p>	<p>The IJB must urgently map a clear route to bring uncommitted reserves back up to the minimum level.</p> <p>Paragraph 54</p>	<p>Accepted</p> <p>Action It is acknowledged that uncommitted reserves require to be restored to the minimum recommended level. However, in the short-term, service pressures mean that this would not be achievable without implementing further reductions in service delivery that would impact on the levels of care provided and increase the levels of risk for service users.</p> <p>Officer Head of Service (Finance and Transformation).</p>

Follow-up of 2022/23 recommendations

Issue/Recommendation	Update on agreed management action / timing
<p>b/f 1. Debtor balances due from partners A variance of £0.936 million exists between total IJB reserves (£17.664 million) and debtor balances due from partners audited accounts (£16.728 million). The difference relates to a prior year balance which the IJB have incorrectly recorded as a North Ayrshire Council debtor balance.</p> <p>Recommendation: The board has decided not to adjust the 2022/23</p>	<p>Complete The year end debtors/creditors balances agree with partners' audited accounts.</p>

Issue/Recommendation	Update on agreed management action / timing
<p>accounts in relation to balances due from partner bodies. While we are satisfied this has not resulted in a material misstatement, we recommend that the board review its approach to the calculation of these debtors.</p>	
<p>b/f 2. Transformation Plan</p> <p>The IJB needs to be clearer about how the ongoing improvement activity makes a difference to the outcomes the IJB and its partners want to achieve.</p> <p>Recommendation: The IJB and its partners need to clearly set out what achieving its intended outcomes looks like in the short, medium and longer term.</p>	<p>Ongoing</p> <p>The refreshed Transformation Plan includes timescales and is being overseen by the IJB's Transformation Board. We will continue to monitor the progress of transformation at the IJB as part of our 2024/25 audit.</p>

North Ayrshire Integration Joint Board

2023/24 Annual Audit Report

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