



Clackmannanshire & Stirling Integration Joint Board

**Final report to the Audit & Risk Committee, the IJB and the Controller of the Audit on
the 2023/24 audit**

Issued on 13 September for the meeting on the 18 September

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Partner introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our final report to the Audit & Risk Committee (“the Committee”) of Clackmannanshire & Stirling Integration Joint Board (“the IJB”) for the 2023/24 audit. The report summarises our findings and conclusions in relation to the audit of the Annual Accounts and the wider scope requirements, the scope of which was set out within our planning report presented to the Committee in February 2024.

I would like to draw your attention to the key messages of this paper:

Conclusions from our testing

Based on our audit work completed to date, we expect to issue an unmodified audit report.

The Management Commentary and Annual Governance Statement comply with the statutory guidance and proper practice and are consistent with the Annual Accounts and our knowledge of the IJB. We provided management with comments and suggested changes based on review of the first draft and an update has been received confirming compliance.

The auditable parts of the Remuneration report have been prepared in accordance with the relevant regulation.

A summary of our work on the significant risks is provided in the dashboard on page [10](#).

No material errors have been identified to date and there are no uncorrected misstatements. No corrected misstatements in excess of our reporting threshold of £196,000 have been identified up to the date of this report which is included within the Appendix to this report.

Partner introduction (continued)

The key messages in this report (continued)

Status of the Annual Accounts audit

Outstanding matters to conclude the audit include:

- Queries following the stages of review;
- Receipt of final Annual Accounts;
- Internal Quality Procedures
- Receipt of signed management representation letter; and
- Our review of events since 31 March 2024.

Conclusions from wider scope audit work

Financial management – The IJB has effective budget setting and monitoring arrangements in place. However, the reliance of residual COVID-19 funding, and the utilisation of reserves is unsustainable. Variances are clearly monitored and reported throughout the year.

Financial sustainability – The IJB has achieved financial balance in 2023/24 and has set a balanced budget for 2024/25 which will deplete general reserves to nil, falling below the minimum required level as per their Reserves Policy. Significant and urgent action is required as currently, the IJB is not financially sustainable.

Vision, leadership and governance – The IJB has a clear vision, as set out within its Strategic Commissioning Plan.

The Constituent authorities have not carried out a formal review of the Integration Scheme including issuance of a revised Integration Scheme. This is planned for Q4 2024. It is important that this is progressed to ensure the Constituent authorities works towards issuance of a revised integration scheme which is currently in progress. The integration governance arrangements are also being reviewed alongside this.

The IJB demonstrates strong governance practices. Notably, the Audit & Risk Committee completed its Annual Assurance Statement and CIPFA Audit Committee Self-Assessment of Good Practice during the year. Additionally, a revised Risk Management Strategy, incorporating risk appetite and tolerance, was approved.

The IJB's approach to openness and transparency is in line with best practice, with both minutes and papers being published, along with plans and performance information.

Partner introduction (continued)

The key messages in this report (continued)

Conclusions from wider scope audit work (Continued)

Use of resources to improve outcomes – The IJB’s performance management framework is being further developed following the approval of the new Strategic Commissioning Plan. This work aims to develop ways to demonstrate improved outcomes for citizens, best value for the use of public money, and evidence of progress in relation to the agreed Strategic Plan Priorities. These plans are a positive step, and we will monitor the progress with this as part of our ongoing audit appointment.

The current format of reporting provides a lot of detail on work being carried out, but would benefit from a scorecard approach, providing a summary upfront to clearly identify where services are performing well, and those that are declining or below target which require additional scrutiny and challenge by the Board.

Best value - The IJB has sufficient arrangements in place to secure best value and has a clear understanding of areas which require further development. Significant work is still required to make the level of lasting long-term transformational change needed to ensure financial sustainability. This is linked with the revised integration scheme and governance arrangements.

Next steps

An agreed Action Plan is included from page [52](#) of this report, including a follow-up of progress against prior year actions.

It is important that realistic target dates are set, and closely monitored to ensure that actions are taken as agreed.

Added value

Our aim is to add value to the IJB by providing insight into, and offering foresight on, financial sustainability, risk and performance by identifying areas for improvement and recommending and encouraging good practice. In so doing, we aim to help the IJB promote improved standards of governance, better management and decision making, and more effective use of resources. This is provided throughout the report.

We have also included our “sector developments” on pages [43-50](#) where we have shared our research and informed perspective and best practice from our work across the wider public sector that are specifically relevant to the Local Government.

Pat Kenny
Lead Audit Partner

Annual Accounts Audit







Quality indicators

Impact on the execution of our audit



Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit.

This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

Area	Grading	Reason	Further detail
Timing of key accounting judgements		The timing of providing details for the key accounting estimates was in line with the set timetable provided.	N/A
Adherence to deliverables timetable		Over 22% of deliverables were not provided in accordance with the agreed timeline. This was in part due to delay in the IJB obtaining relevant supporting evidence from the constituent authorities and led to a delay in the audit, with testing being split between two separate months.	Page 13
Access to finance team and other key personnel		We had very good access to the finance team of the IJB during our audit work. However, as the underlying data is held by the constituent authorities, there was a need to also access their respective finance teams. There were some delays in getting access to the relevant staff within the constituent authorities.	N/A
Quality and accuracy of management accounting papers	N/A	There have been no management papers that have been required to be produced for the audit.	N/A
Quality of draft Annual Accounts		The initial version of the draft Annual Accounts was of appropriate quality. We identified disclosure recommendations. We are yet to review management's response.	N/A

Quality indicators (continued)

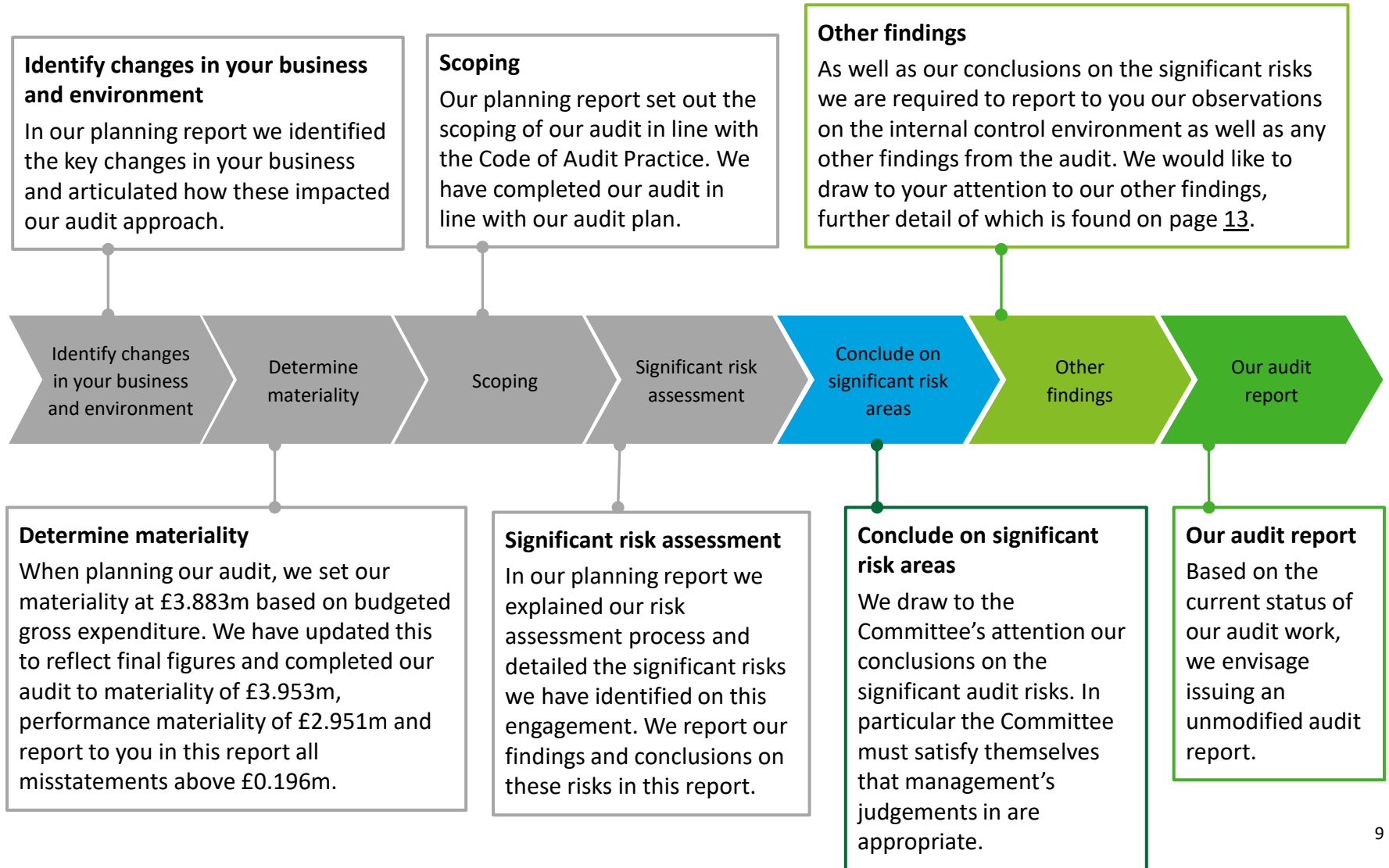
Impact on the execution of our audit

Area	Grading	Reason	Further detail
Response to control deficiencies identified		The control deficiencies identified during our audit are explained on slide 13.	N/A
Volume and magnitude of identified errors		We have not discovered any errors during our audit.	N/A

 Lagging  Developing  Mature




Our audit explained

We tailor our audit to your business and your strategy



Significant risks




Significant risk dashboard

Risk	Fraud risk	Planned approach to controls	Controls conclusion	Consistency of judgements with Deloitte's expectations
Management override of controls			Satisfactory	

Controls approach adopted

 Assess design & implementation

Consistency of judgements with Deloitte's expectations

-  Consistent
-  Improvement required
-  Inconsistent

Significant risks (continued)

Management override of controls

Risk identified

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Although management is responsible for safeguarding the assets of the entity, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the Annual Accounts and accounting records.

Deloitte response and challenge

In considering the risk of management override, we have performed the following audit procedures that directly address this risk:

Journals

- We have tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the Annual Accounts. In designing and performing audit procedures for such tests, we have:
- Tested the design and implementation of controls over journal entry processing;
- 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;
- Selected journal entries and other adjustments made at the end of a reporting period; and
- Considered the need to test journal entries and other adjustments throughout the period.

Accounting estimates and judgements.

We have reviewed accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud. In performing this review, we have:

- Evaluated whether the judgments and decisions made by management in making the accounting estimates included in the Annual Accounts, even if they are individually reasonable, indicate a possible bias on the part of the entity's management that may represent a risk of material misstatement due to fraud. From our testing we did not identify any indications of bias. A summary of the key estimates and judgements considered is provided on the next page; and.
- Performed a retrospective review of management judgements and assumptions related to significant accounting estimates reflected in the Annual Accounts of the prior year.

Significant and unusual transactions

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

Deloitte view

We have not identified any instances of management override of controls from our testing to date.

Significant risks (continued)




Management override of controls (continued)

Key estimates and judgements The key estimates and judgements in the Annual Accounts includes areas which management inherently has the potential to use their judgement to influence the Annual Accounts. As part of our work on this risk, we reviewed and challenge management's key estimate below:

Estimate / judgement	Details of management's position	Deloitte Challenge and conclusions
Set Aside Budget for Large Hospitals	<p>For financial year 2023/24, the sum included within the accounts in relation to the Set-Aside budget for Large Hospital Services reflects the budget allocated rather than the actual cost of hospital activity.</p> <p>Systems are being developed to accurately provide this information in future financial years. Development of these arrangements continues to be impacted by the pandemic but is ongoing.</p> <p>In terms of risk of misstatement, a 10% shift in activity would equate to an estimated £3.6m in costs which would, in turn, be matched by additional income from NHS Forth Valley.</p>	<p>We have reviewed the evidence and concluded that the rational provided is reasonable and that the accounting treatment of the set aside budget is appropriate.</p>

Your control environment and findings

Control deficiencies and areas for management focus

-  Low priority
-  Medium Priority
-  High Priority

Observation	Deloitte recommendation	Management response and remediation plan
<p>Although we were provided with appropriate supporting documentation to complete our audit testing, there were challenges in obtaining trial balances, listings, and evidence from the relevant constituent authorities in a timely manner.</p> <p>While the IJB finance staff are responsible for preparing the IJB Annual Accounts, they are reliant on information being provided by the constituent authorities. This caused a delay in completing the audit.</p>	<p>The IJB and constituent authorities finance teams should agree a clear timeline and list of deliverables for preparing the Annual Accounts and preparing for the audit.</p> <p>This would allow a more streamlined audit and ensure reporting timelines are met.</p>	<p>See action plan at page 52 for management response.</p>
<p>An amount of £835k of costs incurred by Stirling Council related to Housing Aids & Adaptions. This cost is an allocation of the total costs and the amount is the original agreed HSCP in scope amount from the housing budget at the inception of the IJB based upon 3 budget and actuals from the 3 years prior.</p> <p>This has then remained at the same value ever since.</p>	<p>Since this point agreement of the Housing Aids & Adaptions is not clear for the IJB, processes relating to this should become clearer.</p> <p>This should be within Stirling Council's Revenue Budget paper for future financial years and the IJB should include a section within future IJB Revenue Budget papers providing deeper clarification and an enhanced audit trail.</p>	<p>See action plan at page 52 for management response.</p>

Other significant findings

Financial reporting findings

Below are the findings from our audit surrounding your financial reporting process.

Qualitative aspects of your accounting practices:

The IJB's Annual Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting (the "Code"). Following our audit work, we are satisfied that the accounting policies are appropriate.

Liaison with internal audit

The audit team, has completed an assessment of the independence and competence of the internal audit department and reviewed their work and findings. In response to the significant risk identified, no reliance was placed on the work of internal audit and we performed all work ourselves.

Significant matters discussed with management:

The Constituent Authorities are currently working on issuing a revised integration scheme which has been delayed. This is discussed further at page [34](#).

We will obtain written representations from the IJB on matters material to the Annual Accounts when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representations letter has been circulated separately.

Our audit report

Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.



Our opinion on the Annual Accounts

Our opinion on the financial statements is expected to be unmodified.



Going concern

We have not identified a material uncertainty related to going concern and will report that we concur with management's use of the going concern basis of accounting.

Practice Note 10 provides guidance on applying ISA (UK) 570 Going Concern to the audit of public sector bodies. The anticipated continued provision of the service is more relevant to the assessment that the continued existence of a particular body.



Emphasis of matter and other matter paragraphs

There are no matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in any other matter paragraph.



Other reporting responsibilities

The Annual Accounts is reviewed in its entirety for material consistency with the Annual Accounts and the audit work performance and to ensure that they are fair, balanced and reasonable.

Our opinion on matters prescribed by the Controller of the Audit are discussed further on page [16](#).

Your Annual Accounts

We are required to provide an opinion on the auditable parts of the Remuneration report, the Annual Governance Statement and whether the Management Commentary is consistent with the disclosures in the accounts.

	Requirement	Deloitte response
Management Commentary	The report outlines the IJB's performance, both financial and non-financial. It also sets out the key risks and uncertainties faced by the IJB.	<p>We have assessed whether the Management Commentary has been prepared in accordance with the statutory guidance.</p> <p>We have also read the Management Commentary and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading.</p> <p>Following updates made as agreed during the audit, we are satisfied that the Management Commentary has been prepared in accordance with guidance, is consistent with our knowledge and is not otherwise misleading.</p>
The Remuneration Report	The remuneration report has been prepared in accordance with the 2014 Regulations, disclosing the remuneration and pension benefits of Senior Employees of the IJB.	We have audited the disclosures of remuneration and pension benefits, pay bands, and we can confirm that they have been properly prepared in accordance with the regulations.
The Annual Governance Statement	The Annual Governance Statement reports that the IJB's governance arrangements provide assurance, are adequate and are operating effectively.	<p>We have assessed whether the information given in the Annual Governance Statement is consistent with the Annual Accounts and has been prepared in accordance with the Delivering Good Governance in Local Government Framework.</p> <p>Following updates made as agreed during the audit for minor improvements we can conclude that the Annual Governance Statement is consistent with the Annual Accounts, our knowledge and the accounts regulations.</p>

Our approach to quality

FRC 2023/24 Audit Quality Inspection and Supervision report

Audit quality shapes our vision of the business we want to be, driving our priorities and defining our successes.

In July 2024, the Financial Reporting Council ("FRC") issued individual reports on each of the six largest firms, including Deloitte on Audit Quality Inspection and Supervision, providing a summary of the findings of its Audit Quality Review ("AQR") team for the 2023/24 cycle of reviews. We value the observations raised by both the FRC Supervision teams and the ICAEW Quality Assurance Department ("QAD"), both in identifying areas for improvement and also the ongoing focus on sharing good practice to drive further and continuous improvement.

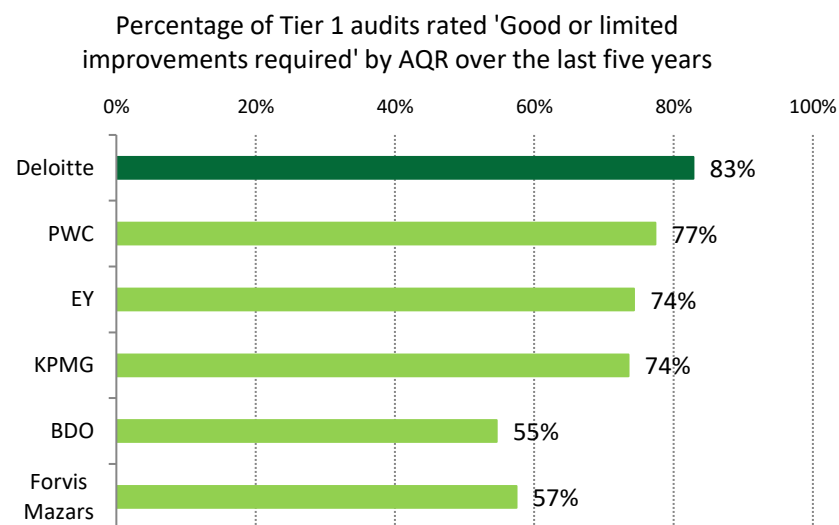
We are proud that the results of our FRC inspections show that 94% (2022/23: 82%) of our public interest audits were rated as 'good' or 'limited improvements' and that 100% (2023: 100%) of our audits reviewed by the ICAEW's QAD were assessed as good or generally acceptable.

These sets of results reflect the continuous investment we are making and our commitment to acting in the public interest to deliver confidence and trust in business through our high-quality audits. We recognise we still have more we want to do to ensure that we consistently meet the high standards we expect of ourselves. We take inspection, system of quality management ("SoQM") and supervision focus areas seriously and place a significant level of resource and effort into understanding how we continually improve going forward.

We are pleased to see the positive impact of actions taken over the last 12 months to address findings raised by the FRC. We have a reduction in the number of key findings and none of the AQR findings from the 22/23 inspection cycle have recurred as key findings in this year's cycle.

We welcome the breadth and depth of good practice points raised by the FRC and ICAEW, particularly in respect of effective group oversight, contract accounting and the challenge of management, where we have continued to take action to support the high-quality execution of audit work.

All the AQR public reports are available on the [FRC's website](#).



Our approach to quality

FRC 2023/24 Audit Quality Inspection and Supervision report - overall comments

The boxes below detail the FRC's overall comments and Deloitte responses as published in the overview page of the 23/24 public report.

The AQR's 2023/24 Audit Quality Inspection and Supervision Report on Deloitte LLP:

"Deloitte has continued to respond positively to and has made good progress on actions to address our previous findings. This has resulted in improvements which are reflected across the audit inspections."

"The percentage of audits inspected by the FRC requiring no more than limited improvements was 94%, which shows a continued improvement on the prior year. The equivalent results for FTSE 350 audits inspected was 100%. One of the audits we inspected was found to require significant improvements. The findings that contributed most to this year's inspection results related to the audit of impairment assessments. We have previously identified key findings and examples of good practice in this audit area. The firm should review the effectiveness of its actions to ensure greater consistency."

The overall results profile for inspections by the ICAEW was 100% classified as good or generally acceptable. The firm's internal quality monitoring results show a year-on-year improvement."

Deloitte response to Audit Quality Inspection key findings

"We are pleased to see the positive impact of actions taken over the last 12 months to address findings raised by the FRC. We have a reduction in the number of key findings and none of the AQR findings from the 22/23 inspection cycle have recurred as key findings in this year's cycle."

The following page sets out our response to key findings in relation to the 23/24 cycle.

Review of the firm's system of quality management (SoQM):

"Deloitte has implemented ISQM (UK) 1, including monitoring and remediation processes, and completed its first annual evaluation of its SoQM. Deloitte has invested considerable effort into implementing its new system. The firm has already begun the iterative process of improving and refining it, including in response to our feedback. The firm needs to strengthen aspects of its SoQM, including certain elements of monitoring processes, and enhance its evidencing of its SoQM, especially its monitoring and annual evaluation processes."

Deloitte response to review of SoQM

"Audit quality is always front and centre and we believe that an effective SoQM is crucial for its delivery. ISQM (UK) 1 implementation facilitated a critical assessment and enhancement of our existing SoQM. On 31 May 2023, we were pleased to be able to issue our first conclusion on the effectiveness of our SoQM, being satisfied that our SoQM provides the firm with reasonable assurance that the objectives of ISQM (UK) 1 are being achieved. We have valued the independent review performed by the FRC, and the further objective insights this has brought. We have already taken action to address the matters raised by the FRC, improving the evidencing of the rigour of our responses in areas of judgement and working to standardise the capture of risks and responses. The environment in which we operate continues to evolve, and we remain focussed on identifying and investing in the changes required to keep our SQM effective."

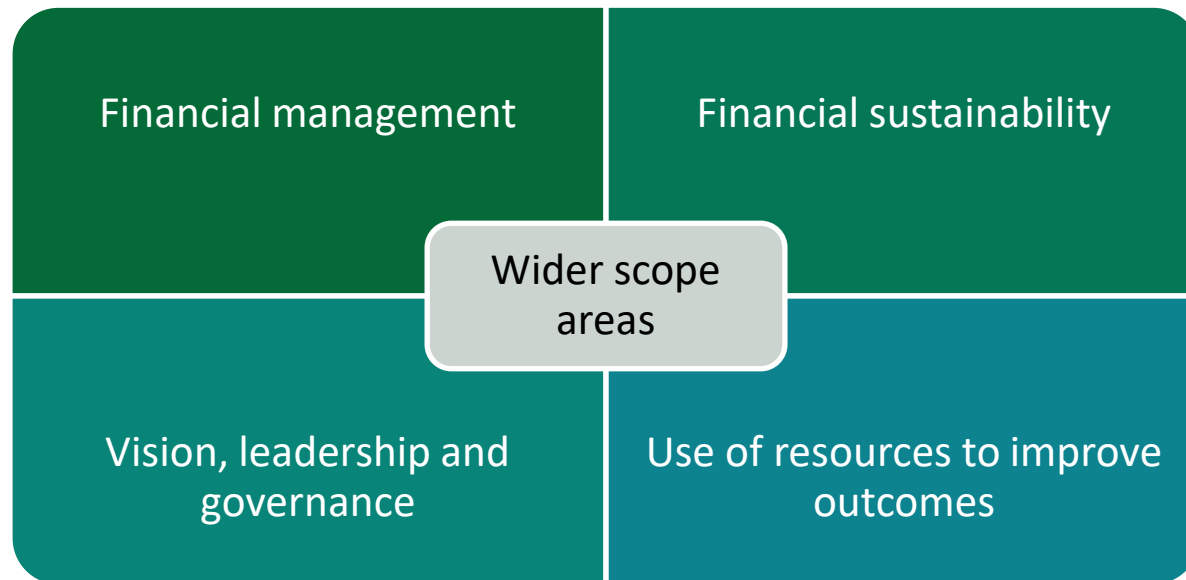
Wider scope audit



3.1 Wider scope requirements

Overview

As set out in our audit plan, reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks in the following areas.



Our audit work has considered how the IJB is addressing these and our conclusions are set out within this report, with the report structured in accordance with the four dimensions. Our responsibilities in relation to Best Value ('BV') have all been incorporated into this audit work.

Wider scope requirements (continued)

Financial management

Is there sufficient financial capacity?



Is there sound budgetary processes in place?



Is the control environment and internal controls operating effectively?



Financial Management

Significant risks identified in Audit Plan

We did not identify any significant risks in relation to financial management during our planning work. We therefore restricted our audit work to reviewing the budget monitoring to the Board during the year to assess whether financial management and budget setting has continued to be effective.

Current year financial performance

The 2023/24 budget of £243.670m, including set aside, was approved by the IJB in March 2023. The budget has been updated throughout the year to include in-year movements and the final outturn position is a net overspend of £6.597m, as summarised below.

	Approved budget (March 2023) £m	Final Budget (March 2024) £m	Final Outturn (March 2024) £m	(Under)/over spend £m
Set Aside	29.217	36.595	40.576	3.981
Integrated Budget	214.453	237.301	239.917	2.616
Total	243.67	273.896	280.493	6.597

Financial balance was achieved, but only through utilisation of £2.616m of reserves approved by the Chair and Vice Chair in line with the delegated authority, agreed in May 2024. This allowed the general reserve to be reduced to its minimum of £2.6m, as per the Reserves Policy.

Wider scope requirements (continued)

Financial management (continued)

Current year financial performance (continued)

The net overspend is a combination of:

- A £3.981m overspend on the Set Aside budget for large hospital services due to costs of contingency beds, associated staffing for these beds, and other workforce costs including increased use of temporary workforce solutions. Similarly to the £3.511m overspend on the Set Aside budget in 2022/23, this overspend is being funded by NHS Forth Valley.
- There was also a £2.616m overspend on the integrated budget with the most material element of overspend being prescribing costs. These are costs associated with drugs and other therapeutics prescribed in Primary Care by GPs and other primary care prescribers. A £5.017m variance between budget and expenditure highlights that this should be a key area of focus for the IJB for future savings plans and cost reduction programmes.

The deployment of £5.14m of residual COVID-19 funding as agreed between the Scottish Government and the IJB in November 2023 highlights significant non-recurrent support from reserves which is deeply concerning. More sustainable solutions must ensue.

Furthermore, as a result of the level of risk associated with the revenue budget, the financial resilience risk scoring within the IJB's risk register was increased to the highest possible level. Total reserves as at 31 March 2024 equate to £9.863m. This is comprised of the £2.6m general reserves as mentioned above, and a further £7.263m of Other Earmarked reserves.

Wider scope requirements (continued)

Financial management (continued)

Financial Reporting

The Partnership Senior Management Team (SMT), the Finance and Performance Committee (FPC) and the Board regularly review progress against the budget throughout the year with quarterly reporting to the Board. From review of the reporting throughout the year, variances are reported and explained along with the key risks faced.

In our 2022/23 audit, we suggested potential improvements to the reporting format. This would be achieved by incorporating a clear reconciliation from the original approved budget to the revised budget updated during the year and clearer analysis on the progress with the approved use of reserves and projected position on earmarked balances. Deloitte are pleased that the reconciliation from the initial budget has now been incorporated into finance reports, specifically the February FPC report and the March IJB report. Reserves usage analysis is now provided, alongside sought approval where reserves are being used. We encourage this analysis to continue given the current reliance on reserves.

Deloitte also suggested a RAG rating against the savings plan to show the likelihood of savings being achieved, and where there are risks of non-achievement, setting out the implications (for both current and future years). Whilst a RAG Rating has been implemented, further analysis relating to risks of non-achievement and illustration of current/future implications are lacking and this should be progressed to further develop and improve the integrated financial reporting.

Due to the IJB being the only IJB in Scotland to have three partner bodies, there are unique challenges relating to the collation of financial reporting information. Consolidation of three different ledger systems proves inefficient at times, as evident in the timeliness of audit deliverables as noted within this paper.

Wider scope requirements (continued)

Financial management (continued)

Savings Plans

The IJB set a budget incorporating ambitious savings and efficiency programme, proposing planned savings of £4.392m in relation to the integrated budget. The year end final outturn position reported to the Board on 19 June 2024 highlighted that a £2.116m (48%) of savings had been achieved.

Strategic savings through prescribing in relation to the Medicines Optimisation Programme had been underachieved by £1.033m due to a delay in recruitment and prescribing information which thereby impacted reporting. The under achievement in 2023/24 was factored into savings plans for 2024/25.

The significant risk to delivery of the required medicine savings whilst maintaining service safety, meeting statutory requirements and delivering partnership performance is a significant risk for the IJB and is noted in the Savings & Efficiency Programme's Risk Assessment.

Although difficult given the financial pressures and environment the IJB operates sound operational management is crucial to ensure savings plans are delivered.

Finance capacity

The finance team has remained consistent throughout the year. The IJB finance team is reliant on support from the three partner bodies finance teams to provide information to support the financial management of the IJB, and to discharge their duties.

As is the case across the public sector, finance teams are increasingly being stretched with additional reporting pressures. While this has not directly impacted the financial management of the IJB, this is an area that should be closely monitored.

Standards of conduct for prevention and detection of fraud and error

We have assessed the IJB's arrangements for the prevention and detection of fraud and irregularities. This has included specific considerations in response to the Audit Scotland's publication "Fraud and Irregularities 2022/23". The IJB places reliance on the internal control systems of NHS Forth Valley, Clackmannanshire Council, and Stirling Council and through our audits of these bodies, we have concluded that they have appropriate arrangements for the prevention and detection of fraud. Additionally, we assessed each partner body's engagement in the National Fraud Initiative 2022/23. We concluded that all were fully engaged in the exercise.

Wider scope requirements (continued)

Financial management (continued)

Internal controls and internal audit

The IJB is largely reliant on the internal control arrangements within the respective partner bodies. In accordance with the agreement with the three partners, from 2022/23, the internal auditors have been appointed on behalf of Clackmannanshire Council.

We have assessed the internal audit function, including its nature, organisational status and activities performed. We have reviewed all internal audit reports published throughout 2023/24. The conclusions have helped inform our audit work, although no specific reliance has been placed on this work.

The 2023/24 Internal Audit Plan was approved by the ARC in June 2023 and comprised five assignments for the year, covering 60 audit days. Detailed reports are provided to the Committee for each project. The approval of the plan in June 2023 is not in line with best practice as the plan should be approved in March 2023, prior to the start of the financial year in April 2023. Similar to the prior year, the 2024/25 Internal Audit Plan was approved by the ARC in June 2024.

An Internal Audit Joint Working Protocol has also been agreed by the Internal Auditors of the partner bodies to allow the sharing of reports to provide additional assurance to the IJB. These should then be passed to the ARC and actioned appropriately.

Deloitte view – financial management

The IJB continues to have effective financial planning and management arrangements in place. The reliance of residual COVID-19 funding, and the utilisation of reserves is not sustainable. Variances are clearly monitored and reported throughout the year.

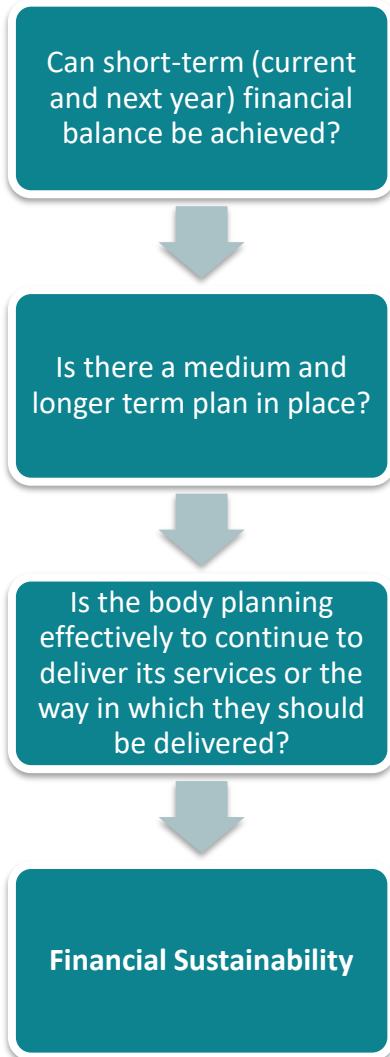
The IJB continues to have effective budget setting and monitoring arrangements in place. We recommend that the points within page 23 are considered as part of ongoing work to improve the financial reporting process.

The savings targets set by the IJB have increased in comparison with previous years, reflecting the financial challenges faced by the Board and need to continually deliver recurring reductions in costs. Progress against savings targets is monitored regularly at Board level as part of the finance reports.

The IJB has comprehensive financial regulations in place to support its internal control arrangements. The robust Internal Audit function has independent responsibility for examining, evaluating and reporting on the adequacy of internal controls. We have noted that good progress has been made by the organisation in responding to internal audit recommendations throughout the year.

Wider scope requirements (continued)

Financial sustainability



Significant risks identified in Audit Plan

In our audit plan we highlighted that there was a risk that robust medium-to-long term planning arrangements are not in place to ensure that the IJB can manage its finances sustainably and deliver services effectively. This was as a result of the following factors:

- Pressures on expenditure including public sector pay costs, inflationary pressures not being met by increased income and demand levels in excess of predicted levels.
- Indicative estimated gaps for future years beyond 2024/25 have not been finalised as the process of updating the Medium-Term Financial Plan is still ongoing.
- The projected overspend at the time of issuing the plan.

2024/25 budget setting

The IJB approved a balanced budget of £257.384m (inclusive of the estimated set side budget of £32.121m) for 2024/25 in March 2024.

In obtaining a balanced position, a budget gap of £14.041m was identified in the Integrated budget and a £6.469m gap in the Set Aside budget. This brings total financial gap in relation to the Strategic Plan budget of £20.510m, or 7.97% of total expenditure. The gap is predominately driven by recurrent overspends brought forward from 2023/24 and includes the impacts of a challenging Scottish Government budget settlement for 2024/25.

A transformation and efficiency programme for £10.094m was agreed to offset part of this gap. Key features of the programme included a £2.720m saving in relation to removal of all unfunded costs including contingency bed capacity and a £2.015m saving in relation to the Right Care Right Time programme. Other key features are £1.411m savings in relation to review and reform of Learning Disabilities, bringing service delivery in line with budget. All of these features are recurrent.

Wider scope requirements (continued)

Financial sustainability (continued)

2024/25 budget setting (continued)

The IJB must monitor and develop recurrent cost reducing options within the savings programme. Additionally, there is a requirement for further recovery plan measures as discussed in the August 2024 IJB meeting. Whilst the methods above are proficient, significant risks arise concerning the delivery of services and maintaining service safety.

The remaining balance is being funded by reserves support of £3.947m. This targeted level of savings is a significant increase to that achieved in previous years, therefore is a challenging target. In addition, the use of reserves is not sustainable. This is exacerbated by the approach resulting in a nil general reserves balance being held by the IJB at 31 March 2025, placing the IJB and the constituent authorities at significant risk. It does however give the IJB time to fully develop a more detailed medium-term plan.

2024/25 budget setting (continued)

The report to the Board in March 2024 referred to the arrangement for implementing Set Aside arrangements and noted further work was still required. This work includes developing an activity and cost model to fully comply with the legislation and guidance. This is expected to help identify where cost avoidance, through improved patient flow and bed management can be achieved.

Clackmannanshire and Stirling IJB along with NHS Forth Valley and Falkirk IJB agreed, as part of a whole system approach, on the requirement for the removal of all unfunded provision as part of 2024/25 budget setting in March 2024.

However, at this stage, the IJB has viewed the financial balance within the set aside budget as high risk given the savings requirement to balance the 2024/25 Set Aside budget is £6.469m. The risk sharing arrangements also require further discussion as part of the review of the Integration Scheme.

Wider scope requirements (continued)

Financial sustainability (continued)

2024/25 budget setting (continued)

In setting its budget, the IJB has also recognised a number of other risks including:

- Insufficient funding;
- Ongoing high inflation;
- Availability of workforce, reliance on and cost of use of temporary workforce solutions;
- Growing demand and complexity of service delivery;
- Absence of any specific COVID-19 funding support in 2023/24 and beyond, with risk that some COVID-19 driven costs continue without funding;
- Risks that the National Care Home Contract fails and wider sustainability risks in the social care provider market;
- Recurrent savings options are not identified, accepted or delivered;
- Management capacity risk to deliver strategic change; and
- Future policy decisions.

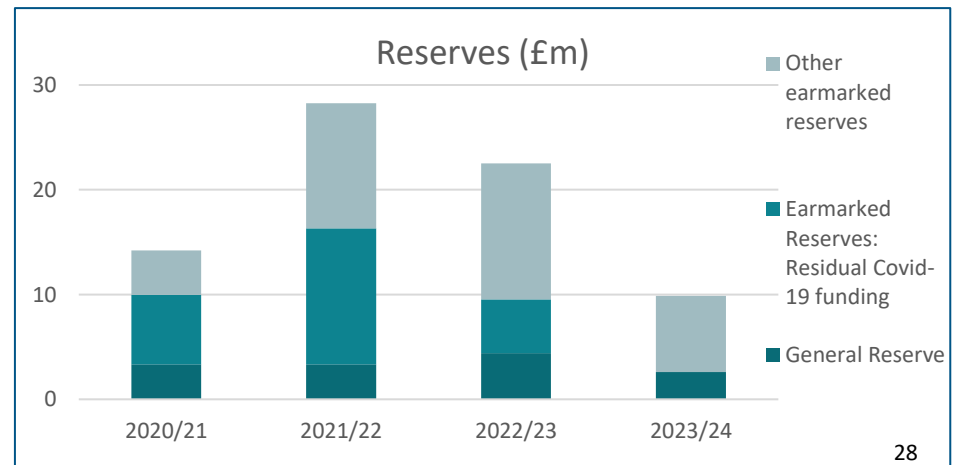
Board members were fully involved in the budget process in advance of the formal budget setting meeting. This included detailed considered at the FPC and as a change in 2023/24, a budget seminar was held, open to all members, to discuss in detail in advance of the formal budget setting meeting to ensure all were fully informed of the challenges faced.

Reserves

At the time of approval of the 2024/25 budget, the IJB had carried out its annual review of its reserves strategy in line with good practice. The reserves policy and strategy is largely unchanged from previous years, with the key element being:

- A reserves target of 2.5% of budgeted expenditure;
- A minimum general or contingency reserve level of 1% of budgeted expenditure.
- Maximum reserves level of 4%

An analysis of the reserves at the end of 2023/24 in comparison with previous years is illustrated below, with the General Reserve being 1.01% of budgeted 2024/25 expenditure, therefore in line, albeit very narrowly, within the policy.



Wider scope requirements (continued)

Financial sustainability (continued)

Reserves (continued)

As mentioned above, a balanced budget for 2024/25 has only been able to be presented by depleting IJB general reserves to nil. Additionally, most earmarked reserves are anticipated to be fully utilised during 2024/25. This therefore means the reserves funding position at 31 March 2025 will be minimal, questioning the financial sustainability of the IJB.

Subsequently, there will be no reserves available to meet any overspends that occur during 2024/25. This places significant risk to the IJB and the partner bodies as well as going against the IJB's Reserves Policy.

Services must therefore be delivered within budget, and cost reduction measures must be developed in the aim of financial sustainability. Given the current financial and operational environment, this will be challenging for the IJB.

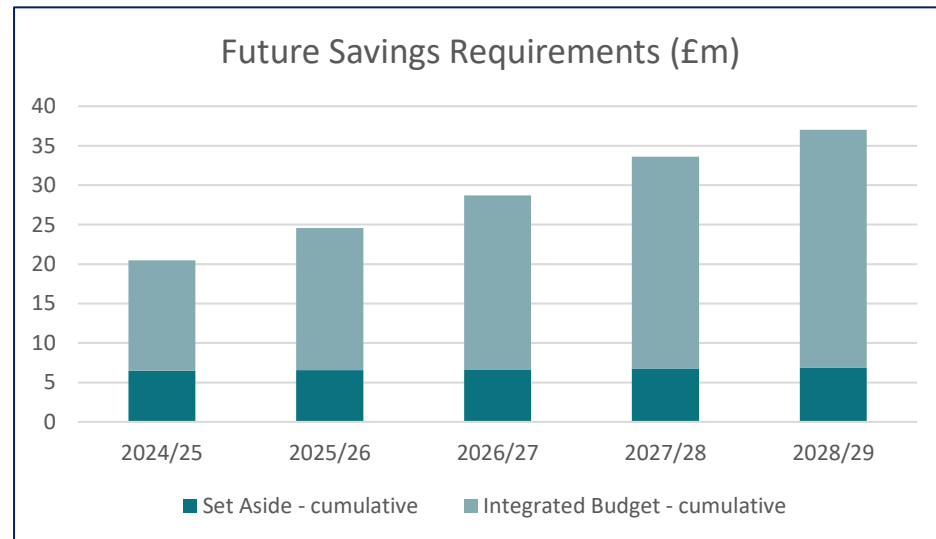
It is worth noting that this is a common theme of IJBs throughout the country; as per Audit Scotland's report on IJBs Finance and performance highlighted on page [48](#), auditors identified financial sustainability risks for 80% of IJBs as part of their 2022/23 audits, with concerns noted surrounding reliance on non-recurring savings.

While management expect reserve levels to fall to target levels by 31 March 2025 as a result of the financial risks and pressures, it is important that clear plans are developed and monitored as part of the regular financial monitoring reporting to the Board to demonstrate how these funds are being used to improve outcomes.

Medium-to-long term financial planning

As part of the 2024/25 budget papers, the IJB has set out the medium-term financial outlook over the next 5 years. This provides a very high-level view of the financial challenges facing the IJB and is aligned to the national financial planning assumptions in relation to the Health and Social Care Portfolio. Additionally, it assumes that funding will continue to be provided for increases to the Scottish Living Wage.

The cumulative savings requirements over the 5 years are illustrated at below, showing that by 2028/29, savings of £37.005m will be required.



Wider scope requirements (continued)

Financial sustainability (continued)

Medium-to-long term financial planning (continued)

Management have confirmed that there are plans in place for a more in-depth review of the Medium-Term Financial Plan later in the year. It was proposed in March 2024 that the IJB will prepare and present a more comprehensive outlook post publication of the Scottish Government's next Medium Term Financial Strategy and Medium-Term Financial Framework for Health and Social Care.

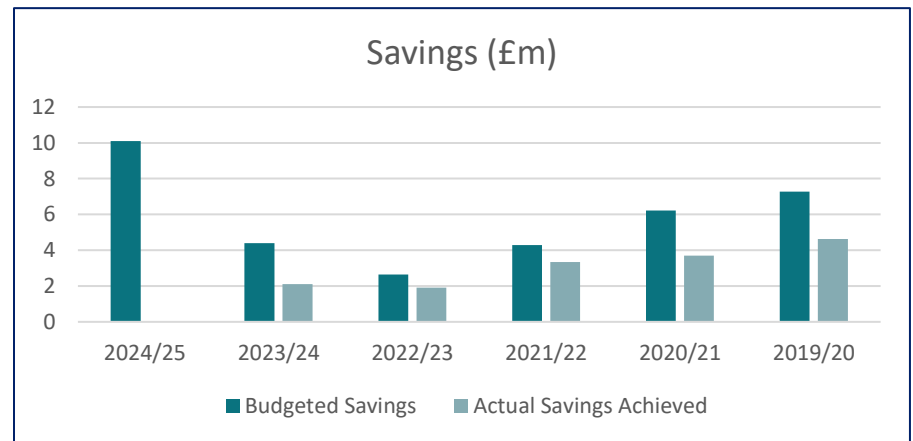
Due to the election, the former has been delayed and will be published post recess, and the latter will follow shortly after. We would therefore expect a Medium-Term Financial Plan by the end of 2024.

It is critical that this is developed, with transformation and savings plans aligned to demonstrate how financial balance is going to be achieved.

Savings and transformational change

As explained on page [26](#), the approved budget incorporates the need to make savings in both the Integrated and Set Aside Budgets.

The graph below illustrates the level of savings achieved over the last 4 years against the 2024/25 budgeted amount, demonstrating that the IJB has historically not met its savings targets, and that the 2024/25 savings target is significantly higher than that achieved in previous years.



The IJB has recognised that this is a significant challenge and work continues to identify, risk assess and deliver the required savings across 3 broad themes:

- Operational Grip and Control
- Strategic Approaches
- Policy Options

Wider scope requirements (continued)

Financial sustainability (continued)

Savings and transformational change (continued)

Management has recognised that these approaches require to be accompanied by strong delivery planning and close monitoring to ensure progress, identify and mitigate risk where possible. There is also a need to closely monitor the balance between financial and non-financial performance. To support this, an overarching delivery plan, aligned to the Strategic Commissioning Plan, Financial Plan, Transforming Care Programme and Operation Planning has been developed.

The Transformation progress meetings continue to function, reporting to the FPC and Board. This, together with the additional management capacity is expected to assist in driving a refreshed transforming care programme, aligned to the single overarching delivery plan.

The IJB agreed a transformation funding investment programme as part of the 2024/25 budget. As the IJB refreshes the programme, the deployment of funding will also require to be reviewed based on strategic alignment and evidence of impact. As at 31 March 2024, a fund of £1.571m is currently earmarked as transformation funding. The Transformation and Sustainability Programme is being reframed from 2024/25 onwards.

Several workshops have been held regarding this. Through our review of the IJB, the Finance & Performance Committee have been kept informed of developments. It is critical that this programme produces significant recurrent financial benefits.

Work is ongoing to agree reporting and monitoring arrangements. As part of the refresh of the transformation care programme, it is important that a structured approach to monitoring the transformational change is implemented to ensure that all projects are monitored, and regular reporting is provided to the Board to give assurance that both operational and financial benefits expected are on track.

Workforce planning

A key enabling activity identified within the Strategic Delivery Plan is workforce planning. One of the biggest risks faced by the IJB is the availability of workforce and the reliance on temporary staff. An Integrated Workforce Plan 2022-2025 was submitted to the Scottish Government then published in October 2022.

The IJB are developing their new 3-year review, and a reviewed draft is set to be completed by the end of 2024. We are pleased to note that the Strategic Workforce Performance Implementation Group meets quarterly. It is critical that the actions identified in the Workforce Plan are taken forward and closely monitored to support the delivery of the Strategic Commissioning Plan and ambitious programme of transforming care.

Wider scope requirements (continued)

Financial sustainability

Deloitte view – Financial sustainability

The IJB has achieved financial balance in 2023/24 and set a balanced budget for 2024/25 which will deplete general reserves to nil and falling below the minimum required level as per the Reserves Policy. The reserves position at 31 March 2025 will be minimal and the current reliance on reserves is not sustainable and against the IJB's Reserves Policy. This is deeply concerning and indicates that the IJB is not financially sustainable in the short term. Significant savings and efficiency programmes must be planned, and improved outcomes must be attained.

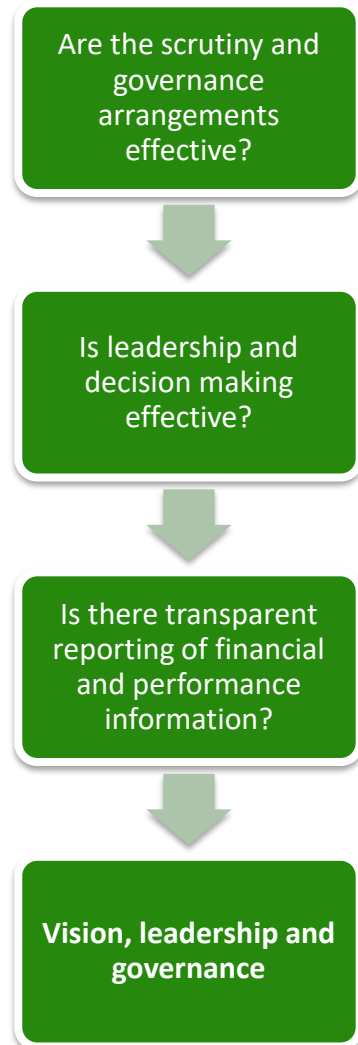
Based on the IJB's high-level assessment of its medium-term financial outlook, there are significant funding gaps over the next 4 years. Therefore, the IJB is not currently financially sustainable in the medium to longer term. It has been proposed that the IJB prepare and present a more comprehensive medium term financial outlook post publication of the Scottish Government's next Medium Term Financial Strategy and Medium-Term Financial Framework. We recommend the IJB does this as soon as viably possible due to the financial position of the body.

It is positive to see that specific focus has been given to transformational change in setting budgets, with additional capacity approved to drive forward this change. Funding has also been earmarked for transformation.

However, significant work is still required to make the level of lasting long-term transformational change needed to ensure financial sustainability. It is important that tools are developed to consistently track the benefits achieved from the transformational change to demonstrate that it is achieving the desired outcomes (both financial and non-financial).

Wider scope requirements (continued)

Vision, leadership and governance



Significant risks identified in Audit Plan

In our audit plan, we recognised that NHS Forth Valley, as a key partner of the IJB, was escalated to Stage 4 of the NHS Scotland Performance Escalation Framework in November 2022 for concerns relating to governance, leadership and culture. We therefore highlighted a significant risk in relation to the leadership, governance and culture in place, impacting on the IJB.

Vision and strategy

The IJB's previous Strategic Commissioning Plan covered the period 2019-2022. A revised Plan covering the period 2023-2033 was approved by the Board in March 2023. This followed extensive consultation and engagement with the public, partners and other stakeholders. The new plan also builds on the priorities and successes of the previous plan and will be subject to substantive review at least every 3 years to comply with legislation and statutory guidance.

The vision is clearly defined within the Plan, which has not changed in the new plan, as:

“Our Vision is to enable people in Clackmannanshire and Stirling to live full and positive lives with supportive communities”.

The plan sets out the following 5 strategic themes:

1. Prevention, early intervention and harm reduction
2. Independent living through choice and control
3. Achieving care closer to home
4. Supporting and empowering people and communities
5. Reducing loneliness and isolation

Performance against the delivery of the plan is monitored as part of the Annual Performance Reports. These reports also set out how the IJB priorities link with the National Health and Wellbeing Outcomes.

Wider scope requirements (continued)

Vision, leadership and governance (continued)

Leadership

The Partnership Senior Management Team has been led by the Chief Officer having been in post since Dec 2024, and the Chief Finance Officer, who has been in post since the inception of the IJB in 2015.

The Chair and the Vice Chair of the Board changed in April 2024 in line with the partnership agreement, which requires these positions to rotate across constituent authorities every two years. Stirling Council nominated the new Chair of the IJB, and the current Chair, became Vice Chair. The current Chair has will be step down from the position in September 2024 and the interim vice Chair is acting chair on an interim basis. Stirling Council nominated the new Chair at its meeting held on 12 September 2024.

Governance and scrutiny arrangements

Integration Scheme

The Integration Scheme is a key feature of the governance arrangements in place and sets out the legal partnership agreement between NHS Forth Valley and Clackmannanshire and Stirling Councils. The Scheme sets out the functions delegated to the IJB, under the Public Bodies (Joint Working) (Scotland) Act 2014 (the Act).

Under the requirements of the Act, local authority and NHS Boards are required to review the Integration Scheme within 5 years of the scheme being approved (i.e. by October 2020 at the latest). While an initial review was undertaken in January 2020, this has not progressed due to the pandemic, ongoing service pressures and other competing demands. There is now a Revised Integration Scheme in draft which is still to be discussed with the Chief Executives of the three partner bodies. The consultation and approval by the partner bodies is planned to be concluded by the end of 2024. This is then to be laid before the Scottish Parliament in Quarter 1 of 2025. It is important that this is progressed to ensure full compliance with the Act. Currently, the constituent authorities are therefore non-compliant with its responsibilities under its governing legislation.

NHS Forth Valley Escalation Framework

On 23 November 2022, NHS Forth Valley, a key partner of the IJB, was escalated to Stage 4 of the NHS Scotland Performance Escalation Framework for concerns relating to Governance, Leadership and Culture. Concerns were also raised in relation to a range of performance issues, including integration. Regular updates have been provided to the IJB, as part of the Chief Officer updates, on the progress with the Escalation Improvement Plan.

Wider scope requirements (continued)

Vision, leadership and governance (continued)

Governance and scrutiny arrangements (continued)

A key focus of work is to review the Ministerial Strategic Group (MSG) for Health and Community Care principles and review of the integration scheme, with the Chief Executives of each part body and the Chief Officer. This work is being supported by an externally commissioned professional advisor.

Clackmannanshire and Stirling IJB is in a unique position, being the only IJB that is a partnership with two Councils and the NHS. This brings with it a number of complexities and challenges. Given the capacity issues noted within the leadership team, the lack of progress with the review of the Integration Scheme, and the escalation framework at NHS Forth Valley, this is an ideal opportunity to assess the governance and scrutiny arrangements between the IJB, its Committees and the respective Committees of the partner bodies.

In our 2023/24 audit, we noted efforts are made to minimise the impact of work being duplicated, The Interim Chief Officer incorporated some recommendations in relating to streamlining and minimising duplication in a report he prepared for the Chief Executives of NHS FV, Clackmannanshire Council and Stirling Council. There is, however, scope to streamline and remove duplication of roles and provide clarity on where responsibilities lie. This clearly will have a significant impact on the capacity to deliver on the transformation required.

Audit and Risk Committee

The ARC continues to be a key element of the governance arrangements in place. The Terms of Reference for the ARC specify membership to be 4 voting members (1 from each constituent Council and 2 from NHS Forth Valley), plus 2 non-voting members. During the 2023/24 period, the following notable updates occurred within the ARC:

- The Audit and Risk Committee (ARC) has operated with only one non-voting member for most of the year due to unforeseen circumstances. Although a second member was appointed by the Board at the end of April 2024, this followed a period where most meetings had only one non-voting member present.
- The Audit and Risk Committee (ARC) currently has only one voting member from NHS Forth Valley, with NHS Forth Valley yet to nominate a second member. The previous member, who served as both Chief Executive of NHS Forth Valley and a member of the Integration Joint Board, presented a potential conflict of interest. The current interim Chief Executive of NHS Forth Valley is no longer a voting IJB member, and therefore not an ARC member, therefore the potential conflict of interest is now addressed.

Wider scope requirements (continued)

Vision, leadership and governance (continued)

Governance and scrutiny arrangements (continued)

Audit and Risk Committee (continued)

In line with good practice, the Committee carried out an annual self-assessment. The Annual Assurance Statement is prepared by each of the Committees as part of the IJB governance framework and sets out the meeting dates, attendance and business during the financial year 2023-24. Both, Audit, Risk and Finance & Performance Committees agreed a substantial assurance opinion subject to an explicit caveat in relation to directions taking due account of the limited assurance opinion contained in the Internal Audit review on Directions presented to the IJB Audit and Risk Committee on 21 February 2024 and referred to the IJB Finance and Performance Committee on 28 February 2024.

During the year IJB reviewed and approved a revised RM framework. This was approved in the meeting held in August 2024. The revised Risk Management Strategy refreshes and updates the IJBs strategy and incorporates Risk Appetite Statements and a Risk Assessment Matrix. Taken together this updates and modernises the IJBs approach to Risk Management. The ARC also carried out its latest review of the Strategic Risk Register at its June 2024 meeting and noted the update on the risk management arrangements.

Transparency of reporting

All Board and ARC papers and minutes are publicly available through the Health and Social Care Partnership website.

The partnership website includes a comprehensive suite of information including strategic plan, annual accounts and annual performance reports, thereby demonstrating openness and transparency of decision making and performance information.

Deloitte view – Vision, leadership and governance

The IJB has a clear vision, as set out within its Strategic Commissioning Plan.

Our 2023/24 audit revealed efforts to minimize work duplication. However, there are opportunities to further streamline operations, eliminate overlapping roles, and clarify responsibilities. This streamlining would significantly enhance the IJB's capacity to achieve its transformation goals.

The Constituent authorities have not carried out a formal review of the Integration Scheme including issuance of a revised Integration Scheme. This is planned for Q4 2024. It is important that this is progressed to ensure the Constituent authorities works towards issuance of a revised integration scheme which is currently in progress. The integration governance arrangements are also being reviewed as part of the Escalation Framework at NHS Forth Valley.

The IJB demonstrates strong governance practices. Notably, the Audit & Risk Committee completed its Annual Assurance Statement and CIPFA Audit Committee Self-Assessment of Good Practice during the year. Additionally, a revised Risk Management Strategy, incorporating risk appetite and tolerance, was approved.

The IJB's approach to openness and transparency is in line with best practice, with both minutes and papers being published, along with plans and performance information.

Wider scope requirements (continued)

Use of resources to improve outcomes



Significant risks identified in Audit Plan

In our audit plan we highlighted that given the ongoing pressures across the health and care system, including issues on delays in patient discharge and workforce capacity, there is a risk that performance reporting has not been timely, reliable, balanced and transparent. There are also the longer-term uncertainties around the National Care Service.

Performance management framework

In June 2024, the board approved Integrated Performance Framework (IPF), The implementation of the IPF will continue to drive forward a performance culture, with evidence-based decision making, service planning and response as well as supporting greater ability for scrutiny in an open and transparent environment. The IJB's Performance Management Framework was first developed at the inception of the IJB and updated in 2020. This set out the indicators and measurement, format and frequency of reporting, concepts and tools and the level of reporting and escalation as follows:

- | | |
|--|-----------------------------------|
| 1. Annual Performance Report | 5. Operational Management Reports |
| 2. IJB Performance Reports (quarterly) | 6. Portfolio Scorecards |
| 3. Finance and Performance Committee (quarterly) | 7. Local Authority Scrutiny |
| 4. Strategic Planning Group Locality Reports | 8. Unscheduled Care Dashboard |

The Integration Joint Board has a responsibility to ensure effective performance monitoring and reporting. The IJB needs to be able to monitor performance and measure impact for our communities against our Strategic Commissioning Plan priorities and be able to share with communities and stakeholders.

The IJB continues to develop its performance management framework, and plans are in place to carry out specific work in 2024/25, with the aim to develop ways to demonstrate improved outcomes for citizens, best value for the use of public money, and evidence of progress in relation to the agreed Strategic Plan Priorities. These plans are a positive step, and we will monitor the progress with this as part of our ongoing audit appointment.

Wider scope requirements (continued)

Use of resources to improve outcomes

Performance management framework (continued)

Performance Framework relies on an integrated approach to managing, using, and understanding our data. This is because driving performance is most efficiently achieved based on a sound understanding of the systems and processes involved. Analysing data alongside listening to supported people and other stakeholders provides the best way to do that and provides advantage in planning change, deploying preventative approaches, evidencing our functions under legislation and driving process and cost efficiency.

Due to the nature of the delegated services within the Health and Social Care Partnership, the data required to report and analyse is held across systems in NHS Forth Valley, Clackmannanshire Council and Stirling Council, national datasets and a collection of smaller datasets across a range of wider partners. The complexity of multiple organisations is further complicated by the fact that each organisation works with multiple systems. This leads to challenges in pulling information together and making the reporting processes as efficient as possible.

Performance data

Within the Annual Performance Report, the IJB has reported the national core indicators, as collated by Public Health Scotland.

The performance report provides data on national core indicators. IJB have shown progress in a positive direction for most of these indicators.

The exception is National Indicator 12, the emergency admission rate. This indicator, which measures the rate of emergency admissions per 100,000 population for adults (18+), has seen a small increase from the previous year (from 13,036 to 13,127).

While IJB have generally improved their performance compared to the previous year, they still fall behind the Scottish average for most indicators. The exception is National Indicator 11, the premature mortality rate per 100,000 persons by calendar year. In this area, Clackmannanshire and Stirling outperform the national average, with a rate of 407 compared to the national average of 442.

The performance report also presents comparative data on other key performance indicators, contrasting current performance with previous years. These indicators encompass metrics such as emergency admission rates, unscheduled hospital bed day counts, and the average length of stay for unscheduled hospital bed days. In most of these areas, IJB has demonstrated improvement compared to the previous year.

Wider scope requirements (continued)

Use of resources to improve outcomes

Performance data (continued)

The Quarter One Performance Report (April to June 2024) draws out key elements of performance in relation to Care Closer to Home, as this is the overarching partnership priority and the priority for which there is more comparative data available to illustrate performance. Key highlights include:

Improved Indicators:

Delayed discharges (Standard) at census point decreased from 29 in June 2023 to 23 in June 2024.

Occupied bed days attributed to standard delayed discharges at census point decreased from 787 in June 2023 to 664 in June 2024.

Although not above the target of 90% the percentage of FV patients who commenced psychological therapy within 18 weeks of referral at end of quarter increased from 74.9% in June 2023 to 78.1% in June 2024.

Mental Health readmissions within 28 days reduced from 35 in Q1 2023/24 to 26 in Q1 2024/25.

Deteriorated indicators:

Delayed discharges (standard, code 9 and code 100) at census point increased from 42 in June 2023 to 48 in June 2024.

Delayed Discharges (code 9) at census point increased from 15 in June 2023 to 25 in June 2024.

Management should consider expanding the performance section of the Management Commentary to provide a more balanced picture of performance across all functions delegated to the IJB.

Deloitte view –Use of resources to improve outcomes

The IJB further enhances its performance management framework with the approval of the Integrated Performance Framework (IPF) in June 2024. This revised framework aims to cultivate a culture of performance driven by data-informed decision-making, effective service planning and responsiveness, and a commitment to greater transparency and accountability through enhanced scrutiny.

While the current reporting format offers comprehensive detail on ongoing work, it would benefit from a more concise, scorecard-driven approach. Presenting a summary upfront—clearly highlighting services that are performing well, those that are declining, and those below target—would enable the Board to quickly identify areas requiring additional scrutiny and focus.

Performance during 2023/24 has seen some improvements, particularly in delayed discharge, occupied bed days and focus on early intervention and community treatment. However, in comparison with the Scottish average across the national suite of indicators, a number of areas remain below the Scottish average.

Wider scope requirements (continued)

Best value

Requirements

It is the duty of the IJB to secure Best Value as prescribed in Part 1 of the Local Government in Scotland Act 2003. We have a statutory duty to be satisfied that the IJB have made proper arrangements for securing BV.

Duty to secure Best Value

1. It is the duty of the IJB to make arrangements which secure Best Value.
2. Best Value is continuous improvement in the performance of the IJB's functions.
3. In securing Best Value, the IJB shall maintain an appropriate balance among:
 - a) The quality of its performance of its functions;
 - b) The cost to the IJB of that performance; and
 - c) The cost to persons of any service provided by the IJB for them on a wholly or partly rechargeable basis.
4. In maintaining that balance, the IJB shall have regard to:
 - a) Efficiency;
 - b) Effectiveness;
 - c) Economy; and
 - d) The need to make the equal opportunity requirements.
5. The IJB shall discharge its duties in a way that contributes to the achievement of sustainable development.
6. In measuring the improvement of the performance of an IJB's functions, regard shall be had to the extent to which the outcomes of that performance have improved.

Conclusions

The IJB has a number of arrangements in place to secure best value. As noted elsewhere within this report, the Strategic Commissioning Plan provides a clear vision and has specific focus on some of the BV characteristics. There are, however, capacity issues within the Senior Management Team, and the Constituent authorities currently have not carried out a formal review of the Integration Scheme including issuance of a revised Integration Scheme (which is currently in progress).

Financial sustainability continues to be a significant risk to the IJB. To ensure its long-term viability, the IJB must develop a system to track the impact of its transformation efforts, demonstrating both financial and outcome-related benefits. This data-driven approach will support decision-making and demonstrate the value of the IJB's transformation efforts.

Deloitte view – Best Value

The IJB has sufficient arrangements in place to secure best value and has a clear understanding of areas which require further development. Significant work is still required to make the level of transformational change needed to ensure financial sustainability, both short term and long term.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Committee and the IJB discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Accounts.
- Our internal control observations
- Other insights we have identified from our audit.

The scope of our work

Our observations are developed in the context of our audit of the Annual Accounts.

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for the IJB, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the IJB.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

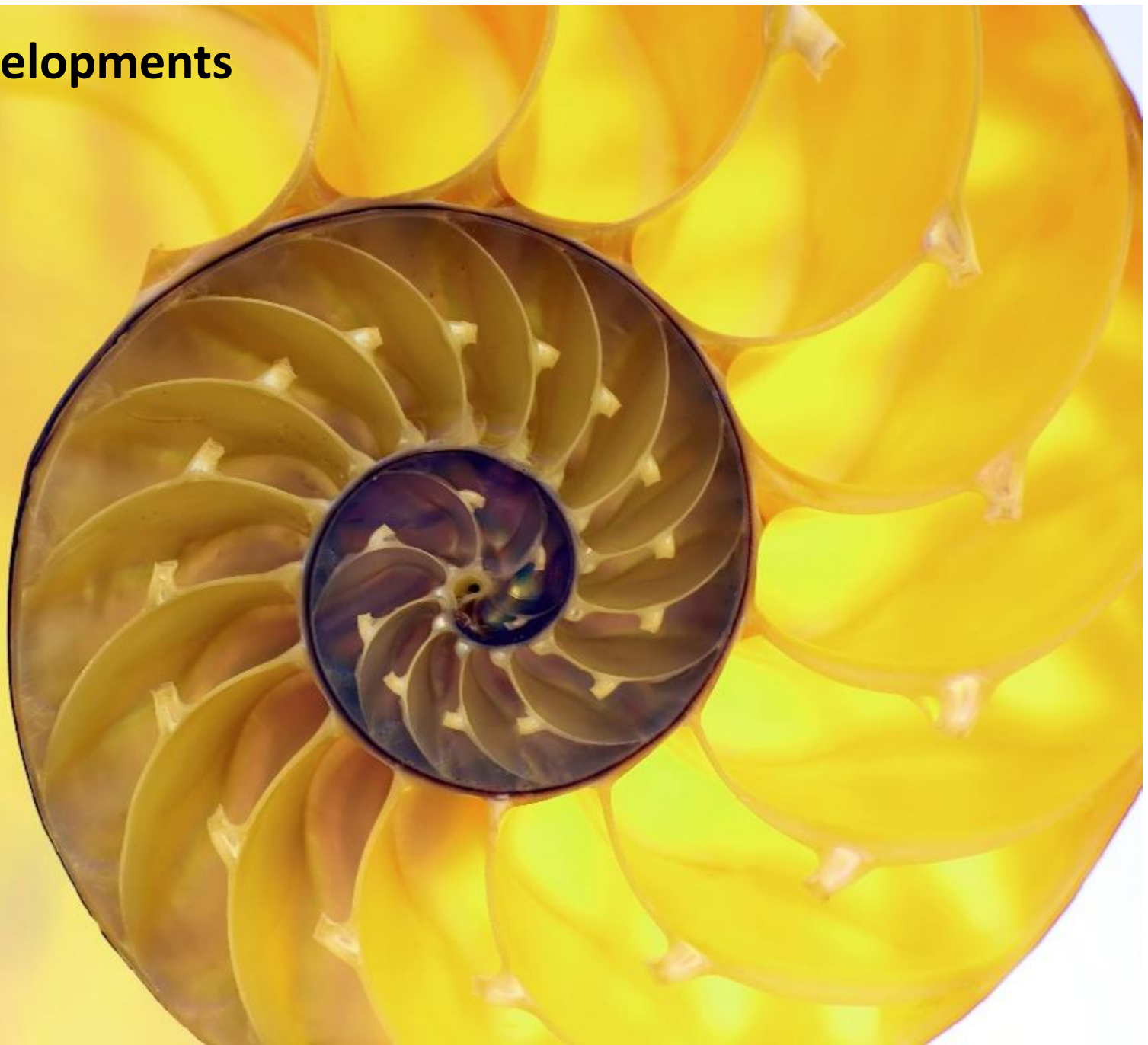
We welcome the opportunity to discuss our report with you and receive your feedback.



Deloitte LLP

Glasgow | 13 October 2024

Sector developments



Sector developments

Local Government Overview 2023

Background and overview

In August 2020, the Accounts Commission agreed a strategic medium-term approach to reporting on the impact of the Covid-19 pandemic. This approach committed to producing a series of annual overview reports over a three-year period. This report:

- is the third and final overview report in the series
- builds on the previous reports in the series and examines:
 - how has the pandemic affected councils and their performance?
 - what are the current and future challenges facing local government?
 - how well placed are councils to deal with the current and future challenges?
- draws on findings from the financial bulletin, considering these in the context of the wider overview.

The findings of this report are drawn from 2021/22 annual audits, performance and best value audit work carried out during 2022 and from specific research and analysis of available data and intelligence.

Local government in Scotland

Overview 2023



ACCOUNTS COMMISSION 

Prepared by Audit Scotland
May 2023

Next steps

The Council should consider each of the recommendations on the next page and incorporate into plans where not already considered. The full report is available through the following link: [Local Government in Scotland 2023](#)

Sector developments

Local Government Overview 2023

Key messages

- **Finances and resources** - Budget constraints and increasing cost pressures are putting councils' finances under severe strain.
- **Community needs and inequalities** - The pandemic has affected performance across all service areas. There are signs of growing backlogs and declining performance in some service areas.
- **Collaboration** - The scale of the challenges ahead means that radical change is needed. It is only by working more collaboratively that councils and their local partners, communities and the third sector will be able to provide sustainable local services and deliver a significant programme of national reform to tackle issues such as climate change, child poverty and inequalities.
- **Leadership** - Leaders must think radically and make fundamental changes to how councils operate in future, building on the collaborative and innovative ways of working many demonstrated during the pandemic.
- **Workforce** - Increasing workforce challenges, including a competitive labour market and high sickness absence levels, are putting councils under continued pressure.

Recommendations (relevant to Councils)

- Councils need to set out medium- to long-term financial plans that detail: (1) how they will make recurring savings and reduce reliance on reserves to fill budget gaps (2) how council resources are targeted to achieve their long-term policy and performance priorities.
- Councils should be more transparent with the public about scale of service demand, the extent of backlogs and changes to eligibility criteria necessary to ration access to services and any impact this has on unmet need. Councils should have a clear plan for strengthening their use of data to understand needs, make decisions and direct resources. This includes equalities data, and learning from those with lived experience.
- Councils need to maximise the potential of collaboration by demonstrating they are: (1) working with other councils, the wider public sector and the third sector to redesign and provide services (2) involving service users and local communities in the redesign of services.
- Councils' leaders need to invest time and capacity in thinking radically about their future operating model, and: (1) be open and clear with communities and staff about the need for change, what that means for future service delivery and involve communities in making difficult decisions (2) set out a clear vision for their long-term policy and performance priorities, and how it will be delivered and monitored (3) work with the Scottish Government to rebuild an effective Relationship.
- Councils need to improve workforce planning to effectively develop and deploy their existing workforce. This includes: (1) building the capacity, skills, strategic thinking and comprehensive workforce data needed for effective workforce planning (2) updating workforce plans to reflect new models of service delivery and ways of working.

Sector developments

Audit Scotland: Local Government Budgets 2024/25

Background and overview

Scotland's councils are facing a significant gap in the money needed to deliver local services and the money they have available. This means councils will have to make increasingly difficult decisions about how councils are run, how they can deliver services and what services can continue.

Key Messages:

- In real terms, the 2024/25 Scottish Budget allocation of total revenue funding to local government has increased by 5.7 percent, however funding remains constrained as most of the increase is directed funding to deliver Scottish Government priorities and agreed pay deals.
- At the time of setting budgets, councils identified a difference of at least £585m between their anticipated expenditure and the funding and income they expect to receive (the 'budget gap') for 2024/25, representing an estimated 3.5 per cent of councils' total revenue budget.
- Councils have had to make difficult budget setting decisions for 2024/25, and most worked with their communities to inform or consult on the challenges faced.
- Budget setting processes vary across councils, partly reflecting differences in organisational structures and local priorities.

Next steps

The full report is available at [Local Government Budgets 2024/25 \(Audit Scotland\)](#)

Briefing

Local government budgets 2024/25



Sector developments

Audit Scotland: Delivering for the future – why leadership matters

Background and overview

Each year the Commission selects a particular thematic area of Best Value to focus on, recognising the risks and challenges councils face. The theme this year is the 'Leadership of the development of new strategic priorities'.

The Commission reported that councils are operating in a complex and increasingly volatile environment, which requires strong leadership from councils to make difficult decisions about where and how to spend highly pressured resources.

Next steps

The full report is available at [Delivering for the Future \(Audit Scotland\)](#)



Sector developments

Audit Scotland: The important role of a CFO

Background and overview

As the challenges across the public sector intensify, the role of CFOs is increasingly in the spotlight. As CIPFA highlight, with existing frameworks on governance and decision-making being pushed to their limits, with public services becoming more complex, the CFO is expected to take an active leadership role, not just within the finance function, but across their organisation, sector and public services as a whole.

When budgets tighten, Audit Scotland highlight that often corporate, or 'back office' functions face the hit, to avoid immediately impacting front line services. Against this background, it is important that in the pursuit of back-office efficiencies, the effectiveness of the financial function is not put at risk.

This is an area of interest for Audit Scotland, and in this report it is outlined that they will be taking an interest in auditor conclusions on the resourcing of the finance function as part of their consideration of the 2023/24 annual accounts.



Next steps

The full report is available at [The Important Role of a CFO \(Audit Scotland\)](#)

Sector developments

Audit Scotland: Integration Joint Boards' Finance and Performance 2024

Background and overview

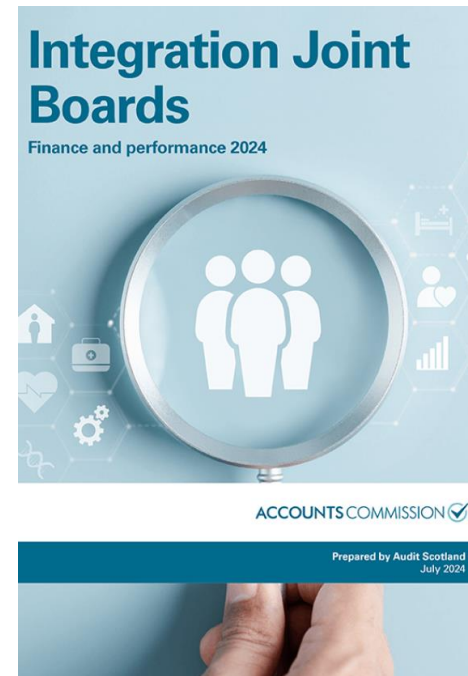
Audit Scotland highlight that community health and social care faces unprecedented pressures and financial uncertainty. The report outlines that community health and social care faces rising unmet need and managing the crisis is taking priority over prevention due to the multiple pressures facing the bodies providing these services.

Key messages:

- Audit Scotland have not seen significant evidence of the shift in the balance of care from hospitals to the community intended by the creation of IJBs.
- IJBs operate within complex governance systems that can make planning and decision making difficult, and cannot address the issues across the sector alone.
- The workforce is under immense pressure reflecting the wider pressures in the health and social care system.
- Data quality and availability is insufficient to fully assess the performance of IJBs and inform how to improve outcomes for people who use services with a lack also of joined up data sharing.
- Current commissioning and procurement practices are driven largely by budgets, competition, and cost rather than outcomes for people.

Next steps

The full report is available at [Integration Joint Boards \(Audit Scotland\)](#)



Sector developments

How collaborative leadership can create solutions to big global issues on government's future frontiers

Background and overview

Infrastructure. Security. Health. Technology. The on-the-ground realities of homelessness. The infinite possibilities of space.

These are all big issues, bigger than any one organization can handle alone. Truly tackling the problems and opportunities inherent in these pressing societal concerns could take a concerted effort from all walks of society: Public agencies and private companies, nonprofits and academics, multinational foundations and community activists. But no matter what teams are assembled, government is expected to play a key role in constructing the scaffolding on which solutions are built.

In this publication, Deloitte speak to Bill Eggers and Don Kettl, authors of *Bridgebuilders: How Government Can Transcend Boundaries to Solve Big Problems*. They have more than 75 years of combined experience in the world of public management between them, and they have studied countless efforts to redesign government to make it more agile and responsive.

Next steps

The full publication is available at [Government's Future Frontiers \(deloitte.com\)](https://www.deloitte.com/government/publications/government-s-future-frontiers)



Sector developments

Government Trends 2023

Background and overview

In the age of discontinuity, governments are moving from hierarchies to networks to enable intragovernment collaboration and nurturing collaborative public-private ecosystems to achieve shared outcomes.

This report outlines nine transformational trends that illustrate governments “bringing down walls” to deliver solutions. The trends outlined are:

- Fluid government workforce models
- Bridging the data-sharing chasm
- Tackling funding silos
- Tailored public services
- Back-office innovations improving mission performance
- Regulation that enables innovation
- Teaming up to deliver whole health
- End-to-end justice
- Security by network

Next steps

The full publication is available at [Government Trends 2023 \(deloitte.com\)](https://www.deloitte.com/gt2023)



Appendices



Action Plan

The following recommendations have arisen from our 2023/24 audit work:

Recommendation	Management Response	Priority	Responsible Person	Target Date
1. Housing Aids & Adaptions The amount of costs incurred by Stirling Council CFOs will review Council in relation to Housing Aids & treatment and reporting to Adaptions should be reassessed and more enhance transparency and transparent. Additionally, this should be within Stirling Council's Revenue Budget paper for future financial years and the IJB should include a section within future IJB Revenue Budget papers. This would provide deeper clarification and an enhanced audit trail.	Accepted – IJB and Stirling Stirling Council and IJB will consider presentation within future revenue budget papers.	Low	IJB Chief Finance Officer /Stirling Council Chief Finance Officer	March 2025

Action Plan

The following recommendations have arisen from our 2023/24 audit work:

Recommendation	Management Response	Priority	Responsible Person	Target Date
2. Financial management – financial reporting Whilst a RAG rating has been implemented into the savings plan, further analysis relating to risks of non-achievement and illustration of current/future implications are lacking. This should be progressed to further develop and improve financial reporting.	Accepted – IJB CFO will consider within future financial reports to IJB / committee.	Low	IJB Chief Finance Officer	January 2025
3. Financial sustainability – budget setting The activity and cost model in relation to Set Aside arrangements should be developed. In addition to complying with legislation, this would identify areas where spending could be preserved and subsequently aid savings requirement for the Set Aside future years.	Accepted – Matter already being considered by both IJBs and NHS Forth Valley. Activity information requirements being accessed to develop model in line with legislative requirements. It is anticipated for that this will allow arrangements to be progressed for 2025/26 financial year.	Low	IJB Chief Finance Officer, Falkirk IJB Chief Finance Officer and NHS Forth Valley Director of Finance	April 2025

Action Plan

The following recommendations have arisen from our 2023/24 audit work:

Recommendation	Management Response	Priority	Responsible Person	Target Date
4. Financial sustainability – medium-to-long-term planning Currently, the IJB is not financially sustainable. A more comprehensive medium-term financial outlook post publication of the Scottish Government's and Social Care by end of 2024. next Medium Term Financial Strategy and Medium Term Financial Framework should be developed and implemented as soon as viably possible.	Accepted – It is currently understood that Scottish Government will publish updated Medium Term Financial Strategy and Medium Term Financial Framework for Health and Social Care by end of 2024. An updated medium-term financial outlook will be developed aligned to these publications and financial planning assumptions of the constituent authorities of the IJB.	Medium	IJB Chief Finance Officer	March 2025
5. Financial sustainability – reserves The utilisation of reserves is not sustainable and places itself and its partner bodies at risk. Although this is a common theme for IJBs across the country, reserves levels should be actively monitored and applied for the purposes intended. A plan should also be devised as to how the reserves position will be improved.	Accepted – To be considered as part of the updated medium-term financial outlook. It should however, be understood that re-establishing a prudential level of general reserves will be extremely challenging.	Medium	IJB Chief Finance Officer	March 2025

Action Plan (continued)

We have followed up the recommendations made in 2022/23. We note that out of the 3 recommendations, only 1 has been fully implemented as documented below.

Recommendation	Management Response at 2022/23	Priority	Management Update for 2023/24
<p>1. Lack of preparation for the IJB audit</p> <p>We would recommend that in the future, there is better communication between the constituent authorities and the IJB and that there is an agreed timetable in place with the IJB and the constituent authorities to collate information for the start of the audit.</p> <p>2023/24 update: Similar to our recommendation last year, this should be implemented before the start of the 2024/25 audit. This would ensure that the IJB would be in a positive position to collate information in time for the start of the audit.</p>	<p>It is acknowledged that, as most year-end timetables moved back to pre Covid / regulation timeframes for 2022/23 some elements of planning could be further improved including across the IJBs arrangements which impact the group accounts of constituent authorities.</p> <p>Via the Finance Working Group (IJB CFO and Chief Officer, Local Authority CFOs) a consolidated timetable will be discussed with key dates.</p> <p>The Finance Working Group will also review issuing arising from 2022/23 audits to agree learning points and consider improvements once all 2022/23 audits are complete.</p>	Medium	<p>Incomplete</p> <p>Interim discussion on learning points was held with Finance Working Group. The IJB CFO also completed survey issued by Audit Scotland.</p> <p>The 2023/24 year-end timetable was drafted and discussed at Finance Working Group prior to year-end.</p> <p>Additional Update</p> <p>The Finance Working Group will continue to review how year-end accounts and audit planning can be improved and work with audit teams to improve efficiency. This will require ongoing input from external audit teams also.</p>

Action Plan (continued)

Recommendation	Management Response at 2022/23	Priority	Management Update for 2023/24
2. Financial Reporting The reporting format could be further enhanced by incorporating the following: <ul style="list-style-type: none"> • Including a clear reconciliation from the original approved budget to the revised budget updated during the year. • A RAG rating against the savings plan to show the likelihood of savings being achieved, and where there are risks of non-achievement, setting out the implications (for both current and future years). • Clearer analysis on the progress with the approved use of reserves and projected position on earmarked balances. 	Work is ongoing on producing a revised style and content of integrated financial reporting for IJB and IJB Finance and Performance Committee. The issues highlighted are all areas where further development of the reporting format is planned once the committee and IJB have had opportunity to provide initial feedback on revised reporting style and format.	Low	Complete Reconciliation from initial budget was incorporated in the financial reports to the February 2024 Finance and Performance Committee and March 2024 IJB.

Action Plan (continued)

Recommendation	Management Response at 2022/23	Priority	Management Update for 2023/24
3. Transformation Tools should be developed to consistently track the benefits achieved (both financial and outcomes) from transformational change to demonstrate that it is achieving the desired outcomes.	The IJB approved the commissioning of some external support to review and help enhance our arrangements including measurement and reporting of the benefits realisation. It is intended to bring forward an initial review and recommendations from this work after the initial phase.	Medium	<i>In progress</i> The IJB approved the 24/25 Revenue Budget on 27 March 2024. This included commitment to a programme management approach to support the approved efficiency and savings programme forming the key elements of the transformation and sustainability plan. To support this, the interim Chief Officer and Chief Finance Officer have established monthly progress review meetings and reporting tools. Each element of the transformation programme requires a Business Justification Case (also referred to as a Project Initiation Document or PiD) and monthly highlight reporting. There is a requirement for the sophistication and quality of reporting to continue to develop over time, however the reporting tools are designed to be relatively concise and quick to complete. This programme is also being supported by the establishment of a performance dashboard to monitor key whole system performance and activity metrics and align this with financial information.

Our other responsibilities explained

Fraud responsibilities and representations



Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Required representations:

We have asked the IJB to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the IJB.

We have also asked the IJB to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error and their belief that they have appropriately fulfilled those responsibilities.



Audit work performed:

In our planning we identified the risk of management override of controls as a key audit risk.

During course of our audit, we have had discussions with management and those charged with governance.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

We have reviewed the paper prepared by management for the audit committee on the process for identifying, evaluating and managing the system of internal financial control.

We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.

Concerns:

No issues or concerns have been identified in relation to fraud.

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the IJB and our objectivity is not compromised.	
Fees	The expected fee for 2023/24, as communicated by Audit Scotland in December 2023 is analysed below:	
		£
	Auditor remuneration	35,400
	Audit Scotland fixed charges:	
	• Pooled costs	1,290
	• Contribution to PABV costs	7,560
	• Sectoral cap adjustment	(10,890)
	Total expected fee	33,360
Non-audit services	In our opinion there are no inconsistencies between the FRC's Ethical Standard and the IJB's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.	
Relationships	We have no other relationships with the IJB, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.	



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