

North Ayrshire Integration Joint Board

2024/25 Annual Audit Report



Prepared for North Ayrshire Integration Joint Board and the Controller of Audit
September 2025

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Key messages

Audit of the annual accounts

- 1 All audit opinions stated that the annual accounts were free from material misstatement.
- 2 There were no significant findings or key audit matters to report. All audit adjustments required to correct the financial statements were processed by North Ayrshire Integration Joint Board (NAIJB).

Financial Sustainability

- 3 In 2024/25 a budget overspend of £3.593 million was reported, covered by additional funding contributions from partners.
- 4 The IJB used £4.730 million of reserves in the year. At 31 March 2025 the IJB has £3.161 million of earmarked reserves and no uncommitted reserves. The IJB Reserves Strategy recommends that the IJB will aspire to hold between 2 and 4% of its annual budgeted expenditure as an uncommitted reserve. The lack of any uncommitted reserves therefore represents a significant financial risk to both the IJB and its partners.
- 5 The 2025/26 budget included proposed savings of £4.019 million. The latest six-month progress update on the IJB's transformation plan reports a £2.93 million savings and overspend reduction target for 2025/26.
- 6 The Medium-Term Financial Outlook has identified required savings of between £8.1 million and £21.4 million in 2026/27 (best case to worst case scenarios). The IJB's cost base is not sustainable; current funding levels and savings from transformation will not cover the estimated costs. The IJB needs to support more radical reform and cost reductions if it is to demonstrate financial sustainability.

Other Wider scope and Best Value audit

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

- 8 Performance management arrangements are effective. Of the 18 national indicators, 16 (89%) either achieved or were above target for 2024/25. However delayed discharges have increased by more than 61% over the same period.
- 9 There is evidence of elements of Best Value being demonstrated by the IJB across a range of areas. However the mechanism for formally reviewing and reporting on the arrangements to secure Best Value needs to be formalised and reported to the board.

Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of North Ayrshire Integration Joint Board annual accounts and the wider scope areas specified in the Code of Audit Practice (2021).
2. The Annual Audit Report is addressed to North Ayrshire Integration Joint Board, hereafter referred to as 'the IJB' and the Controller of Audit, and will be published on Audit Scotland's website in due course.

Appointed auditor and independence

3. Fiona Mitchell Knight, of Audit Scotland, has been appointed as external auditor of the body for the period from 2022/23 until 2026/27. As reported in the Annual Audit Plan, Fiona Mitchell Knight as engagement lead and the audit team are independent of the IJB in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from the IJB, including no provision of non-audit services.

Acknowledgements

4. We would like to thank the Audit and Performance Committee members, Joint Board members, senior management, and other staff, particularly those involved in the preparation of the annual accounts, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the five-year audit appointment.

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual accounts, namely the Management Commentary and Annual Governance Statement.
- An opinion on the audited part of the Remuneration Report.
- Conclusions on the IJB's arrangements in relation to the wider scope areas: Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
- Reporting on the IJB's arrangements for securing Best Value.
- Provision of this Annual Audit Report.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of the body and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Local Government (Scotland) Act 1973. These include providing an independent opinion on the financial statements and other information reported within the annual accounts and concluding on the IJB's arrangements in place for the wider scope areas and Best Value.

8. The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve the IJB from its responsibilities outlined below.

9. The Annual Audit Report includes an agreed action plan at [Appendix 1](#) setting out specific recommendations to address matters identified and includes details of the responsible officer and dates for implementation.

The body's responsibilities

10. The IJB has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of annual accounts, comprising financial statements for the body that gives a true and fair view and other specified information.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

Communication of fraud or suspected fraud

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

National performance audit reporting

12. The Auditor General for Scotland and the Accounts Commission regularly publish performance audit reports. These cover a range of matters, many of which may be of interest to the Integration Joint Board. Details of national and performance audit reports published over the last year can be seen in [Appendix 3](#).

Audit of the annual accounts

Main judgements

All audit opinions stated that the annual accounts were free from material misstatement.

There were no significant findings or key audit matters to report. All audit adjustments required to correct the financial statements were processed by the body.

Audit opinions on the annual accounts

13. The IJB's annual accounts were approved at the meeting of the Integration Joint Board on 27th June 2025 and certified by the appointed auditor on 25th September 2025. The Independent Auditor's Report is included in the body's annual accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.



Audit timetable

14. The unaudited annual accounts and all working papers were received by 30 June 2025 in accordance with the agreed audit timetable.

Audit Fee

15. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £34 thousand. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

Materiality

16. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual accounts.

17. Broadly, the concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the decisions of users of the annual accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

18. Materiality levels for the audit of the IJB were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual accounts and updated as can be seen in [Exhibit 1](#).

Exhibit 1
2024/25 Materiality levels for the IJB

Materiality	IJB
Materiality – set at 2% of gross expenditure	£7.640 million
Performance materiality – set at 70% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£5.350 million
Reporting threshold – set at 5% of materiality.	£0.380 million

Source: Audit Scotland

Significant findings and key audit matters

19. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged with governance, which for the body is the Integration Joint Board.

20. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor’s professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

21. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

22. There are no significant findings or key audit matters to report.

Qualitative aspects of accounting practices

23. ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of the body's accounting practices, including accounting policies, accounting estimates, and disclosures in the financial statements.

Accounting policies

24. The appropriateness of accounting policies adopted by the body was assessed as part of the audit. These were considered to be appropriate to the circumstances of the body, and there were no significant departures from the accounting policies set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Accounting estimates

25. Accounting estimates are used in number of areas in the body's financial statements. Audit work considered the process management of the body has in place around making accounting estimates, including the assumptions and data used in making the estimates, and the use of any management experts. Audit work concluded:

- There were no issues with the selection or application of methods, assumptions, and data used to make the accounting estimates, and these were considered to be reasonable.
- There was no evidence of management bias in making the accounting estimates.

Disclosures in the financial statements

26. The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was adequate, with additional levels of detail provided for disclosures around areas of greater sensitivity.

Significant matters discussed with management

27. All significant matters identified during the audit and discussed with the body's management have been reported in the Annual Audit Report.

Audit adjustments

28. No audit adjustments were required to the financial statements greater than the reporting threshold of £0.380 million.

Significant risks of material misstatement identified in the Annual Audit Plan

29. Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 2](#).

Exhibit 2

Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response	Outcome of audit work
Fraud caused by management override of controls Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	The audit team will: - Assurances will be obtained from the auditors of NHS Ayrshire and Arran and North Ayrshire Council over the completeness, accuracy and allocation of income and expenditure. - Evaluate any significant unusual transactions outside the normal course of business.	Audit work performed found: - We obtained assurances from the auditors of NHS Ayrshire and Arran and North Ayrshire Council over the completeness, accuracy and allocation of income and expenditure. - No significant unusual transactions outside the normal course of business. Conclusion: no evidence of fraud caused by management override of controls.

Source: Audit Scotland

Wider scope and Best Value audit

Conclusion

The 2024/25 year end budget overspend of £3.593 million was met by additional funding contributions from partners.

The IJB utilised £4.730 million of reserves in year. At 31 March 2025 the IJB has £3.161 million of earmarked reserves and no uncommitted reserves. This represents a significant financial risk to both the IJB and its partners.

The 2025/26 budget included proposed savings of £4.019 million. The latest six-month progress update on the IJB's transformation plan reports a £2.93 million savings and overspend reduction target for 2025/26.

The Medium-Term Financial Outlook has identified required savings of between £8.1 million and £21.4 million in 2026/27 (best to worst case scenarios). The IJB's cost base is not sustainable; current funding levels and savings from transformation will not cover the estimated costs. The IJB needs to support more radical reform and cost reductions if it is to demonstrate financial sustainability.

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

Performance management arrangements are effective. Of the 18 national indicators, 16 (89%) either achieved or were above target for 2024/25. However delayed discharges have increased by more than 61% over the same period.

Whilst there is evidence of elements of Best Value being demonstrated by the IJB across a range of areas, the mechanism for formally reviewing and reporting on the arrangements to secure Best Value needs to be formalised and reported to the board.

Audit approach to wider scope and Best Value

Wider scope

30. As reported in the Annual Audit Plan, the wider scope audit areas are:

- Financial Management.
- Financial Sustainability.
- Vision, Leadership and Governance.
- Use of Resources to Improve Outcomes.

31. Audit work is performed on these four areas and a conclusion on the effectiveness and appropriateness of arrangements the body has in place for each of these is reported in this chapter.

Best Value

32. The duty on auditors to consider the arrangements in place to secure Best Value applies to the body as it falls within section 106 of the Local Government (Scotland) Act 1973.

33. Consideration of the arrangements the body has in place to secure Best Value has been carried out alongside the wider scope audit.

Significant wider scope and Best Value risks

34. Audit work has been performed in response to the significant wider scope and Best Value risks identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 3](#).

Exhibit 3

Significant wider scope and Best Value risks

Significant risk	Planned audit response	Outcome of audit work
Financial planning and sustainability At month 7 against the full-year budget of £324.231m there is a projected year-end overspend of £6.190m (1.9%), reduced to £3.613m through identified financial recovery actions. This overall position consists of a projected residual overspend of £2.548m in social care services and a projected overspend of £1.065m in health services. The IJB has approached NAC and NHSAA for additional funding. Current budget scenarios for 2025/26 are a £0.6m underspend (best-case), £3.7m overspend (medium-case) and a £11.8m overspend (worst-case). Additional budget savings will require to be identified to achieve a balanced budget position for approval by the IJB in March.	The audit team will: • Monitor progress in achieving the 2024/25 revenue budget, 2024/25 financial recovery actions and cost avoidance plans. • Review of financial performance reports presented to the Board. • Review the medium-term financial plan and assessment of plans to address any forecasted budget deficits. • Evaluate the IJB's progress with the development of its Transformation Plan and assess how this is contributing to the achievement of financial balance.	Audit work identified that: • The 2024/25 budget was overspent by £3.593 million which was funded by contributions from partners. • Medium term financial forecasts show significant funding gaps in 2026/27 and 2027/28. • There are no approved plans to meet the budget gaps set out in the Medium Term Financial Outlook. This needs to be addressed as a matter of urgency. Conclusion: There is a risk that the IJB is unable to deliver the transformational change or cost reductions at the pace required.

Source: Audit Scotland

Prior year recommendations

35. The IJB has made some progress towards implementing the agreed prior year recommendations relating to the wider scope audit. Progress against these is outlined in [Appendix 2](#) of this report. Two remain ongoing and will be followed up again as part of the 2025/26 audit.

Conclusions on wider scope audit

Financial Management

A balanced budget was set for 2024/25 this included £10.290 million of savings proposals with no draw on reserves

36. The IJB set a balanced budget for 2024/25 on 14 March 2024. This did not require any draw on reserves but did include the approval of £10.290 million of savings to achieve financial balance. Required savings were split £9.255 million social care and £1.035 million health services.

37. £7.238 million of the social care savings arose from the non-recurring reduction in employer superannuation contribution rates from 1 April 2024. A further £0.375 million was a reduction in the number of funded care home places by 15, leaving budgetary provision for 765 places at average cost. The largest element of health savings was £0.5 million from a reduction in Hospital Based Complex Continuing Care provision.

The 2024/25 year end budget overspend of £3.593 million was met by additional funding contributions from partners

38. The year end budget was overspent by £1.212 million, prior to transfer of unspent funding allocations of £2.381 million to earmarked reserves. This resulted in an overall overspend of £3.593 million. The Integration Scheme provides for funds to be made available (by the partners) for overspends against the operational budget. However the partners also agreed to make funds available for the carry forward of unspent Scottish Government funding allocations including Whole Family Wellbeing (£0.9 million), Alcohol and Drug Partnership (£0.4 million), Mental Health Recovery and Renewal (£0.4 million) and Primary Care Improvement Fund (£0.3 million).

39. North Ayrshire Council considered this at their Cabinet meeting of 3 June 2025 and agreed to a non-recurring funding increase of £2.036 million and no requirement to repay the funds in future years. Similarly, NHSAA funded the health services overspend of £1.557 million.

40. The Chief Officer reported to the IJB meeting of 19 June 2025 that the required savings of £10.290 million had been achieved in full.

41. Significant variations from budget included Care at Home which was £2.712 million overspent reflecting the cost of meeting the increased demand and level of provision for care at home support. In addition, Care

Experienced Children and Young People was overspent by £1.903 million, mainly due to increased demand for children's residential placements.

The IJB utilised £4.730 million of reserves in year. At 31 March 2025 the IJB has £3.161 million of earmarked reserves and no uncommitted reserves. This represents a significant financial risk to both the IJB and its partners

42. One of the key measures of the financial health of a body is the level of reserves held. The IJB general fund reserve can be earmarked balances for future commitments or uncommitted balances. The IJB's reserve strategy was approved by the Board in March 2024. The strategy outlines a target contingency level of 2 - 4% of annual budgeted expenditure.

43. At 31 March 2025, the IJB had no uncommitted reserve balances against the target level for the year of £6.715 - £13.430 million. The absence of any uncommitted general fund reserves seriously limits the IJB's ability to manage and mitigate future financial pressures and represents a significant financial risk to both the IJB and its partners.

44. In 2023/24 we recommended that the IJB must urgently map a clear route to bring uncommitted reserves back up to the minimum level. The IJB accepts and acknowledges that uncommitted reserves require to be restored to the minimum recommended level. However the Annual Accounts also report that in the short-term, service pressures mean that this will not be achievable.

45. Total earmarked reserves of £3.161 million include the unspent funding allocations of £2.381 million noted at paragraph 38 above together with the balance of £0.780 million on the Service Redesign/Challenge Fund.

46. Whilst concerns are highlighted in relation to the uncommitted reserves and a requirement to reinstate these as a tool for effective financial management and sustainability, it is acknowledged that the balance of reserves will be considered as part of the IJB annual budget setting process. Whilst the ambition would be to plan to replenish the contingency reserves for the IJB in future years, in setting the budget for 2025/26 the IJB were advised that the reality is in the current financial operating environment there is not the ability or scope to plan for this in the short term. This is acknowledged as a challenge for all IJBs, with reports that at the end of 2024/25 over half of IJBs across Scotland hold no contingency reserve and only one area is expected to have reserves over 2% moving into 2025/26.

Financial systems of internal control operated effectively

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

48. As part of our audit approach, we sought assurances from the external auditors of NHS Ayrshire and Arran and North Ayrshire Council (in accordance with ISA 402) and confirmed there were no weaknesses in the systems of internal control for either the health board or council.

High absence rates were reported in areas which require cover arrangements, principally care at home. In 2024/25 this resulted in additional costs of £1.05 million

49. Overtime costs of £1.05 million were incurred by the HSCP to provide absence cover requirements. For Care at Home (£0.85 million) the HSCP budgets for a full establishment but overtime is funded through vacant posts or '20 hour' posts. Cover requires to be provided as service users cannot be left without a life and limb service. The remaining £0.2 million relates to the children's houses which also require that any absences are covered, and financial inclusion which relates to overtime worked as part of the financial reassessment process.

50. A performance report for Quarter 1 2025/26 submitted to the Performance and Audit Committee in September 2025 outlined that wellbeing action plans around sickness absence levels within the Care at Home workforce were being robustly managed and supporting staff to maintain attendance/return to work. Despite these efforts the service saw an increase in front line staff absences by a further 1% from Quarter 4 2024 to 2025 to Quarter 1 2025 to 2026, with sickness absence now over 14%. The service has also experienced significant challenges in sickness absence and vacancies within non-frontline service delivery roles.

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

51. The IJB does not maintain its own policies relating to the prevention and detection of fraud and error but instead depends on those in place at its partner bodies. We reviewed the arrangements in place at NHS Ayrshire and Arran and North Ayrshire Council through consideration of the work by partner body auditors and found them to be adequate.

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

Financial Sustainability

The IJB cannot demonstrate the financial sustainability of its services

53. Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

54. As outlined at [Exhibit 3](#), a significant wider scope risk was identified around financial sustainability. We have noted below significant challenges going forward in the IJB's ability to achieve financial balance.

55. The IJB approved its medium term financial plan 2025-2028 in December 2024. An update to the original projected funding gap was presented to the IJB in March 2025 as part of the annual budget for 2025/26.

The 2025/26 budget includes proposed savings of £4.019 million

56. As set out in [Exhibit 4](#), the 2025/26 budget has a funding gap of £3.069 million and the IJB approved savings of £4.019 million. This level of savings was proposed to create a surplus of £0.950m as a contingency towards any 2024/25 overspends which would continue into 2025/26. The IJB was updated on the projected implications of overspends in 2024/25 moving into the new financial year and additional savings were approved to support the management of these overspends during 2025/26 rather than any surplus being planned to for example reinstate reserves.

Exhibit 4

North Ayrshire IJB 2025/26 Budget Gap and Savings

	Social Care (NAC) £m	Health (NHS AA) £m	Total £m
Funding Increase	7.834	4.040	11.874
Resource Transfer	0.670	(0.670)	-
Service Pressures – Appendix B	(10.680)	(4.263)	(14.943)
Budget Gap	(2.176)	(0.893)	(3.069)
Funded by:			
- Savings – Appendix C	2.903	1.116	4.019
- Adjust re 24/25 surplus / deficit	0.436	(0.436)	-
(Surplus)/Deficit	1.163	(0.213)	0.950
25/26 Opening Position	(1.055)	(0.484)	(1.539)
Surplus / (Savings) still to be identified	0.108	(0.697)	(0.589)

Source: North Ayrshire IJB

57. The £4.019 million savings are rated £2.984 million Amber and £1.035m Green. Amber rated savings include: Improve outcomes for care experienced young people (£1.0 million); Continued review of Care at Home service (£0.5 million); and review of Financial Inclusion Service (£0.36 million).

58. There is considerable uncertainty around a significant proportion of these savings. For example, improving outcomes for care experienced young people will require significant understanding of both the costs associated with the current system and to identify what needs to change, and further reduction in the care at home service has the potential to create cost pressures in other parts of the system. Care Experienced Children and Young People is projected at Month 3 to overspend by £2.857 million in 2025/26. Care at Home is projected at Month 3 to be £1.641 million overspent in 2025/26. In addition, and as noted at para 41 above, both of these areas were significantly overspent in 2024/25. The Chief Officer has confirmed that issues are being addressed by various initiatives, monitoring and review.

The Medium-Term Financial Outlook has identified required savings of between £13.6 million and £21.4 million in 2026/27

59. A Medium-Term Financial Outlook (MTFO) has been prepared to identify what the financial position may look like moving into 2026/27 and 2027/28. The MTFO notes that for 2025/26, the outturn was between the projected medium and the worst case scenarios for that year and it would be prudent to assume a similar position for 2026/27 and 2027/28. As set

out at [Exhibit 5](#), the modelling which has been carried out has identified required savings of between £13.6 million and £21.4 million for 2026/27 and between £5.7 million and £14.7 million for 2027/28.

60. The significant shortfall in 2026/27 is linked to the expected increase in local government employer pension contributions from 6.5% in 2025/26 to 17.5% in 2026/27.

Exhibit 5

North Ayrshire MTFO 2026/27 – 2027/28

	2026-27				2027-28			
	Social Care (NAC) £m	Health - Lead (NHS A&A) £m	Health - Non Lead (NHS A&A) £m	Total £m	Social Care (NAC) £m	Health - Lead (NHS A&A) £m	Health - Non Lead (NHS A&A) £m	Total £m
FUNDING SCENARIOS								
Best Case Scenario	(7.838)	(2.734)	(2.734)	(13.306)	(8.230)	(2.905)	(2.905)	(14.040)
Medium Case Scenario	(4.170)	(1.818)	(1.818)	(7.806)	(4.828)	(2.077)	(2.077)	(8.982)
Worst Case Scenario	-	-	-	-	-	-	-	-
ESTIMATED PRESSURES								
Total Estimated Pressures	17.247	2.113	2.076	21.436	10.390	2.181	2.127	14.698
POTENTIAL BUDGET GAP								
Based on Best Case Scenario	9.409	(0.621)	(0.658)	8.130	2.160	(0.724)	(0.778)	0.658
Based on Medium Case Scenario	13.077	0.295	0.258	13.630	5.562	0.104	0.050	5.716
Based on Worst Case Scenario	17.247	2.113	2.076	21.436	10.390	2.181	2.127	14.698

Source: North Ayrshire IJB

The MTFO indicates the IJB's cost base is not sustainable; current funding levels and savings from transformation will not cover the estimated costs. The IJB needs to support more radical reform and reduce the cost base if it is to demonstrate financial sustainability

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

62. The overall picture, set out by the Accounts Commission is concerning. It shows a continued picture of overspending, depletion of reserves and reliance on one-off rather than recurring savings. There is a need for transformational changes in the way services are being delivered and for the identification and delivery of significant recurring savings. IJBs in Scotland also need to be working collaboratively with each other and with their NHS and council partners to find ways to transform services on a longer-term basis so that they are affordable.

63. In 2023/24 we reported that the IJB has recognised that the challenging financial environment it is operating in will likely continue for some years to come and agreed an updated Transformation Plan 2024-27 in March 2024. We also reported that the Service Redesign and Change

Fund aims to support the Transformation Plan through the redesign of services and investments in new technologies. The balance on the Fund at 31 March 2025 was £0.780 million. These funds are allocated on a non-recurring basis.

64. An Internal Audit review of IJB transformation submitted to the September 2025 Performance and Audit Committee gave an opinion of substantial assurance in relation to the governance of the Transformation Plan.

65. Not all projects in the Transformation Plan have a direct financial impact although a number will deliver financial savings. Of the 75 projects approved in March 2024, 40 were reported as having a financial impact. Some financial targets were identified as part of the budget development for 2025/26. Identified savings and overspend reductions are tracked in the online trackers.

66. The latest six-month progress update was provided to the IJB in August 2025. The report provided updates on specific projects across all service areas and notes a £2.93 million savings and overspend reduction target for 2025/26.

67. The Transformation Plan is critical to the ongoing sustainability of service delivery. In 2023/24 we reported that that the refreshed Transformation Plan includes timescales and is being overseen by the IJB's Transformation Board. However based on current projections, savings from transformation fall significantly short of the potential budget gaps in 2026/27 and 2027/28. Financial recovery from this position will require radical reform of services. Whilst the transformation programme needs to be sufficiently ambitious to respond to the scale of the financial challenges, the Chief Officer is clear that future recurring savings also need to be made through workforce changes, service review and charging reviews. In the absence of any contingency reserve of its own, the increased demand for health and social care services alongside rising costs presents a significant financial risk to both the IJB and its partners.

68. Recurring pressures are currently being met with a combination of recurring and non-recurring solutions with an underlying recurring over-commitment. This needs to be addressed as a matter of urgency. An effective medium term financial recovery plan needs to be introduced, and decisions made about the way services are delivered in the short, medium and longer-term based on information about the cost, impact and quality of all available options. Detailed scenario planning should also be undertaken to provide an understanding for the IJB of the effects of various reform options.

69. In 2023/24 we reported that in order to facilitate greater scrutiny of the financial position and the delivery of the financial recovery plan during 2024/25. The IJB agreed at its June 2024 meeting to establish a 'Finance Working Group', chaired by the IJB Vice Chair. The Director and Heads of

Service are members of the group. This Group will continue to meet monthly during 2025/26 to facilitate increased oversight and scrutiny of the financial position and transformation programme as well as detailed budget planning for future financial years.

70. Change and cost base reduction now needs to happen quickly if the IJB is to address its transformational challenges. More focused and effective leadership is needed to drive the change and to promote a culture of challenge. Joint Board members should challenge the progress being made.

Recommendation 1: The Chief Officer, Joint Board members and the Finance Working Group need to produce a financial plan that demonstrates how efficiencies from service reform, cost base reduction and transformation will meet the budget gaps outlined in the MTFO. Progress should be reviewed and challenged by the board.

71. There are an additional number of risks and challenges faced by the IJB from the anticipated budget pressures.

72. We have previously reported that IJBs, with the support of council and NHS board partner bodies, should be clear about how and when they intend to achieve their priorities and outcomes, in line with their available resources; and ultimately how they intend to progress to sustainable, preventative and community-based services.

73. The IJB needs to operate within its delegated budgets however there are a number of risks and challenges faced by the IJB from the anticipated budget pressures. For example:

- The IJB is stopping or reducing services to deliver from within reduced financial allocations. Whilst the IJB is not in a positive financial position, further reductions of service in the community has the potential to create cost pressures in other parts of the system
- NHS Ayrshire and Arran continue to meet the increased costs of energy, e-health and all drugs (including primary care prescribing) in line with the approved integration scheme (see paragraph 74 below). The IJB holds the budget for mental health services and addictions prescribing
- In relation to the set aside budget, the monitoring of large hospital activity is complex and requires significant work to be undertaken to monitor budgets and changes in activity levels (see paragraph 75 below)
- The Integration Scheme for North Ayrshire IJB was last updated in 2018. There is a legal duty on councils and health boards to review the Integration Schemes at least every 5 years to consider whether

any changes are necessary or desirable. The Integration Scheme is being reviewed on a Pan Ayrshire basis and will be taken to respective governance boards in 2026.

Work to rebalance the financial risk between the Integration Joint Boards and the Health Board in some areas remains ongoing

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

75. In 2023/24 we reported that Ayrshire Finance Leads have now developed and agreed on a new model for costing the set aside arrangements, based on actual bed usage and average costs which was expected to be enacted operationally during 2024/25. However NHS Ayrshire and Arran has also requested the development of a joint strategic commissioning plan to enable the setting of directions for Unscheduled Care, aligned with the Set Aside resources, which has not yet been approved by the three IJBs.

76. We previously reported that during 2023/24, a Task Group relating to Primary Care Prescribing and led by the Health Board's Director of Finance, agreed in principle that whilst IJBs should hold full responsibility for Primary Care Prescribing, a prudent approach would be to undertake a period of learning to enable chief officers and funding partners to fully understand the implications of such a decision. We are now advised that the transfer of responsibility of primary care prescribing would require all parties to the integration schemes to agree to this change (council and health board) and for due diligence to establish if the service is appropriately funded.

Vision, Leadership and Governance

Governance arrangements are appropriate and operate effectively

77. The audit work performed on the arrangements the IJB has in place around its Vision, Leadership and Governance found that these were effective and appropriate.

78. There continues to be an increasing focus on demonstrating the best use of public money. Openness and transparency in how a body

operates and makes decisions is key to supporting understanding and scrutiny. Transparency means that the public has access to understandable, relevant, and timely information about how the body is taking decisions and using resources.

79. For 2024/25 the IJB held its meetings in person. The meeting papers and minutes are available on the IJB's website. All Performance and Audit Committee meetings continued to be held remotely.

80. We consider that governance arrangements are appropriate and generally support effective scrutiny, challenge and decision-making. The IJB has a clear strategic vision that is supported by its partners

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

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

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

83. The IJB provides services as set out in its Integration Scheme. The Strategic Plan objectives aim to give direction to the services provided and commissioned by the IJB and are based on its engagement with its partners and other key stakeholders together with consideration of national outcomes. The current Strategic Plan has no links to financial plans.

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

A review of the Integration Scheme is ongoing and is due to conclude in 2026

85. The Public Bodies (Joint Working) (Scotland) 2014, places a legal duty on Councils and Health Boards to review the Integration Schemes at least once every five years to consider whether any changes are necessary or desirable.

86. As set out at para 73 above, the Integration Scheme for the IJB was last reviewed in 2018. The current review of the Integration Scheme has been undertaken on a pan-Ayrshire basis by the three Councils and the Health Board to ensure a consistent and co-ordinated approach. A project Board was established to oversee the work and various work groups were established. The review of the Integration Scheme through the various workgroups concluded in March 2024. Further work has since been undertaken to consider specific issues and the overall legal competence of the Scheme.

87. It is anticipated that the Integration Scheme review will conclude in 2026. Following this, it will require approval by North Ayrshire Council and NHS Ayrshire and Arran, prior to submission to the Scottish Ministers.

Use of Resources to Improve Outcomes

Performance management arrangements are effective. Of the 18 national indicators, 16 (89%) either achieved or were above target for 2024/25. However delayed discharges have increased by more than 61% over the same period

88. The Performance and Audit Committee has a role in providing oversight of performance reporting against the strategic plan. Twelve month rolling performance reports are presented to most meetings of the committee. This provides assurance to the Performance and Audit Committee of overall performance.

89. There are local indicators used for performance reporting by the IJB, however for comparability when assessing the performance of the IJB, we have considered several key Ministerial Strategic Group for Health and Community Care (MSGHCC) measures that are used to track performance in Integration Authorities.

90. Of the 16 local indicators used, 14 out of 16 (87.5%) were either achieved or were above target. [Exhibit 6](#) sets out the IJB's results against a number of the MSG measures for 2024/25. Of the 18 indicators, 16 (89%) were either achieved or were above target. However delayed

discharges bed days increased from 1,785 during March 2024 to 2,876 during March 2025, an increase of 61.1%.

91. Delays in accessing Care at Home supports are largely due to overall capacity to deliver services. As part of the IJB's financial recovery plan for 2024/25, which has continued into 2025/26, a recruitment freeze was implemented to reduce the overspend. This has resulted in a reduction in the overall workforce and an overall reduction in service capacity. The service has developed a Winter Preparedness and Delayed Discharge Improvement Plan with a key focus on supporting Care at Home Capacity. However with a reduction in service capacity, an increased focus on early discharge from hospital and a sickness absence rate of over 14% in the Care at Home workforce, improvement in this area is unlikely without radical reform. Current initiatives include implementation of a call monitoring system, a review of roles, prioritisation of access including reviews of eligibility criteria.

Exhibit 6

National performance measures (age 18+)

Measures	24/25 performance	Improving from 23/24
Emergency admissions to acute hospitals	9.1% decrease	Yes
Unscheduled "hospital bed days" in acute hospital	40.8% decrease	Yes
Unscheduled "hospital bed days" in geriatric long stay	68.3% decrease	Yes
Emergency department attendances	0.5% increase	No
Delayed transfers of care bed days (all)	61.1% increase	No

Source: North Ayrshire IJB - Annual Performance Report 2024-25

92. Whilst there is a need for caution when drawing conclusion from national comparisons, the Accounts Commission's [Integration Joint Boards: Finance and Performance 2024](#) report makes it clear that IJB's need to make best use of available data. This needs to include effective data sharing between partners and key stakeholders. To that end, it is important that members and management of North Ayrshire IJB satisfy themselves that the performance results of it are fully assessed on a continual basis and that these results are used to effectively inform how to improve outcomes for people who use its services.

93. We conclude that the IJB has established appropriate arrangements for reporting performance against national outcomes through the Annual Performance report.

A formal review should be undertaken to demonstrate how the IJB is achieving Best Value

94. The Code of Audit Practice requires us to consider the adequacy of the arrangements in place to demonstrate how the IJB meets its Best Value duty to secure continuous improvement in the performance of its functions. We expect bodies to demonstrate that they meet the expectations in the Scottish Government, Local Government in Scotland Act 2003 Best Value: Revised Statutory Guidance 2020.

95. Our work on the four wider scope audit areas financial management, financial sustainability, vision, leadership and governance and the use of resources to improve outcomes provides evidence of how the IJB performs in some important areas of Best Value. Whilst there is evidence of elements of Best Value being demonstrated by the IJB across a range of areas, the mechanism for formally reviewing and reporting on the arrangements to secure Best Value is not formalised and reported to the Board.

Recommendation 2: A Best Value assurance framework should be formalised, to set out how annual assurances from the IJB's partners can be used to provide assurance on Best Value arrangements to the Board.

Appendix 1

Action plan 2024/25

2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
1. Financial sustainability There are no approved plans to meet the budget gaps set out in the MTFO. This needs to be addressed as a matter of urgency. An effective long term financial recovery plan needs to be introduced, and decisions about the way services are delivered in the short, medium and longer-term based on information about the cost, impact and quality of all available options. Detailed scenario planning should also be undertaken to provide an understanding for the IJB of the effects of various reform options. Risk: There is a risk that the IJB is unable to deliver the transformational change at the pace that is required.	The Chief Officer, Joint Board members and the Finance Working Group need to produce a financial plan that demonstrates how efficiencies from service reform, cost base reductions and transformation will meet the budget gaps outlined in the MTFO. Progress should be reviewed and challenged by the board. (paragraph 70)	Accepted Preparation for the 2026/27 budget has commenced. The Transformation Plan is being further developed with a focus on aligning financial impact to areas of service change. A series of meetings is being held with every senior manager to review their services and look at ways of reducing spend through either redesign or cessation of services. Once completed the actions identified will be discussed at the Finance Working Group prior to proposals being presented to the IJB for approval. Proposals will be submitted throughout 2025/26 e.g. Brighter Pathways will be presented in November 2025. Final proposals to bridge any remaining gap will be presented in March 2026 as part of the 2026/27 budget paper. This work will also include savings beyond 2026/27. Chief Officer and Chief Finance Officer March 2026

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
2. Arrangements to secure Best Value Whilst there is evidence of elements of Best Value being demonstrated by the IJB across a range of areas, the mechanism for formally reviewing and reporting on the arrangements to secure Best Value is not formalised and reported to the Board. Risk: There is a risk that the IJB is not meeting its Best Value duty to secure continuous improvement in the performance of its functions.	A formal review of the Best Value assurance framework and an assessment of the partnership's Best Value arrangements should be completed and reported to the Joint Board. (paragraph 95)	Accepted A Best Value framework will be developed and presented to the IJB, thereafter this will be incorporated into the Annual Performance Report as the mechanism for regular reporting to the IJB. Chief Officer February 2026

Appendix 2

Follow-up of prior year recommendations in the 2023/24 Annual Audit Report

Issue/Risk	Recommendation	Agreed management action/timing
PY1. Financial management Financial monitoring report projections during the year varied significantly from actual outturn.	Financial projections should be based on clear evidence and realistic assumptions.	Complete The projection for Care at Home costs in 2023/24 was understated due to an error in the forecasting template. This was explained to the IJB at the June meeting and was rectified for 2024/25.
PY2. Unidentified savings At the end of Month 4 (July 2024), the IJB reported a projected year-end overspend of £6.697m. Identified financial improvement actions amount to £3.702m, A further £2.995m of financial recovery improvement actions still require to be identified.	The IJB should ensure that savings plans are developed as a matter of urgency, identifying how the required £2.995 million of financial recovery improvement actions in 2024/25 will be achieved.	Ongoing The IJB set a balanced budget for 2024/25 on 14 March 2024. This did not require any draw on reserves but did include the approval of £10.290 million of savings to achieve financial balance. The 2005/26 budget has a funding gap of £3.069 million and proposed savings of £4.019 million.

Issue/Risk	Recommendation	Agreed management action/timing
PY 3. Uncommitted reserves The IJB Reserves Strategy recommends that the IJB will aspire to hold between 2 and 4% of its annual budgeted expenditure as an uncommitted reserve. The uncommitted reserve balance at 31 March 2024 was £0.357 million (representing only 0.1% of the IJB'S 2024/25 budget) and therefore does not meet the lower target. In addition, uncommitted reserves are forecast to be depleted by 31 March 2025.	The IJB must urgently map a clear route to bring uncommitted reserves back up to the minimum level.	Ongoing. At 31 March 2025, the IJB had zero uncommitted reserves balance against the target level for the year of £6.715 - £13.430 million. The absence of any uncommitted general fund reserves seriously limits the IJB's ability to manage and mitigate future financial pressures and represents a significant financial risk to both the IJB and its partners. The IJB accepts and acknowledge that uncommitted reserves require to be restored to the minimum recommended level. However it also reports in the Annual Accounts that in the short-term, service pressures mean that this will not be achievable. This will require to be considered as part of the annual budget setting process alongside the funding allocations from both partner bodies.

Issue/Risk	Recommendation	Agreed management action/timing
PY B/F 1. Transformation Plan (2022/23 recommendation) The IJB needs to be clearer about how the ongoing improvement activity makes a difference to the outcomes the IJB and its partners want to achieve.	The IJB and its partners need to clearly set out what achieving its intended outcomes looks like in the short, medium and longer term.	Superseded Based on current projections, projected savings from transformation are not enough to close the potential budget gaps in 2026/27 and 2027/28. Financial recovery from this position will require radical reform of services and service/cost reductions. In the absence of any contingency reserve of its own, this presents a significant financial risk to both the IJB and its partners. An effective long term financial recovery plan needs to be introduced, and decisions about the way services are delivered in the short, medium and longer-term based on information about the cost, impact and quality of all available options. Detailed scenario planning should also be undertaken to provide an understanding for the IJB of the effects of various reform options. See Recommendation 1 of our 2024/25 action plan.

Appendix 3

Supporting national and performance audit reports

Report name	Date published
Local government budgets 2024/25	15 May 2024
Scotland's colleges 2024	19 September 2024
Integration Joint Boards: Finance and performance 2024	25 July 2024
The National Fraud Initiative in Scotland 2024	15 August 2024
Transformation in councils	1 October 2024
Alcohol and drug services	31 October 2024
Fiscal sustainability and reform in Scotland	21 November 2024
Public service reform in Scotland: how do we turn rhetoric into reality?	26 November 2024
NHS in Scotland 2024: Finance and performance	3 December 2024
Auditing climate change	7 January 2025
Local government in Scotland: Financial bulletin 2023/24	28 January 2025
Transparency, transformation and the sustainability of council services	28 January 2025
Sustainable transport	30 January 2025
A review of Housing Benefit overpayments 2018/19 to 2021/22: A thematic study	20 February 2025
Additional support for learning	27 February 2025
Integration Joint Boards: Finance bulletin 2023/24	6 March 2025
Integration Joint Boards finances continue to be precarious	6 March 2025
General practise: Progress since the 2018 General Medical Services contract	27 March 2025
Council Tax rises in Scotland	28 March 2025

North Ayrshire Integration Joint Board

2024/25 Annual Audit Report



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