

South Ayrshire Integration Joint Board

Interim Report to the Performance and Audit Committee
on the audit for the year ended 31 March 2019

Issued 30 May 2019 for the meeting on 7 June 2019

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Introduction

The key messages in this report

I have pleasure in presenting our report to the Performance and Audit Committee (the Committee) of South Ayrshire Integration Joint Board (the IJB) as part of our 2018/19 audit responsibilities. I would like to draw your attention to the key messages from this paper:

Background

As set out in our plan which was presented to the Committee in March 2019, the Code of Audit Practice sets out four audit dimensions which sets a common framework for all public sector audits in Scotland.

Our audit work has considered how the IJB is addressing these and our conclusions are set out within this report.

As part of this review we met with key members of the Senior Management Team and the chair of the Committee. We also observed a Committee and Board meeting during 2018/19.

We then reviewed supporting evidence to corroborate our judgements and conclusions which are contained within this report.

Scope of audit

Our audit work covered the four audit dimensions as follows:

- Financial sustainability;
- Financial management;
- Governance and transparency; and
- Value for money.

The audit incorporated the specific risks highlighted by Audit Scotland, in particular, the impact of EU withdrawal, the changing landscape for public financial management, dependency on key suppliers and increased focus on openness and transparency.



Introduction (continued)

The key messages in this report (continued)

Overall conclusions

Financial sustainability – The IJB’s current financial position is extremely challenging, with an overspend in 2018/19, no balanced budget set for 2019/20 and no medium to long-term financial plan in place. At present, the IJB is at significant risk of not achieving short-term financial balance in 2019/20. A medium to long-term financial plan along with a detailed transformation plan setting out how services will be provided within the funding available, needs to be completed as a matter of urgency.

Financial management – The IJB is projecting a £3.887m overspend for 2018/19. The Board was unable to accept a number of the savings proposals due to the potential negative impact of these on vulnerable service users and patients and as a result, discussions took place to secure additional interim funding. While agreement has yet to be reached, the Council has agreed to fund this on an interim basis, on the assumption that this would be repaid in future years and a full review performed on roles and responsibilities.

During 2018/19, the IJB did not operate as a “fully integrated budget” making it difficult for IJB members to make these decisions. This improved during the 2019/20 budget process with the IJB and both partners involved throughout. To be fully effective, the IJB needs to adopt an integrated approach to budgeting, which allows IJB members to make decisions in relation to the total funding allocated to meet the objectives of its Strategic Plan.

Governance and transparency – A number of governing documents have not been reviewed or refreshed since the inception of the IJB in 2015. We understand that in response to the financial challenges that have arisen in 2018/19, there is a general consensus that a comprehensive review of the roles and responsibilities is required to clarify the inter-relationship with the NHS and Council and where responsibilities lie. This should be done as part of the review of the Integration Scheme. Once completed, a comprehensive training programme should be developed for all members, building on the training previously provided, to ensure that they clearly understand their roles and responsibilities as members of the IJB.

In general, the IJB has a good attitude to openness and transparency and there is a supportive culture that underpins this.

Value for money – The IJB has a performance management framework in place, with performance regularly considered by management, and the Board. The IJB clearly reports on its contribution towards the national outcomes through its quarterly and annual performance reports.

The Care Inspectorate is closely monitoring a number of performance issues highlighted in a recent Significant Case Review. We will maintain dialogue to assess progress and any further improvement required.

Our detailed findings and conclusions are included on pages 5 to 19 of this report.

Next steps

An agreed Action Plan is included at page 22 of this report. We will consider progress with the agreed actions and provide an update on any significant changes in our annual audit report to the Committee in August 2019.

Added value

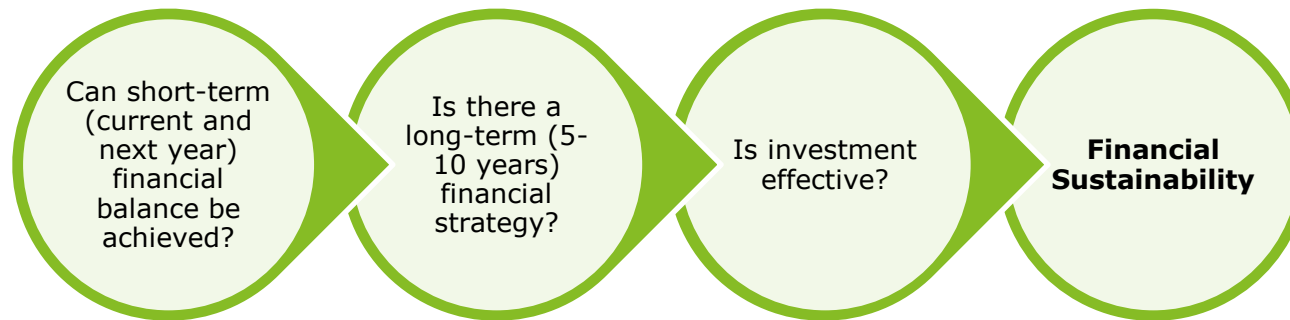
Our aim is to add value to the IJB by providing insight into, and offering foresight on, financial sustainability, risk and performance by identifying areas for improvement and recommending and encouraging good practice. In so doing, we aim to help the IJB promote improved standards of governance, better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

We have provided our separate “Sector Developments” report, where we have shared our research, informed perspective and best practice from our work across the wider public sector that are specifically relevant to the IJB. We would encourage the Board to consider this as part of the ongoing development of the Partnership.

Financial sustainability

Overview

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.



Audit risks

Within our audit plan we identified a number of risk as follows:

- The IJB fails to take sufficient action to reach a financially sustainable position; and
- The IJB's long-term financial planning is inconsistent with the Scottish Government's five-year plan.

The following pages summarise our findings and conclusions to address the above risks.

Financial sustainability (continued)

Short to medium-term financial position

2019/20 budget

As at May 2019, the IJB are yet to approve a balanced budget for 2019/20. During the Board's meeting in April 2019, a budget position statement was issued that outlined an initial funding gap of £7.475m. Savings of £4.658m have been identified but further savings of £2.817m required to be identified to address the funding gap.

	Council Delegated Budget (£'000)	NHS Delegated Budget (£'000)	Total Budget (£'000)
Funding increase	3,574	2,151	5,725
Pressures	(6,273)	(2,307)	(8,580)
Net pressures from 2019/20 settlement	(2,699)	(156)	(2,855)
Base budget overspend	(2,198)	(859)	(3,057)
Investment proposals	(255)	(333)	(588)
Repayment of temporary funding	(975)	0	(975)
Revised funding gap	(6,127)	(1,348)	(7,475)
Savings identified	3,523	1,135	4,658
Savings needed	(2,604)	(213)	(2,817)

The budget allocations from the Council and NHS includes the IJBs share of the Scottish Government integration funding allocated to improve outcomes in social care routed to IJBs via NHS Boards and the additional funding to support additional investment in social care announced in December 2018 which required a real term uplift in baseline funding of 2.6%.

Given the level of savings identified, which have a degree of risk, and the savings that still need to be identified, the IJB is at a significant risk of not achieving short-term financial balance in 2019/20. The budget position paper also identified a number of ongoing financial risk areas that may impact on the 2019/20 budget during the year. A further budget paper will be presented to the IJB at its meeting on 19 June 2019 with the aim of setting a balanced budget for 2019/20.

As discussed further on page 10, while the delay in approving the budget is concerning, it does demonstrate a more robust challenge to the accuracy and reasonableness of the assumptions. It is now critical that the necessary changes in service delivery be agreed to enable a balanced budget to be set, with detailed savings plans, to allow a sufficient lead time to make these changes to allow short-term financial balance to be achieved.

Reserves

The IJB has adopted a Reserve Strategy which was approved in 2015, where it was agreed that it should hold between 2% and 4% of net expenditure, which based on the lower value would be £5m.

As reported in the budget position statement to the IJB in March 2019, it recognised that given the current financial position and the ongoing requirement to deliver significant savings, this optimum reserves balance is aspirational. No recommendations were made as part of the 2019/20 budget to allocate any resources to reserves however, consideration may be given to this in future to allow the IJB to cushion the impact of demand fluctuations for services and to support financial planning over a longer period.

Total reserves as at 31 March 2018 were £0.968m, of which £0.405m was unearmarked. The 31 March 2019 position will depend on the final outturn position for the year.

£0.563m was earmarked in 2017/18 which is expected to have been fully utilised in 2018/19.

Financial sustainability (continued)

Short to medium-term financial position

Medium term financial planning

The IJB recognise that the delivery of services in the same way is neither financially or operationally sustainable. The updated Strategic Plan, approved for 2018-2021, is underpinned by the need to transform care models to find new solutions as the partnership might not always be the first source of support.

Our 2016/17 and 2017/18 audit reports recommended that a medium to longer term financial strategy be developed to enable visibility over the future years' budget gaps and how the IJB intends to address these. While the Strategic Plan 2018-2021 briefly touches upon future financial planning however, this is too brief and does not include the required level of detail for a financial plan and does not quantify the financial challenge that the IJB faces. We understand that a medium to longer term financial plan is under development with implementation during 2019/20. It is critical that this is developed so that the IJB has a clear picture of expected funding, demand pressures and savings required in order to effectively plan for the medium to longer term. We recognise that the delay in actioning this recommendation is directly related to the lack of a dedicated IJB finance team, as discussed further on page 11.

As part of the new budget process, the Scottish Government published an initial five-year Medium Term Financial Strategy in May 2018. In addition, the Scottish Government Health and Social Care Medium Term Financial Framework was published in October 2018. These documents should be considered as part of the development of the medium to long-term financial plan.

Transformation work

The IJB recognise that redesign and transformation is required to enable services to be provided in the most cost effective manner and within the resource available but are yet to develop and agree a transformational plan.

Linking closely with the need for a Medium Term Financial Plan, the IJB must develop a transformational plan which outlines how services will be provided in the future whilst maintaining financial balance. As part of this, there needs to be a recognition that the correct level of infrastructure needs to be put in place to ensure successful delivery, i.e.:

- Clear Leadership on what is needed.
- A dedicated resource to drive forward change.
- A recognition that in some instances, investment may be required in order to "spend to save".
- Clear milestones, including target dates and expected financial and operational benefits.
- Benefit realisation tools to track progress.

Financial sustainability (continued)

Medium to long-term financial sustainability

Transformation work (continued)

As set out in our 2017/18 annual report to the IJB in September 2018, from our experience, public sector bodies that have successfully delivered and sustained transformational change have tended to focus on six key requirements.

- Strategically driven
- A "Place" leader
- Digital data analytics and insights
- Efficiency, productivity and income generation
- Outcome focused partnership working
- Relationship with the Citizen

The overarching aspect throughout a transformation programme is having strong leadership that believes in and can drive transformational change.

Deloitte view – Financial sustainability

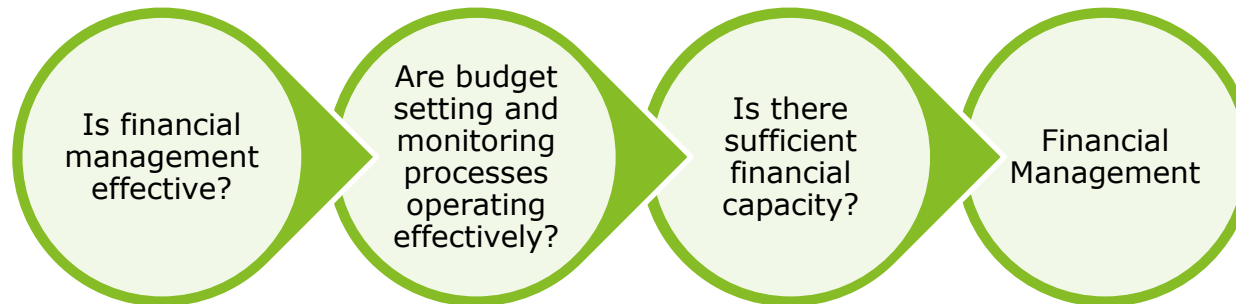
As noted on page 10, the IJB is forecast to overspend in 2018/19, which is being funded through additional funding from South Ayrshire Council which will be repayable in future years. A balanced budget has not yet been set for 2019/20, however current forecasts indicate a £2.8m funding gap where savings still need to be identified. This needs to be progressed as a matter of urgency, with detailed savings plans, to allow short-term financial balance to be achieved. At present, the IJB is at significant risk of not achieving short-term financial balance in 2019/20.

In the medium term, the IJB is faced with an extremely challenging financial position. Despite our recommendations in the last two years, a medium to longer term plan has not yet been developed due to the lack of a dedicated IJB finance team. We understand that this is now under development. This, along with a detailed transformation plan setting out how services will be provided within the funding available, needs to be completed as a matter of urgency. The Scottish Government's five-year Medium Term Financial Strategy and its Health and Social Care Medium Term Financial Framework should be considered as part of the development of the medium to long-term financial plan.

Financial management

Overview

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.



Audit risks

Within our audit plan we identified a number of risks as follows:

- A lack of appropriate financial management could result in the IJB not achieving its financial targets; and
- The underlying financial performance of the IJB is not transparently reported.

The following pages summarise our findings and conclusions to address the above risks.

Financial management (continued)

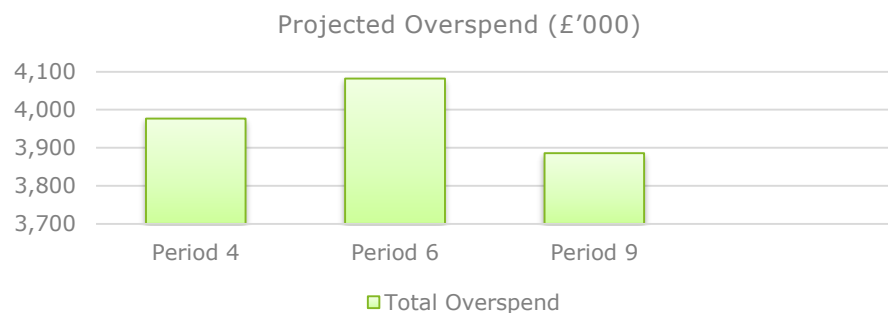
Financial performance

2018/19 projected outturn

For 2018/19, the IJB approved an initial high risk balanced budget of £211.726m, including expenditure relating to the Lead Partnership and the set aside budget. During the year, there were amendments to the original budget and the projected outturn position as at 31 December 2018 is a £3.887m overspend against a revised budget of £219.419m.

A recovery plan was put in place to help achieve financial balance but is forecast to achieve only £0.3m in efficiency savings. At its meeting in December 2018, the IJB considered a paper setting out the progress made to date in relation to the Budget Recovery Plan and further proposals for in-year savings to balance the budget. The Board concluded that it could not accept the further savings proposals set out in the paper due to the potential negative impact of these on vulnerable service users and patients. As noted on page 6, significant savings are required in order to balance the 2019/20 budget, therefore the Board needs to critically consider these and potentially make difficult decisions on service provision.

Following this, a number of meetings have been held between senior officers and members from the IJB, Council and NHS to discuss the potential for additional interim funds. As agreement could not be reached, in accordance with the Integration Scheme, the matter proceeded to mediation. All parties have agreed that a full review of roles and responsibilities be performed (see page 14) and as a result, in the interim the overspend is to be met by additional funding from South Ayrshire Council and is to be repaid to the Council over the next four years at £0.975m per annum. The projected outturn has been reported to members throughout the year as illustrated:



The key reasons for the variances as at 31 December 2018 were:

- Community Care & Health (£1.579m) – increase in demand for care home and care at home packages attributing to a £1.228m overspend. £0.513m overspend in Biggart Hospital due to ongoing legacy issues following service redesign.
- Children & Criminal Justice Services (£2.089m) - £1.800m overspend in Outwith Authority Placements due to unprecedented rise in the numbers of young people requiring residential education and secure accommodation. Various smaller overspends are projected with a net effect of £0.400m including a £0.200m overspend in relation to child disability care packages.
- Support Services (£0.452m) - payroll management target of £1.900m was set for the year for Social Care services, with a further £0.150m added as part of the budget recovery plan. This is forecast to under achieve by £0.500m.

Given the significant variances reported from period 4, this brings into question the robustness and achievability of the assumptions used in the original budget set in 2018/19, although we recognise that these were highlighted as high risk when setting the budget. As noted on page 6, a balanced budget has yet to be agreed for 2019/20 which, while concerning, does demonstrate a more robust challenge to the accuracy and reasonableness of the assumptions.

Savings Plans

The approved budget included a need to make savings of £3.311m. Based on the projected final position, £2.019m of these savings have been achieved with £1.292m forecast not to be achieved and resulting in an overspend of £1.292m. During the year, the IJB agreed a Recovery Plan aimed at achieving financial balance as a result of the forecast £3.887m overspend. £1.157m of efficiency savings were agreed of which £0.337m is forecast to be achieved by the year end.

Financial management (continued)

Financial reporting and capacity

Financial reporting

The IJB has effective financial planning and management arrangements in place, however, as noted on page 6, there has been a delay in setting a balanced budget for 2019/20 which will have an impact on the deliverability of the plan. Senior management and board members regularly review progress. The board reviews financial performance each quarter.

We have, however, recommended the following improvements to the budget setting process:

- There needs to be a link between the budgeted spend and the IJB's priorities as set out in the Strategic Commissioning Plan.
- There needs to be improved links between the budget and outcomes: there is no information of the outcomes the IJB expects to be progressed (and to what extent) by the budget, which makes it difficult for the IJB to assess to what extent budgetary decisions are impacting on outcomes achieved.

The quality of financial monitoring reports has improved and now include details on how savings/ efficiencies are achieved and more detail is included in relation to Lead Partnership arrangements and set-aside budgets. Amendments to the budget during the year are transparently reported in the quarterly financial monitoring reports.

A training session, led by the Chief Finance Officer, was held with all Board members in March 2019 to explain the different aspects of the financial position.

It is positive to note that through the discussions on the financial position, the Board has considered the correlation between operational performance and the financial recovery plans, e.g. it was noted that delayed discharges are a huge cost to the NHS and that this funding would be better used elsewhere, locally, within the health and social care system. However, during 2018/19, the IJB did not operate as a "fully integrated" budget making it difficult for IJB members to make these decisions. This improved during the 2019/20 budget process with the IJB and both partners involved throughout. To be fully effective, the IJB needs to adopt an integrated approach to budgeting, which allows IJB members to make decisions in relation to the total funding allocated to meet the objectives of its Strategic Plan. The IJB also needs to have the supporting infrastructure in place to make these decisions. This is something that was highlighting in the **Ministerial Strategic Group for Health and Community Care, Review of Progress with Integration of Health and Social Care**, published in February 2019.

"IJBs must be empowered to use the totality of resources at their disposal to better meet the needs of their local population"

Financial capacity

The Chief Finance Officer also has the role of Assistant Director of Finance at NHS Ayrshire & Arran and receives support from a member of the Council's finance team. He has experience in NHS finance roles for a number of years and has sufficient status to be able to deliver good financial management, however, given his dual role, does not have sufficient capacity to fulfil the needs of the IJB in the absence of appropriate support arrangements. In recognition of the increased workload associated with the IJB it has approved to recruit a Senior Finance Manager to provide further support to the finance and accounting function. This is a welcome addition in view of the work required on medium to long term financial planning.

Financial management (continued)

Systems of internal financial control

Internal audit

South Ayrshire Council's Chief Internal Auditor provides the Internal Audit function for South Ayrshire IJB.

During the year, we have reviewed all internal audits presented to the Performance and Audit Committee and the conclusions have helped inform our audit work, although no specific reliance has been placed on the work of internal audit.

Standards of conduct for prevention and detection of fraud and error

We have reviewed the IJB's arrangements for the prevention and detection of fraud and irregularities. Overall we found the IJB's arrangements to be operating effectively.

Deloitte view – financial management

The IJB is forecast to overspend by £3.887m in 2018/19, which has been regularly reported to the Board throughout the year in the quarterly financial monitoring reports. The Board was unable to accept a number of the savings proposals and as a result, discussions took place to secure additional interim funding. While agreement has yet to be reached, the Council has agreed to fund this on an interim basis, on the assumption that this would be repaid in future years and a full review performed on roles and responsibilities.

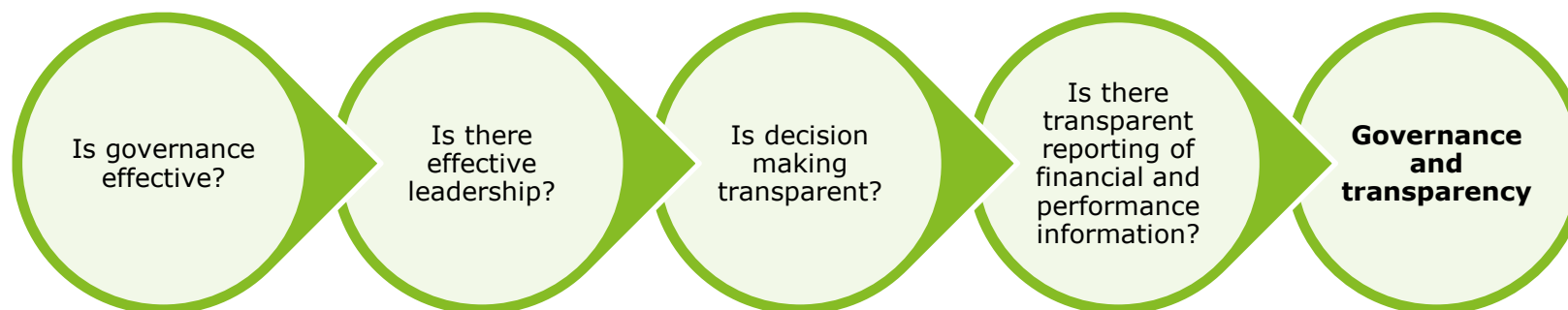
We are pleased to note that the IJB has made improvements to the quality of financial monitoring reports in relation to the Lead Partnership arrangement and set aside budget, and recent training has been provided to Board members on these.

During 2018/19, the IJB did not operate as a "fully integrated" budget making it difficult for IJB members to make decisions. This improved during the 2019/20 budget process with the IJB and both partners involved throughout. To be fully effective, the IJB needs to adopt an integrated approach to budgeting, which allows IJB members to make decisions in relation to the total funding allocated to meet the objectives of its Strategic Plan.

Governance and transparency

Overview

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.



Audit risks

Within our audit plan we identified a number of risks as follows:

- The governance arrangements between the IJB and its funding partners are not consistent; and
- The IJB's approach to openness and transparency is not keeping pace with public expectations and good practice.

The following pages summarise our findings and conclusions to address the above risks.

Governance and transparency (continued)

Leadership, vision and governance arrangements

Strategic Plan

The Strategic Plan 2018 – 2021 was approved by the Board in June 2018. This notes that all of the work being taken forward continues to be done within the context of a challenging financial and operational environment.

The Partnership is committed to assessing how it is performing, examining where there are particular strengths to be built upon and where there is scope for improvement. This approach will form one of the key pillars in the drive for continuous improvement and transformational change in order to achieve the Board's objectives.

Leadership

The IJB is led by the Chief Officer and, with its partners, has a clear vision for what it wants to achieve for the people of South Ayrshire. Board members and staff support the vision. A strong leadership is required to drive the transformational change required, as discussed further on page 7.

The Partnership is governed by the IJB comprising eight voting members appointed by South Ayrshire Council and the NHS Ayrshire and Arran Board. The voting membership of the Board comprises four elected members from South Ayrshire Council and four non-executive members from NHS Ayrshire & Arran. Representatives from other Sectors including the 3rd Sector, Independent Sector, staff representatives and others representing the interests of patients, service users, carers and professionals also sit on the Board and contribute to its work. During the year, there have been two changes to the voting membership of the IJB. Despite these changes, we still consider there to be sufficient diversity to provide effective balance and scrutiny in leadership.

There has been a significant turnover of staff in recent months in Children's Services. The impact of this is being closely monitored by the Care Inspectorate who will maintain regular contact with the interim Head of Service and the new Head of service when he comes into post at the end of May, and will make further assessment at that point. We will maintain contact with Care Inspectorate to monitor this.

Governance and scrutiny arrangements

The Integration Joint Board is supported in its role by the Strategic Planning Advisory Group, Health and Care Governance Group and the Performance and Audit Committee. There have been no changes to this structure in 2018/19. From a review of Board minutes, it was evident that there is an appropriate level of challenge and scrutiny provided by Members.

The Performance and Audit Committee provides a scrutiny role and regularly monitors the performance of the IJB. From a review of committee minutes, it was evident that there is an appropriate level of challenge and scrutiny provided by Members.

The IJB has a number of key governing documents including the Integration Scheme, Financial Regulations, Scheme of Delegation and Reserves Strategy and Standing Orders for Meetings. While some of these have been recently updated, a number have not been reviewed or refreshed since the IJB's inception in 2015. The IJB should regularly review the key governing documents in line with the Public Bodies (Joint Working) (Scotland) Act 2014 and to ensure that they are still fit for purpose.

We understand that in response to the financial challenges that have arisen in 2018/19 (as discussed on page 10), there is a general consensus that a comprehensive review of the roles and responsibilities is required to clarify the inter-relationship with the NHS and Council and where responsibilities lie. This should be done as part of the review of the Integration Scheme. Once completed, a comprehensive training programme should be developed for all members, building on the training previously provided, to ensure that they clearly understand their roles and responsibilities as members of the IJB. The capacity of officers should also be considered as part of this review once roles and responsibilities are clarified.

Best value (BV)

It is the duty of the IJB to secure BV as prescribed in Part 1 of the Local Government Scotland Act 2003. We have considered the accountable officers' duty to secure BV as part of our audit work and are satisfied that there are appropriate arrangements in place for securing best value.

Governance and transparency (continued)

Openness and transparency

Openness and transparency

Taking an **open approach** to business can support good governance.

It is about behaviours, centred on a preference for sharing information about how and why decisions are made. In the public sector, this is based on the recognition that public services are delivered for the public good using public money.



Transparency can be seen as a process. Access to information provides insight into decision-making and how the organisation work. Transparency in the public sector is supported by statutory requirements and regulations. These are minimum requirements and it is for individual organisations to decide whether the content and volume (in terms of quantity and amount of detail) of the information that they make available contributes to increased understanding. There are judgements to be made, and an approach designed to increase transparency rather than comply with minimum standards is more likely to satisfy the good governance test.

Openness and transparency are individually important, and working well together they help demonstrate that public organisations are acting in the public interest.

We have considered the IJB's approach to openness and transparency, how good the IJB's information is; and its commitment to improving openness and transparency.

In general, the IJB has a good attitude to openness and transparency and there is a supportive culture that underpins this.

All Board and committee meetings are held in public, with items only considered in private on sensitive matters. Access to all papers and minutes of meetings, as well as key governance documents, is available on the IJB's website. Papers presented to the Board and its committees are fair and balanced.

All voting members are required to complete and update their register of interests. These are maintained by the partner bodies and are available on the partner bodies websites. From a review of the register of interests available on the websites, it appears that a number of registers have not been updated since 2017 for Council members. We understand that this is the latest information provided by Members and regular reminders are sent reinforcing the importance of ensuring entries are kept up to date.

A Communication Strategy and Plan is in place and the IJB seek the views of its key stakeholders to help inform future decision making through regular consultation.



Governance and transparency (continued)

Deloitte view – Governance and transparency

In general, the IJB has a good attitude to openness and transparency and there is a supportive culture that underpins this.

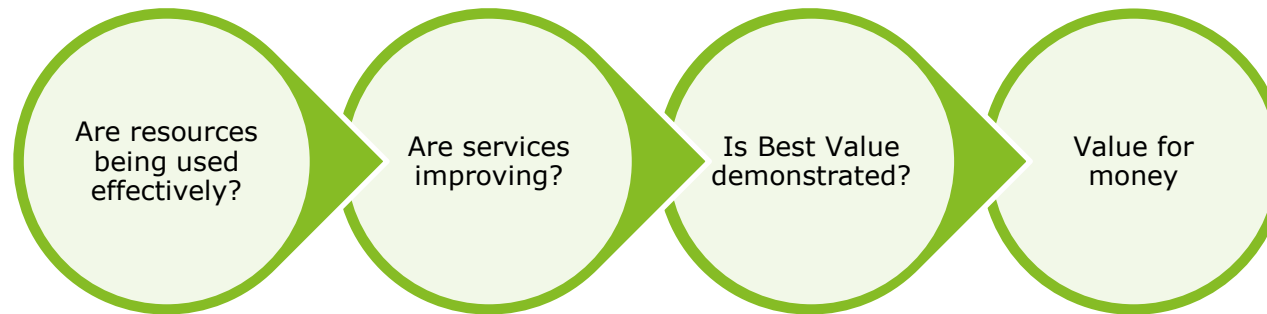
We have reviewed the governance arrangements, the level of scrutiny, challenge and transparency of decision-making and the timeliness of financial and performance reporting.

There are a number of key governing documents which have not been reviewed or refreshed by the Board since 2015. We therefore recommend that these are reviewed and refreshed on a periodic basis in line with the Public Bodies (Joint Working) (Scotland) Act 2014 and to ensure that they are still fit for purpose. We also understand that in response to the financial challenges that have arisen in 2018/19, there is a general consensus that a comprehensive review of the roles and responsibilities is required to clarify the inter-relationship with the NHS and Council and where responsibilities lie. This should be done as part of the review of the Integration Scheme. Once completed, a comprehensive training programme should be developed for all members to ensure that they clearly understand their roles and responsibilities as members of the IJB.

Value for money

Overview

Value for money is concerned with using resources effectively and continually improving services.



Audit risks

Within our audit plan we identified the following risk:

- The IJB does not clearly report on its contribution towards the national outcomes.

The following pages summarise our findings and conclusions to address the above risk.

Value for money (continued)

Performance management

Performance management

The IJB has a performance management framework in place, with performance regularly considered by management, and the Board. Regular six-monthly Partnership Performance Reports and an Annual Performance Report are issued to the Performance and Audit Committee, IJB members, operational managers and are made available on the website. Included within the performance reporting are 23 national indicators in line with 15 National Health and Wellbeing Outcomes issued by the Scottish Government. This allows for benchmarking against peers to support change and improvement.

Regulator review

A number of performance issues have been highlighted by the Care Inspectorate in relation to Adult Services, which have since been highlighted in a recent Significant Case Review (SCR) published in April 2019. These include the operation of the duty system, the review of care packages, and the implementation of the Care First recording system. The Partnership has an action plan detailing the improvements that have already been made and those planned to address the issues raised in the SCR. This is being closely monitored by the Care Inspectorate. We will maintain dialogue with the Care Inspectorate to assess progress and any further improvement required.

Deloitte view – Value for money

Best Value duties apply to accountable officers across the public sector. One of the key principles of the IJB integration scheme is making best use of public money by providing services that are efficient, effective and sustainable, and best value is a visible theme throughout IJB reports. One mechanism for the IJB ensuring Best Value is through the preparation of the annual performance report, the report assesses performance in relation to best value.

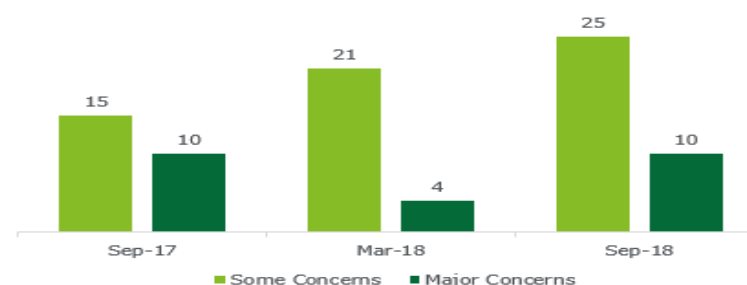
The IJB clearly report on its contribution towards the national outcomes through its quarterly and annual performance reports.

The Care Inspectorate is closely monitoring a number of performance issues highlighted in a recent Significant Case Review. We will maintain dialogue to assess progress and any further improvement required.

Performance data

From our analysis of performance indicators, we note that between the period September 2017 to September 2018 that there has been an increase in the number of 'some concern' indicators reported from 15 to 25, however the number of 'major concern' indicators have remained at 10. The Partnership Performance Reports sets out how the IJB intends to address each area of 'major concern'. In particular, there is a focus on trying to shift the balance of care from a hospital to a community setting.

Performance Indicators - Overview



Other specific risks

As set out in our Audit Plan, Audit Scotland identified a number of areas as significant risks faced by the public sector. We have considered these as part of our audit work on the four audit dimensions and summarised our conclusions below.

Risk	Areas considered	Conclusion
EU Withdrawal	We have assessed what work the IJB has done to prepare for the impact of EU withdrawal, specifically considering people and skills; finance; and rules and regulations.	<p>The IJB appropriately assessed and planned for the potential impact of EU withdrawal. In particular:</p> <ul style="list-style-type: none"> • People and skills - The IJB have engaged with partner bodies to establish the potential impact of EU withdrawal in relation to workforce and are supporting a small number of employees who are affected. • Finance – The IJB recognise prescribing budgets as a potential risk but are unable to quantify the financial impact of EU withdrawal. • Rules and regulations – Following EU withdrawal, EU legislation will become enshrined in UK law. The IJB are utilising the national responses from the Scottish Government but are unable to quantify the impact of this as yet.
Changing landscape for public financial management	As part of our audit work on financial sustainability (see page 7) we have considered how the IJB has reviewed the potential implications of the Scottish Government’s Medium Term Financial Strategy for its own finances, including long term planning.	The Scottish Government Medium Term Financial Strategy has not been reviewed or discussed at Board level. We recommend that the Scottish Government five-year Medium Term Financial Strategy and its Health and Social Care Medium Term Financial Framework should be considered as part of the development of the Boards medium term planning.
Dependency on key suppliers	We obtained a detailed breakdown of expenditure by supplier and performed an analysis to identify if there were any risks of dependency on key suppliers.	As the IJB does not directly engage with suppliers but instead commissions the Council and NHS to provide services, we have not identified a specific risk associated with the IJB. We have considered this risk as part of our audits of the Council and NHS and no issues identified which would indirectly impact on the continuity of health and social care services.
Openness and transparency	We have considered the IJB’s approach to openness and transparency as part of our audit work on governance and transparency (see page 15).	From our audit work, we are satisfied that the IJB is appropriately open and transparent in its operations and decision making, however minor improvement were identified which include seeking the views of key stakeholders to help inform future decision making.

Appendices



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 Performance and Audit Committee of the IJB discharge their governance duties.

Our report includes the results of our work on the following:

- Financial sustainability
- Financial management
- Governance and transparency
- Value for money.

What we don't report

As you will be aware, our audit is 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.

This report has been prepared for the Performance and Audit Committee of 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.

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



for and on behalf of Deloitte LLP
Glasgow

30 May 2019

Action plan

Recommendations for improvement

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
<i>Financial Planning</i>	As recommended in our 2016/17 and 2017/18 annual reports, a medium to longer term financial plan should be developed. The Scottish Government's five-year Medium Term Financial Strategy and its Health and Social Care Medium Term Financial Framework should be considered as part of the development of this plan. (see page 7 for details)	Management accept this recommendation. This will be developed when team capacity allows and in any event by 30/09/19.	Chief Finance Officer	30/09/2019	High
Transformation Plan	A detailed transformation plan needs to be developed setting out how services will be provided within the funding available. (see page 7 for details)	Agreed. This is being developed and will form part of the Medium Term Financial Strategy.	Chief Officer	30/06/2019	High
Budgeting process	We recommended the following improvements to the budget setting process: <ul style="list-style-type: none"> • There needs to be a link between the budgeted spend and the IJB's priorities as set out in the Strategic Commissioning Plan. • There needs to be improved links between the budget and outcomes: there is no information of the outcomes the IJB expects to be progressed (and to what extent) by the budget, which makes it difficult for the IJB to assess to what extent budgetary decisions are impacting on outcomes achieved. (see page 11 for details)	We agree with the recommendation and would welcome further discussion and advice on how to best implement this.	Chief Officer/ Chief Finance Officer	31/03/2020	Medium

Action plan (continued)

Recommendations for improvement (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
<i>Review of Governance Arrangements</i>	<p>The key governing documents should be reviewed and refreshed on a periodic basis in line with the Public Bodies (Joint Working) (Scotland) Act 2014 and to ensure that they are still fit for purpose.</p> <p>We understand that in response to the financial challenges that have arisen in 2018/19, there is a general consensus that a comprehensive review of the governance structure is required to clarify the inter-relationship with the NHS and Council and where responsibilities lie. This should be done as part of the review of the Integration Scheme. (see page 14 for details)</p>	<p>Management accept this recommendation. This will be progressed as part of the review of the Integration Scheme during 2019/20.</p>	Chief Officer	31/3/2020	High

Action plan (continued)

Follow-up 2017/18 action plan

We have followed up the recommendations made in our 2017/18 annual report in relation to the wider scope areas and are pleased to note that three of the total six recommendations made have been fully implemented. One recommendation relates to the financial statements audit and therefore will be reported in our annual report to the Board in August 2019. The following two recommendations have either not been implemented or are only partially implemented. We will continue to monitor these as part of our audit work and provide an update in our Annual Report to the Performance and Audit Committee in August 2019.

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2018/19 Update
Budgeting Process	At present, the IJB budget is still monitored against "SAC" and "NHS A&A" managed budgets rather than a genuine pooled budget for the IJB as a whole. As is the case across Scotland, the IJB should continue to work to resolve funding issues around shifting the balance of care between hospitals and communities.	Management accepts this finding and recommendation. Information on the joint budget is presented, however we accept this should be used more effectively for planning and commission issues as well as for operational.	Rob Whiteford (Chief Finance Officer)	01/04/19	High	<p><i>Not implemented:</i> The Board still does not have a fully integrated budget process. To be fully effective, the IJB needs to adopt an integrated approach to budgeting, which allows IJB members to make decisions in relation to the total funding allocated to meet the objectives of its Strategic Plan.</p> <p>Updated management response: This has been actioned.</p> <p>Updated target date: 31 March 2020</p>
Experience of Members	There is concern that Members who have no previous healthcare or council experience may find the reports difficult to understand and we recommend that appropriate training be provided for Members, and to look at how to improve the quality of reports.	Management accepts this finding and recommendation. IJB workshops and briefing sessions will be used to get direct feedback and enhance understanding of reports.	Rob Whiteford (Chief Finance Officer)	31/12/18	Medium	<p><i>Partially implemented:</i> A comprehensive training programme should be developed for all members to ensure that they clearly understand their roles and responsibilities as members of the IJB. This should be clearly linked with the work being done to review the governance arrangements.</p> <p>Updated management response: Actioned.</p> <p>Updated target date: 31 March 2020</p>



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