



North Ayrshire Integration Joint Board

**Report to the Performance and Audit Committee
on the 'Audit Dimensions and Best Value' for the year ended 31 March 2022**

Issued on 24 May for the meeting on 16 June 2022

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Key messages

As set out in our audit plan, the Code of Audit Practice sets out four audit dimensions which set a common framework for all public sector audits in Scotland. Our audit work has considered how the Integration Joint Board (IJB) is addressing these and our conclusions are set out within this report, with the report structured in accordance with the four dimensions. Our responsibilities in relation to Best Value ('BV') have all been incorporated into this audit work.

Financial management

The IJB continues to have effective budget setting and monitoring arrangements in place. This is supported by an experienced finance team and a robust internal audit function, as well as appropriate arrangements for the prevention and detection of fraud and error.

Financial sustainability

The IJB has set a balanced budget for 2022/23 and holds unearmarked reserves at a level consistent with its Reserves Strategy, therefore is financially sustainable in the short term. However, it continues to be faced with significant financial challenges over the medium and longer-term.

It is positive to see the development of the Medium-Term Financial Outlook during the year, the progress with transformational change programme and the updated Strategic Commissioning Plan with a clear focus on continuous improvement. Significant work is still required to make the level of lasting long-term transformational change needed to ensure financial sustainability. Progress continues to be impacted by the ongoing response to the COVID-19 pandemic.

Significant earmarked reserves are projected to be carried forward into future years. It is critical that detailed plans are developed to demonstrate how these funds will be used to make the required transformational change.

Governance and transparency

The IJB continues to have strong leadership, with more tailored training being developed for Board members. The governance arrangements also continue to be robust, with recent updates to the Standing Orders and Scheme of Delegation. The IJB continues to be open and transparent.

Further work is required to progress with implementing delegated hospital budgets and set aside requirements, in collaboration with the Scottish Government, NHS Ayrshire and Arran and other Ayrshire partnerships.

Value for money

The IJB continues to have a clear and robust performance management framework in place which analyses data, tracks progress and identifies actions. Regular reporting on performance is provided to the Performance and Audit Committee and the IJB, with a focus on continuous improvement.

Best value - The IJB has sufficient arrangements in place to secure best value and has a clear understanding of areas which require further development.

Key messages (continued)

Next steps

An agreed Action Plan is included on pages 25 to 30 of this report, including a follow-up of progress against prior year actions.

Added value

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

We have also included our “sector developments” on pages 21 to 23 where we have shared Audit Scotland’s national reporting and our research and informed perspective and best practice from our work across the wider public sector that are specifically relevant to the IJB.

Financial management



Significant risks identified in Audit Plan

In previous years we have concluded that the IJB had effective financial management arrangements in place and a sufficiently qualified and experienced finance team. We therefore did not identify any significant risks in relation to financial management during our planning. We have continued to review the arrangements in place as summarised on the following pages.

Current year financial performance

The 2021/22 budget of £291.702m, including set aside, was approved by the IJB on 18 March 2021. This included an approved draw on reserves of £1.116m. After setting the budget, additional funding and changes in assumptions revised this draw on reserves requirement to £0.181m. The budget has been updated throughout the year to include in-year movements and the latest projected position is a net underspend of £1.780m (0.7%), taking into account a repayment of £1.486m against the debt due to North Ayrshire Council. The Partnership Senior Management Team and Board members regularly review progress against budget throughout the year, with monthly reporting to the IJB. From review of the reporting throughout the year, variances are clearly reported and explained.

The net underspend is a combination of an underspend of £1.4m in community care and health, an overspend of £1.3m in children and justice services and an underspend of £1.4m in management and support costs.

The budget incorporated planned savings of £2.528m. The latest projections have highlighted £0.552m as “Red”, meaning at risk of not being achieved. This mainly relating to reducing children’s residential placements which is currently projecting to overspend. The IJB has also assumed that any unachieved savings due to COVID-19 will be compensated by additional funding, as recorded in the latest mobilisation return to the Scottish Government.

As part of the response to the COVID-19 pandemic, the Health and Social Care Partnership (HSCP) developed a mobilisation plan detailing the additional activities to support its response, alongside the estimated financial impact, including unachieved savings. Financial returns have continued to be submitted during 2021/22 with the latest estimated financial impact being £8.850m.

Financial management (continued)

Finance capacity

The finance team has remained consistent throughout the year. Whilst COVID-19 has created additional work for the team, including the additional reporting requirements to the Scottish Government, this is being well managed.

Internal audit

We have assessed the internal audit function, including its nature, organisational status and activities performed. While the IJB specific internal audit work has not yet concluded, we have carried out a review of the internal audit reports published throughout 2021/22 for both North Ayrshire Council and NHS Ayrshire and Arran. The conclusions have helped inform our audit work where applicable to the IJB, although no specific reliance has been placed on this work.

The Performance and Audit Committee approved the appointment of a new Chief Internal Auditor for the IJB in August 2021 following previous the Chief Internal Auditor moving to a new role as the IJB's Chief Finance Officer.

The 2021/22 Internal Audit Plan was then approved by the Committee in September 2021. In addition to reviews carried out within the parent organisation, the IJBs own internal audit plan included an assignment focussing on an audit of compliance with the CIPFA Financial Management Code. This work was scheduled for quarter 4 of 2021/22 and therefore has not yet been formally reported to the Performance and Audit Committee but is expected to be reported in June 2022.

We will consider the work of internal audit as part of our audit work on the Annual Governance Statement and report our conclusions in our final report to the Committee in August 2022.

Standards of conduct for prevention and detection of fraud and error

We have assessed the IJB's arrangements for the prevention and detection of fraud and irregularities, which relies to an extent on the arrangements in place in the respective parent organisations. This has included specific considerations in response to the increased risk of fraud as a result of COVID-19. Overall, we found the IJB's arrangements to be to be designed and implemented appropriately.

Deloitte view – financial management

The IJB continues to have effective budget setting and monitoring arrangements in place. This is supported by an experienced finance team and a robust internal audit function, as well as appropriate arrangements for the prevention and detection of fraud and error.

Financial sustainability



Significant risks identified in Audit Plan

While the IJB has achieved short term financial balance over recent years and made good progress in repaying the debt due to North Ayrshire Council, there remains a risk that robust medium-to-long term planning arrangements are not in place to ensure that the IJB can manage its finances sustainably and delivery services effectively. We have therefore considered the 2022/23 budget setting process and the work being done over the medium and longer-term including the development of the updated Strategic Plan as summarised on the following pages.

2022/23 budget setting

The IJB approved a balanced budget of £314.855m (inclusive of the estimated set aside budget of £34.850m) for 2022/23 on 17 March 2022. This incorporated an initial budget gap of £0.683m for which detailed savings plan have been developed and approved. The 2022/23 budget assumes no draw on IJB reserves.

In setting its budget, the IJB has recognised a number of financial risks and notes that it may be asked during 2022/23 to approve any appropriate action to mitigate or manage these areas. The main risks include:

- The ongoing response to the COVID-19 pandemic;
- The pending pay award for Local Government and NHS staff; and
- The negotiated uplifts for the National Care Home Contract.

The budget includes £1.486m set aside to support repayment of the IJB debt to the Council.

Financial sustainability (continued)

2022/23 budget setting (continued)

The budget was prepared in consultation with relevant budget holders, the Partnership Senior Management Team and IJB members. The funding assumptions were also aligned with information shared and agreed with the Directors of Finance at both the Council and NHS.

The costs associated with responding to the COVID-19 pandemic have been fully funded by the Scottish Government in 2020/21 and 2021/22. The final costs for 2022/23 and future years will depend upon the recovery timescale. In February 2022, the Scottish Government confirmed further funding to NHS Boards and IJBs to meet COVID-19 costs and to support the continuing impact of the pandemic. The IJB has therefore assumed in setting its budget that all ongoing COVID-19 related costs will be fully funding from this. A sum of £15.891m has been allocated to North Ayrshire IJB, with £1.654m required to offset unfunded costs from 2021/22, resulting in an estimated £14.237m being carried forward as an earmarked balance within the IJB reserves.

In addition to the COVID-19 funding, in October 2021 the Scottish Government announced significant investment for health and social care. This was reflected in the approved 2022/23 budget and as part of the ongoing financial monitoring, the IJB agreed that this would be used to address service pressures in acute through increased investment in community. This is a positive step towards improving the links between budgets and outcomes as this funding is specifically targeted at key priorities.

Reserves

At the time of approval of the 2022/23 budget on 17 March 2022, the IJB carried out its annual review of its reserves in line with good practice.

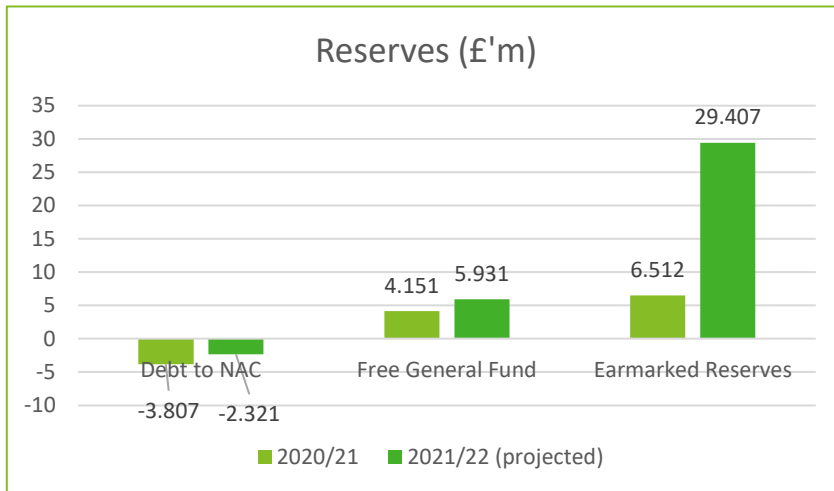
The reserves position in North Ayrshire IJB is unique in that the Board holds a negative reserves balance which has accumulated from previous year overspends. The negative reserve balance is offset by a debtor on the Balance Sheet, reflecting the debt due to North Ayrshire Council. As noted on page 5, the IJB is expecting to be in a position to repay £1.486m to the Council in 2021/22, with a further repayment of the same amount incorporated into the 2022/23 budget.

Financial sustainability (continued)

Reserves (continued)

In setting the 2021/22 budget, the IJB established a “Challenge Fund” of £0.5m to assist the HSCP with developing longer-term plans for delivering savings and service improvements. There has been no spend against this in 2021/22 as services have had to prioritise their response to the pandemic, and the funding will continue to be earmarked for this purpose.

The projected reserves position as at 31 March 2022 is illustrated below.



The IJB has agreed to hold the projected “free” general fund balance as a contingency balance, which equates to 2.2% of the IJB budget, as estimated at the time of setting the budget, and in line with the lower end of the optimal range set within the IJB’s Reserves Strategy, being between 2% and 4%.

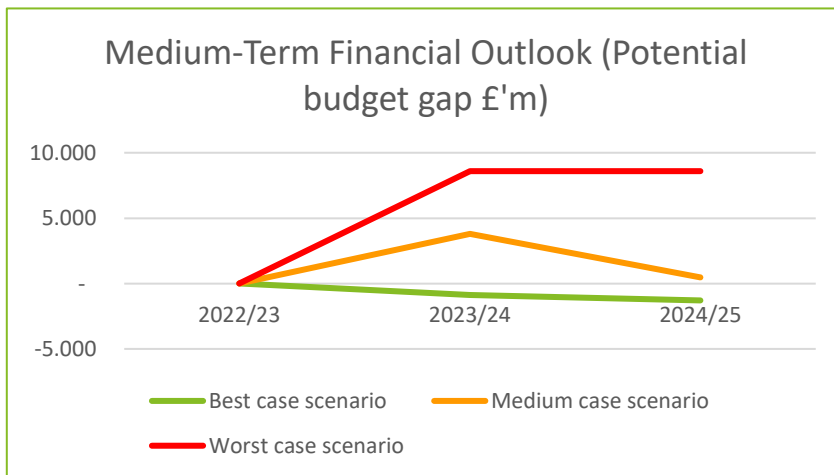
The earmarked reserve balance relates to ring-fenced funding for a number of projects including the Alcohol and Drug Partnership, Primary Care Improvement Fund, Mental Health Action and Community Living Change Fund as well as ongoing COVID-19 costs. It also incorporates the £14.237m COVID-19 funding received from the Scottish Government during 2021/22 for use in future years, along with other COVID-19 funding received throughout the year that remains unspent. This is resulting in a significant value of earmarked reserves at 31 March 2022 in comparison with previous years. It is important that clear plans are developed and monitored to demonstrate how these funds will be used.

Financial sustainability (continued)

Medium-to-long term financial planning

In previous years audits, we have continued to recommend that the IJB develop a medium-term financial plan to ensure that the IJB is prepared to deliver financially sustainable services for the future. This had not been progressed due to the level of uncertainty with funding for future years.

We are pleased to note that the IJB has developed a Medium-Term Financial Outlook (MTFO) covering the first three years of the Strategic Plan period, i.e. 2022-2025, which was considered by the IJB in March 2022. This has been developed based on a range of scenarios based on the information currently available and helps identify the financial challenges which will be faced by the IJB, enabling members to see the impact of current and future decisions on its medium-term financial health.



As illustrated in the graph, the potential gap, after taking into account savings agreed, could be between a surplus of £1.2m and deficit of £8.6m in 2024/25, therefore demonstrating that the IJB is faced with significant finance challenges.

We have considered the factors that have influenced the MTFO and concluded they are reasonable and based on available data, including:

- Demographic changes;
- Local priorities;
- Workforce challenges;
- The UK and Scottish Economy;
- Policy and Legislation (in particular the National Care Service);
- Cost and demand pressures; and
- Available funding.

The IJB has identified the following options to balance any budget gap over the next two years:

- Revisiting the budget pressures which have been identified;
- Reviewing staff turnover savings targets;
- Utilising an element of any additional Scottish Government funding against core service pressures;
- Identification of further savings;
- Service transformation via the Transformation Plan;
- Efficiency savings; and
- Use of reserves on a non-recurring basis.

Financial sustainability (continued)

Transformational change

In 2020/21 we concluded that the IJB was progressing with its transformation programme and taking an innovative approach to determining future service delivery. This has continued during 2021/22.

The Transformation Board has met on a regular basis to oversee the change programme. This group is solutions focused with a view to identifying and implementing actions to get any off-track plans back on target.

The 2021/22 budget included approved savings which formed part of the 2021/22 Transformation Plan of £2.528m. All service changes included in the Transformation Plan include savings, however, there is also an expectation that they will lead to service improvement. Progress against these is reported through the regular financial monitoring reports to the IJB, as discussed on page 5. It is important that as the transformation change programme is progressed, a clear benefits tracker is put in place to demonstrate that the transformation initiatives are achieving the desired outcomes.

Unachieved savings continue to be impacted by the pandemic; however, it has been assumed that additional funding will be received to compensate.

The updated Strategic Commissioning Plan 2022-30, “Caring Together” was approved by the Board in March 2022. This outlines the Partnership’s Vision, Priorities and Ambitions for improving the health and wellbeing of local people up to 2030.

The plan sets out a number of key sections that will inform and support service delivery:

- Strategic Needs Assessments;
- Assets and Investment;
- Policy and Development (including the development of the national care service); and
- Key enablers (including the MTFP, Transformation Plan, Workforce Plan and Engagement and Participation Strategy).

Financial sustainability (continued)

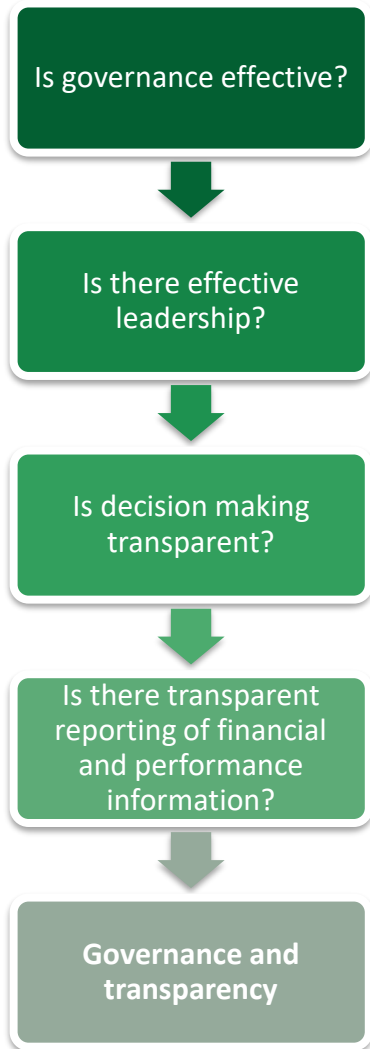
Deloitte view – Financial sustainability

The IJB has set a balanced budget for 2022/23 and holds unearmarked reserves at a level consistent with its Reserves Strategy, therefore is financially sustainable in the short term. It is also continuing to repay the historical loan to North Ayrshire Council. However, it continues to be faced with significant financial challenges over the medium and longer-term, projecting a high level potential funding gap of up to £8.6m over the next two years.

It is positive to see the development of the MTFO during the year, the progress with transformational change programme and the updated Strategic Commissioning Plan with a clear focus on continuous improvement. Significant work is still required to make the level of lasting long-term transformational change needed to ensure financial sustainability. Progress continues to be impacted by the ongoing response to the pandemic. Significant earmarked reserves are projected to be carried forward into future years. It is critical that detailed plans are developed to demonstrate how these funds will be used to make transformational change.

It is important that as the transformation change programme is progressed, a clear benefits tracker is put in place to demonstrate that the transformation initiatives are achieving the desired outcomes.

Governance and transparency



Significant risks identified in Audit Plan

In previous years we have concluded that the IJB has strong leadership in place with robust governance and scrutiny arrangements. We did not identify any significant risks in relation to governance and transparency during our planning. We have, however, continued to review the work of the IJB and its Committees, as summarised on the following pages.

Leadership

The Partnership Senior Management Team has remained largely consistent with previous years, and has continued to demonstrate strong leadership, working closely with partners. The following key changes have been made during the year:

- Following the retiral of the previous postholder, the new Head of Democratic Services of North Ayrshire Council was appointed the Monitoring Officer of the IJB in August 2021.
- Following changes to the NHS Board, a new Non-Executive Member was appointed to the IJB in November 2021 and was appointed as Vice-Chair of the Performance Audit Committee.
- A Chief Social Work Officer and a Depute Chief Social Work Officer were appointed in December 2021.
- As discussed on page 6, a new Chief Internal Auditor was appointed.

In our 2020/21 report, we recommended that IJB members would benefit from a more structured and tailored training programme to specifically focus on the work of the partnership and the IJB to support their role in scrutiny and challenge. We are pleased to note that the development of the NA IJB induction programme was re-established in January 2022 having been delayed due to the pandemic.

Governance and transparency

Leadership (continued)

The current focus is to ensure an induction programme was in place for potential new IJB members following the local council elections in May 2022. Management have confirmed progress to date including:

- Identifying both local and national resources.
- Draft programme plan under development.
- Engagement with Health Improvement Scotland to discuss National Offering.

The draft programme currently has three phases:

1. Initial introductions with IJB members
2. Access to national induction resources and workshops
3. Local development (a number of short information briefings, followed by follow-up workshops).

In addition, conversations are underway at a national level to identify if a regional approach is available, for example including joint development for IJB members across all Ayrshire partnerships.

Governance and scrutiny arrangements

We have reviewed meetings attendance from the past year and confirm that there has been adequate attendance. In addition, from attendance at meetings we can confirm that there is sufficient scrutiny and challenge exercised by members during the meetings.

As a result of COVID-19 and associated restrictions, meetings of the IJB and its committees have taken place on a wholly remote basis via MS Teams since June 2020. Live streaming of meetings ordinarily open to the public was introduced in October 2020. The Performance and Audit Committee continues to be a key element of the governance arrangements in place.

The Performance and Audit Committee and the IJB provide oversight and scrutiny of the Strategic Risks. An updated Strategic Risk Register was approved by the IJB in March 2022, with updates on the actions required to manage and control the risks to be the subject of ongoing monitoring of the SMT and the Performance and Audit Committee.

The IJB also approved a revised version of the Standing Orders and Scheme of Delegation in February 2022 and in line with our recommendation, a schedule of key governance documents has been developed to include review timescales and responsible officers to ensure that these are regularly reviewed and remain fit for purpose.

Governance and transparency

Openness and transparency

The IJB continues to stream its Board meetings, and publishes all meeting agendas and minutes on its website, thereby continues to demonstrate openness and transparency of decision making and performance information (which is considered further on page 17).

The IJB also has continued to engage with communities on plans and decisions. As part of the development of the Strategic Commissioning Plan, discussed on page 11, a public consultation was undertaken between 1 December 2021 and 21 January 2022. Due to limitations on face-to-face engagements, most responses were received online, with 240 responses received. Public engagement was also carried out through the North Ayrshire Wellbeing Conversation, which was live since October 2020. During the period, 726 people responded.

Set aside arrangements

In our 2019/20 report we recommended that the IJB continue to make progress with implementing delegated hospital budgets and set aside requirements. No progress has been made due to the priority of managing COVID-19 responses. This remains a key area of focus, with preparatory work underway with the support of the Scottish Government, the Health Board, and the other Ayrshire partnerships to progress and develop the set aside arrangements to fully implement the legislative requirement. This includes arrangements in relation to the use of Directions, Commissioning Plans and overall progression towards Fair Share allocations of resources.

Deloitte view – Governance and transparency

The IJB continues to have strong leadership, with more tailored training being developed for Board members. The governance arrangements also continue to be robust, with recent updates to the Standing Orders and Scheme of Delegation. The IJB continues to be open and transparent.

Further work is required to progress with implementing delegated hospital budgets and set aside requirements, in collaboration with the Scottish Government, NHS Ayrshire and Arran and other Ayrshire partnerships.

Value for money



Significant risks identified in Audit Plan

In previous years we have concluded that the IJB had an embedded performance management culture. Performance had continued to be strong throughout the challenging period, with clear actions in place for addressing areas of performance requiring improvements. Given the ongoing pressures across the health and care system, there remains a risk that performance reporting has not been timely, reliable, balanced and transparent. We have therefore reviewed the performance reports presented at the IJB to assess the extent of openness and transparency during the year, as summarised on the following pages.

Performance management framework

The Board continues to have a well-established performance management framework in place with quarterly reports taken to the IJB's Performance and Audit Committee. It monitors progress against the strategic priorities set out within the 1-year strategic bridging plan approved for 2021/22 and measures performance against the nine National Health and Wellbeing Outcomes plus the Partnership's new Strategic Priorities:

1. Tackling Inequalities;
2. Prevention and Early Intervention;
3. Improving Mental Health and Wellbeing; and
4. Mobilisation Communities.

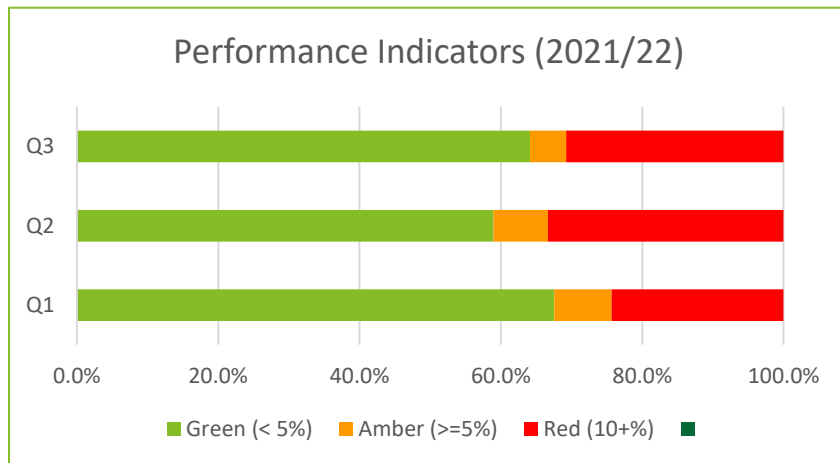
The Annual Performance Report 2020-21 was approved by the IJB in December 2021.

All services have continued to be impact by the pandemic during 2021/22, with the impact before and during the winter period being significant with key areas of operational service provision having sever reduction in workforce to meet demand. As a result, the SMT agreed to a shortened version of the Quarter 3 report to the IJB in March 2022 to free key individuals to manage the continued demand on services.

Value for money

Performance data

The Quarter 3 performance report for 2021/22 has analysed the performance indicators from the Strategic Plan as follows.



The report to the IJB highlights the areas of focus from those indicators categorised as “Red”, with a verbal update provided by management on actions being taken.

Deloitte view – Value for money

The IJB continues to have a clear and robust performance management framework in place which analyses data, tracks progress and identifies actions. Regular reporting on performance is provided to the Performance and Audit Committee and the IJB, with a focus on continuous improvement.

Best value

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

Duty to secure Best Value

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

Our BV audit work is integrated into our audit approach, including our work on the audit dimensions discussed on pages 5 to 17. Through our annual audit work, discussed further within this report, the IJB continues to have a number of arrangements in place to secure best value, including an established governance framework, strong leadership, and a comprehensive performance management framework through the Strategic Commissioning Plan. There is a culture of continuous improvement, which was highlighted as part of the North Ayrshire Council Best Value Assurance Report published in June 2020.

The IJB recognises that it must commission services within the financial resources available and, as noted elsewhere in this report, and in common with other IJBs, continued work will be required to deliver long-term financial sustainability. It is positive to see the development of the MTFO during the year, the progress with transformational change programme and the updated Strategic Commissioning Plan with a clear focus on continuous improvement.

Deloitte view – Best Value

The IJB has sufficient arrangements in place to secure best value and has a clear understanding of areas which require further development.

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 and the IJB discharge their governance duties.

The scope of our work

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

Use of this report

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

What we don't report

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

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

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

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



Pat Kenny, CPFA

For and on behalf of Deloitte LLP

Glasgow | 24 May 2022

Sector developments



Local government in Scotland

Financial overview 2020/21

Background and overview

The Accounts Commission published its Local government in Scotland financial overview 2020/21 in March 2022. This covers the first full year that makes clear the impact of COVID-19. It also looks ahead to the medium-to-longer term financial outlooks for Councils. While specifically referring to Councils, a number of the key messages are equally relevant for IJBs.

Key messages

Local government finances 2020/21

- The Covid-19 pandemic persisted throughout 2020/21, with the Scottish Government increasing funding to councils by £1.5 billion to support them in dealing with the impacts of the pandemic.
- When Covid-19 funding is excluded, there has been a real terms underlying reduction of 4.2 per cent in local government funding since 2013/14.
- The underlying increase in Scottish Government funding of £358 million in 2020/21 was 1.1 per cent in real terms. But, over half of this increase is due to specific grants. Ring-fenced funding helps support delivery of key Scottish Government policies but constrains a proportion of the total funding and resources and removes any local discretion over how councils can use these funds.
- Councils' income from customers and clients was affected by Covid-19 restrictions and fell by £0.5 billion.
- In 2020/21, all councils reported surpluses and increased their usable reserves. The total increase in reserves was £1.2 billion (46 per cent). This increase was mainly due to late Covid-19 funding, which was unspent at 31 March 2021.
- Councils administered a further £1.4 billion of Covid-19 grants on behalf of the Scottish Government in 2020/21, putting additional pressure on finance staff across councils.

Medium and longer-term outlook for local government finances

- Scottish Government capital funding to councils is expected to fall again in 2021/22.
- Uncertainty over the amount of funding available for Covid-19 recovery at the end of 2020/21 led to difficulties in setting budgets, and many councils established updated Covid-19 budgets in autumn 2021.
- Covid-19 resulted in revised medium-term financial plans, but longer-term planning will need to be updated as Covid-19 uncertainty diminishes.

Local government in Scotland (continued)

Financial overview 2020/21 (continued)

Key observations	Audit Scotland Recommendations
Reserves – Most of the increase in the general fund is committed to Covid-19 recovery.	Elements of Covid-19 funding that are being carried forward in general earmarked and unearmarked reserves in the accounts should be clearly identified.
Financial management and transparency - Management commentaries in councils accounts have improved, but many are still not complying with previous recommendations on transparency	We recommend again that councils review and improve how they comply with these key expectations of transparency, in particular: <ul style="list-style-type: none">• Is the outturn against budget position for the year clearly shown, and are the reasons for significant variances obvious?• Is the outturn reported in the narrative reconciled to the movement in the general fund contained in the financial statements, and are major differences explained?• Is progress against agreed savings reported?
Budgets for 2021/22 - The uncertainty over the funding position for Covid-19 at the end of 2020/21 led to issues in budget setting and many councils established Covid-19 budgets in autumn 2021	We expect councils to agree spending plans and timescales for Covid-19 recovery reserves with the relevant decision making committee.
Medium and long-term financial planning - Covid-19 resulted in revised medium-term financial plans, but longer-term planning will need to be updated as Covid-19 uncertainty diminishes.	All councils will now need to revise medium-term financial plans to reflect additional financial pressures and updated funding arrangements and to account for updated savings requirements and financial assumptions. Councils should also review longer-term planning as Covid-19 uncertainty diminishes.

Next steps

The IJB should consider each of the above recommendations (where they equally apply to IJBs and Councils) and incorporate into plans where not already considered. The full report is available through the following link: [Local government in Scotland: Financial overview 2020/21 | Audit Scotland \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk/local-government-in-scotland-financial-overview-2020-21)

Reimagining social care – recasting the social safety net

Deloitte insights

Background and overview

Rising costs, limited growth of government revenues, and increasing client expectations are compelling governments to not just repair, but to reweave, the social safety net in order to provide equitable, seamless, and effective services.

Governments rely on income assistance and social care services to protect their most vulnerable citizens. But around the globe, many social safety nets are fraying. The COVID-19 pandemic exacerbated homelessness and other economic disparities in many countries.

In the face of rising costs and client expectations, agencies are re-examining how they and their partners can provide equitable, seamless, and effective social services. They're shifting their focus to prevention—attacking problems at their root, intervening early to keep small issues from growing, and creating pathways to greater self-sufficiency and resilience. The goal is less to patch up the safety net than to reweave it entirely.

The full article available here [Recasting the social safety net | Deloitte Insights](#), with some key highlights summarised below.

Trend Drivers

- The COVID-19–induced economic disruption
- Demand for social care is growing
- Declining job quality
- Many governments can't afford to strengthen their social safety nets



Trend Actions

Many policymakers and service providers are shifting their emphasis from treatment to prevention. They're creating more “wraparound” social services that integrate access to income assistance, child care, health services, housing aid, and other supports to help clients in crisis achieve stability more quickly. They're investing in programs intended to boost the resilience of individuals and communities. And they're looking at ways to plug the gaps in the safety net to accommodate new ways of working.



Moving forward

The pandemic has presented a once-in-a-generation opportunity to create a social care system designed for today's needs. Here are a few steps that can help leaders achieve long-term success:

- Free caseworkers from repetitive tasks
- Embrace a human-centred mindset
- Adopt an ecosystem approach
- Make data and evidence actionable
- Invest in outcomes and remunerate based on results

Action plan



Action Plan

We have followed up the recommendations made in our previous years audits. We are pleased to note that 5 recommendations have been fully implemented, one is partially implemented and one not yet implemented, with a revised target date of March 2023.

Recommendation	Management Response	Priority	Management update 2021/22
1.1 Governance and scrutiny IJB members would benefit from a more structured and tailored programme to specifically focus on the work of the partnership and the IJB to support their role in scrutiny and challenge	Planning was underway for development of a NA IJB induction programme. However, work was delayed due to COVID-19. The Scottish Government Integration team have developed a national resource which will be launched later in the year, which we will use to compliment our own programme. Responsible Person: Chief Finance & Transformation Officer Target Date: March 2022	Low	Updated discussed on pages 13 and 14. Currently timings for an induction programme are unclear. This is in part due to attempts to complement the Elected Member Induction that will be in place following the May elections. At present, it is expected that the induction programme will be clearly developed and ready for implementation by June 22. Partially implemented Revised Target date: June 2022
1.2 Review of Governing Documents The key governing documents of the IJB should be reviewed and refreshed on a periodic basis to ensure that they are still fit for purpose.	Schedule of key governance documents will be developed and reported back to the Committee. Responsible Person: Governance Manager Target Date: September 2021	Medium	A schedule of key governance documents has been developed. Fully implemented

Action Plan (continued)

Recommendation	Management Response	Priority	Management update 2021/22
<p>1.3 Set Aside</p> <p>The IJB should continue to make progress with implementing delegated hospital budgets and set aside requirements, in collaboration with the Scottish Government, NHS Ayrshire and Arran and other Ayrshire partnerships.</p>	<p>Progress has not been achieved in Ayrshire and Arran during the current financial year as the priority was the response to COVID-19. However preparatory work is well underway with the support of the Scottish Government, NHS Ayrshire and Arran and the other Ayrshire partnerships to progress and develop the set aside arrangements to fully implement the legislative requirement. This includes arrangements in relation to the use of Directions, Commissioning Plans and overall progression towards Fair Share allocations of resources. The North HSCP Chief Officer is leading the group that will progress this.</p> <p>Responsible Person: Chief Finance and Transformation Officer</p> <p>Target Date: March 2022</p>	Medium	<p>This action requires senior officers of the three Ayrshire HSCPs and NHS Ayrshire and Arran to develop a shared solution. This has not been practical during 2021/22 due to the pressures in response to the pandemic. The action will be taken forward during 2022/23.</p> <p>Not implemented Revised Target date: March 2023</p>

Action Plan (continued)

Recommendation	Management Response	Priority	Management update 2021/22
2.1 Scottish Government Medium Term Financial Strategy The planned update to the Board's Medium-Term Financial Plan should take account of the financial implications of the Scottish Government five-year Medium-Term Financial Strategy.	It will not be possible to develop an informed medium-term financial plan beyond 2021-22, due the impact of the pandemic and also the unknown impact of the policy, legislation and funding implications of the recently published report on the Independent Review of Adult Social Care. The main unknowns to project the financial position of the IJB beyond 2021-22 relate to funding and pay related inflationary pressures, which are not yet known fully for 2021-22 therefore making future planning scenarios beyond this very difficult. The intention is to update the medium-term financial plan over summer 2021. This will cover the period 2022-23 onwards, with consideration to aligning the time period to the next iteration of the strategic plan. Responsible Person: Chief Finance and Transformation Officer Target Date: March 2022	Medium	A MTFP was signed off by the IJB in March 2022 Fully implemented

Action Plan (continued)

Recommendation	Management Response	Priority	Management update 2021/22
<p>2.2. Budget process</p> <p>We recommended the following improvements to the budget setting process:</p> <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. 	<p>As above in relation to the MTFP, the linking of budget to outcomes has been a challenge nationally but where this will add value this will be considered as part of the MTFP refresh.</p> <p>Responsible Person: Chief Finance and Transformation Officer</p> <p>Target Date: March 2022</p>	Medium	<p>A MTFP and 2022/23 budget was signed off by the IJB in March 2022</p> <p>Fully implemented</p>

Action Plan (continued)

Recommendation	Management Response	Priority	Management update 2021/22
2.3. Medium-Term Financial Plan The Medium-Term Financial Plan (MTFP) should be refreshed to determine the current expected funding gap. As part of this plan, we would expect it to include: <ul style="list-style-type: none"> • Scenario planning to assess the funding gap when key assumptions are adjusted. • Detailed savings plans are identified in order to reduce the projected funding gap. • A fully integrated budget to allow effective resource planning. • Integration of the set aside budget. 	The planned update of the MTFP has been delayed, but as noted on the previous page this will be updated during 2021. Responsible Person: Chief Finance and Transformation Officer Target Date: March 2022	High	A MTFP was signed off by the IJB in March 2022 Fully implemented

Action Plan (continued)

Recommendation	Management Response	Priority	Management update 2021/22
<p>2.4. Strategic/Transformation Planning</p> <p>There should be a clear link between the Board's Strategic Plan and the MTFP to demonstrate what transformational work is to be carried out to achieve long term financial sustainability. A corporate workforce plan needs to be integral to this strategy.</p> <p>A change management programme should then be put in place, with appropriate tools and templates to allow the IJB to demonstrate that the benefits are being achieved</p>	<p>The updated workforce plan has been submitted to the Scottish Government. Some Transformation Board meetings have been cancelled during 2020-21 due to priority being given to COVID-19. There were still meetings for individual projects e.g. Supported Accommodation, LD day care reviews, CM2000, Homefirst, unscheduled care hub including mental health supports which were attended by the approved leads, planning managers and finance. The 2021-22 plan is being developed and will be finalised once the 2021-22 budget is approved.</p> <p>Responsible Person: Chief Finance and Transformation Officer</p> <p>Target Date: March 2022</p>	High	<p>The 2021/22 Transformation Plan was approved and monitored. The Strategic Commissioning Plan was updated, with key enablers including the MTFO and Workforce Plans.</p> <p>Fully Implemented</p>



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