



# Clackmannanshire & Stirling Integration Joint Board

**Final report to the Audit & Risk Committee, the IJB and the Controller of Audit on the 2022/23 audit**

**Issued on 8 September for the meeting on the 13 September 2023**

# Contents

## 01 Final report

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Partner Introduction [3](#)

### ***Annual Accounts***

Quality indicators [7](#)

Our audit explained [9](#)

Significant risk [10](#)

Your control environment and findings [13](#)

Other significant findings [14](#)

Our audit report [15](#)

Your Annual Accounts [16](#)

### ***Wider scope audit***

Overview [18](#)

Financial management [19](#)

Financial sustainability [22](#)

Vision, leadership and governance [27](#)

Use of resources to improve outcomes [31](#)

Best value [34](#)

Climate change [35](#)

Purpose of our report and responsibility statement [37](#)

## 02 Sector Developments

---

Local Government Overview [39](#)

## 03 Appendices

---

Action plan [42](#)

Our other responsibilities explained [50](#)

Independence and fees [51](#)

# 1.1 Partner introduction

## The key messages in this report

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

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

I have pleasure in presenting our final report to the Audit and Risk Committee (“the Committee”) of Clackmannanshire and Stirling Integration Joint Board (“the IJB”) for the 2022/23 audit. The report summarises our findings and conclusions in relation to the audit of the Annual Accounts and the wider scope requirements, the scope of which was set out within our planning report presented to the Committee in April 2023.

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

### **Conclusions from our testing**

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

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

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

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

No material errors have been identified to date and there are no uncorrected misstatements. No corrected misstatements in excess of our reporting threshold of £183,000 has been identified up to the date of this report which is included within the Appendix to this report.

# 1.2 Partner introduction (continued)

## The key messages in this report (continued)

### Status of the Annual Accounts audit

Outstanding matters to conclude the audit include:

- Receipt of final Annual Accounts;
- Receipt of signed management representation letter;
- Our review of subsequent events since 31 March 2023.

### Conclusions from wider scope audit work

#### Financial management

The IJB continues to have effective budget setting and monitoring arrangements in place.

#### Financial sustainability

The IJB is financially sustainable in the short-term however, there are significant funding gaps projected over the next four years, therefore is not financially sustainable in the medium term. It is positive to see that specific focus has been given to transformation change, however, significant work is still required to make the level of long-term transformational change needed to ensure financial sustainability.

#### Vision, leadership and governance

The IJB has a clear vision, however, there continues to be capacity constraints within the Senior Management Team and difficulties in filling posts within the Audit and Risk Committee.

The Constituent Authorities have not carried out a formal review of the Integration Scheme including issuance of a revised Integration Scheme. This is planned for 2023/24. The integration governance arrangements are also being reviewed as part of the Escalation Framework at NHS Forth Valley. The unique position of being an IJB with three partner bodies brings a number of complexities and challenges. There is scope, as part of the review of the Integration Scheme, to streamline and clarify roles and responsibilities.

#### Use of resources to improve outcomes

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

The current format of performance reporting provides a lot of detail but lacks clarity on targets and would benefit from a scorecard approach to provide a clear picture of where services are performing well and where additional scrutiny and challenge is required for areas of service declining or below target.

# 1.3 Partner introduction (continued)

## The key messages in this report (continued)

### Conclusions from wider scope audit work (continued)

#### Use of resources to improve outcomes (continued)

Performance during the year has seen some areas of improvement, however, a number of areas remain below the Scottish average.

#### Best value

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

#### Climate change

As a public sector body that commissions services from its partner bodies and therefore does not directly employ staff or own assets, the opportunities for direct emissions reductions are limited. However, as the IJB is responsible for making decisions about service change, service redesign and investment and disinvestment, there is an indirect responsibility to consider the climate change implications of these decisions. We therefore recommend that the IJB should consider how climate change can be reflected in future Delivery Plans. This should be closely aligned with the work that the constituent authorities are doing to avoid duplication of effort and ensure full collaborative working.

### Next steps

An agreed Action Plan is included on pages [42 to 49](#) of this report, including a follow up of progress against prior year actions. From this, we have concluded that one of the recommendations from the previous auditor has been completed, with the remaining six still in progress. It is important that realistic target dates are set, and closely monitored to ensure that actions are taken as agreed.

### Added value

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

We have also included our “sector developments” on pages [39 to 40](#) where we have shared our research and informed perspective and best practice from our work across the wider public sector that are specifically relevant to Local Government.

**Pat Kenny**  
Associate partner





# Annual Accounts Audit



## 2.1.1 Quality indicators



### Impact on the execution of our audit

Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

Area	Grading	Reason	Further detail
Timing of key accounting estimates		The timing of providing details for the key accounting estimates was in line with the set timetable provided.	N/A
Adherence to deliverables timetable		Over 42% of deliverables were not provided in accordance with the agreed timeline. This was in part due to delay in the IJB obtaining relevant supporting evidence from the constituent authorities.	<a href="#">12</a>
Access to finance team		We had relatively good access to the finance team of the IJB during our audit work. However, as the underlying data is held by the constituent authorities, there was a need to also access their respective finance teams. There were some delays in getting access to the relevant staff within the constituent authorities.	N/A
Quality and accuracy of management accounting papers	N/A	There have been no management papers that have been required to be produced for the audit	N/A
Quality of draft Annual Accounts		The initial version of the draft Annual Accounts was of appropriate quality. We identified disclosure recommendations which have been corrected by management.	N/A

## 2.1.2 Quality indicators (continued)

Impact on the execution of our audit

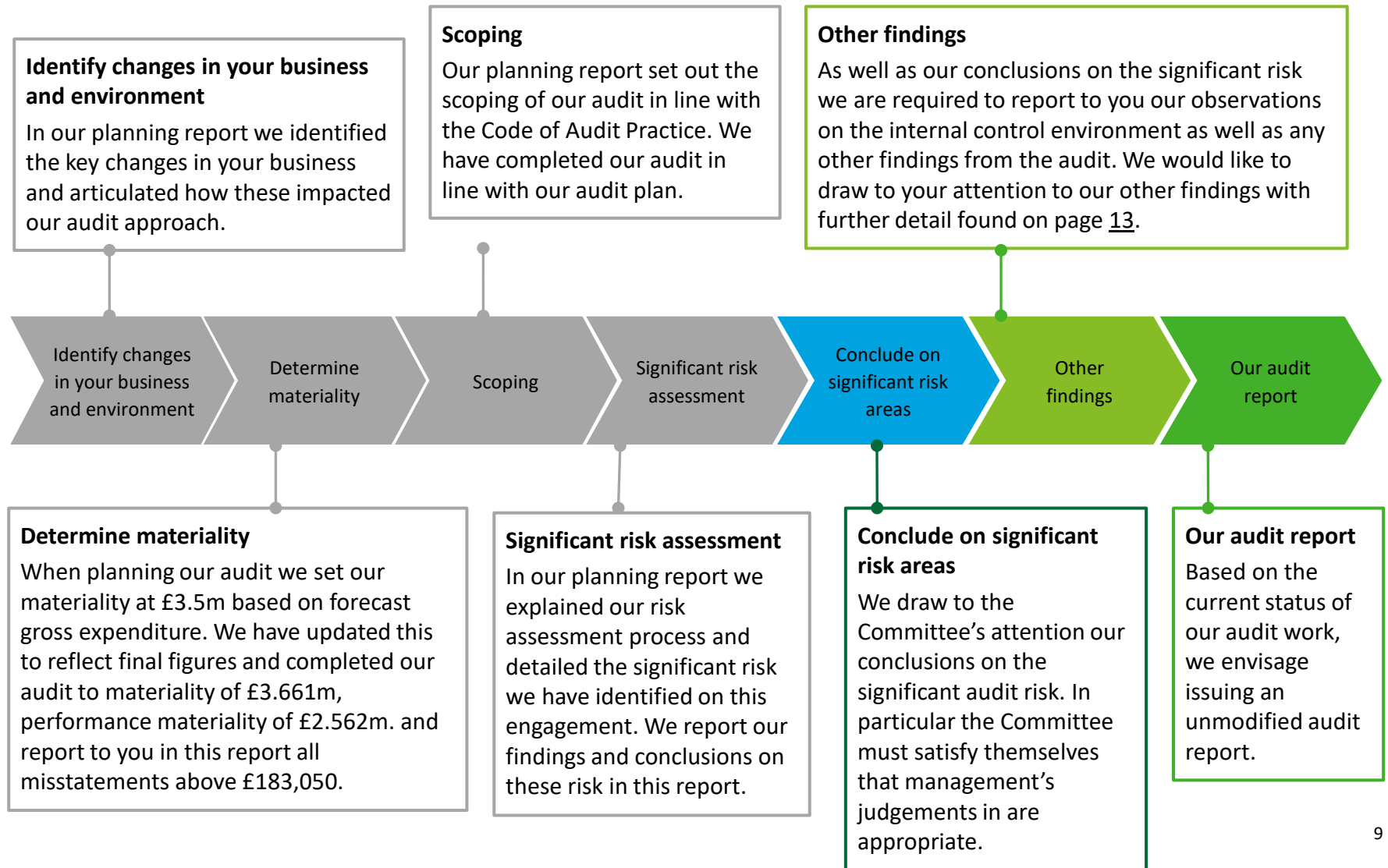
Area	Grading	Reason	Further detail
Response to control deficiencies identified		We have not discovered any control deficiencies during our audit	N/A
Volume and magnitude of identified errors		We have not discovered any errors during our audit	N/A

 Lagging    Developing    Mature



## 2.2 Our audit explained

We tailor our audit to your business and your strategy



## 2.3 Significant risk

### Significant risk dashboard

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

#### Level of management judgement



High degree of management judgement



Some degree of management judgement



Limited management judgement

#### Controls approach adopted



Assess design & implementation

## 2.3.1 Significant risk (continued)

### Management override of controls

#### Risk identified

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

#### Deloitte response and challenge

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

#### Journals

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

#### Accounting estimates and judgements.

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

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

#### Significant and unusual transactions

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

#### Deloitte view

We have not identified any instances of management override of controls from our testing to date. However we did have issues obtaining the transaction listings from each of the constituent authorities, which led to late delivery of the documents needed. This is part of the insight raised, which is discussed at page [13](#).

## 2.3.2 Significant risks (continued)


### Management override of controls (continued)




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

Estimate	Details of management’s position	Deloitte Challenge and conclusions
Set Aside Budget for Large Hospitals	<p>For financial year 2022/23 the sum included within the accounts in relation to the Set-Aside budget for Large Hospital services reflects the budget allocated rather than the actual cost of hospital activity.</p> <p>Systems are being developed to accurately provide this information in future financial years. Development of these arrangements continues to be impacted by the pandemic but is ongoing.</p> <p>In terms of risk of misstatement, a 10% shift in activity would equate to an estimated £3.502m in costs which would, in turn, be matched by additional income from NHS Forth Valley.</p>	<p>We have reviewed the evidence and concluded that the rationale provided is reasonable and that the accounting treatment of the set aside budget is appropriate.</p>

## 2.4 Your control environment and findings

### Control deficiencies and areas for management focus

Observation	Deloitte rating	Deloitte recommendation	Management response and remediation plan
Although we were provided with appropriate supporting documentation to complete our audit testing, there were challenges in obtaining evidence from the relevant constituent authorities. While the IJB finance staff are responsible for preparing the IJB Annual Accounts, they are reliant on information being provided by the constituent authorities. This caused a delay in completing the audit.		The IJB and constituent authorities finance teams should agree a clear timeline and list of deliverables for preparing the Annual Accounts and preparing for the audit.	See action plan at page <a href="#">42</a>

-  Low priority
-  Medium Priority
-  High Priority

## 2.5 Other significant findings

### Financial reporting findings

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

#### Qualitative aspects of your accounting practices:

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

#### Significant matters discussed with management:

The Constituent Authorities are currently working on issuing a revised integration scheme which has been delayed. This is discussed further at page [27](#).

There were initial understanding in terms of the accounting treatment relating to the set aside budget. We note there was an overspend compared to the budgeted expenditure, which was not recognised as income or costs. Whilst we note the risk sits with NHS Fourth Valley ("NHS FV") in terms of covering the additional costs, the utilisation of the underlying resources is within the remit of the IJB, and we were of the opinion it should be included in the actual costs (and corresponding actual income). We have consulted with Audit Scotland and noted the treatment by the client as well as what we have highlighted are both appropriate.

#### Liaison with internal audit

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

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

## 2.6 Our audit report

### Other matters relating to the form and content of our report

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

66  
99

#### **Our opinion on the Annual Accounts**

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



#### **Going concern**

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

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



#### **Emphasis of matter and other matter paragraphs**

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

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



#### **Other reporting responsibilities**

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

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

## 2.7 Your Annual Accounts

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

	Requirement	Deloitte response
Management Commentary	The report outlines the IJB's performance, both financial and non-financial. It also sets out the key risks and uncertainties faced by the IJB.	<p>We have assessed whether the Management Commentary has been prepared in accordance with the statutory guidance.</p> <p>We have also read the Management Commentary and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading.</p> <p>Following updates made as agreed during the audit, including ensuring appropriate disclosure of the performance of the IJB, we are satisfied that the Management Commentary has been prepared in accordance with guidance, is consistent with our knowledge and is not otherwise misleading. Further improvements could be made to the Performance Reporting section as discussed further at page <a href="#">33</a>.</p>
The Remuneration Report	The remuneration report has been prepared in accordance with the 2014 Regulations, disclosing the remuneration and pension benefits of Senior Employees of the IJB.	We have audited the disclosures of remuneration and pension benefits, pay bands and we can confirm that they have been properly prepared in accordance with the regulations.
The Annual Governance Statement	The Annual Governance Statement reports that the IJB's governance arrangements provide assurance, and are operating effectively.	We have assessed whether the information given in the Annual Governance Statement is consistent with the Annual Accounts and has been prepared in accordance with the Delivering Good Governance in Local Government Framework. Following updates made as agreed during the audit for minor improvements we can conclude that the Annual Governance Statement is consistent with the Annual Accounts, our knowledge and the accounts regulations.



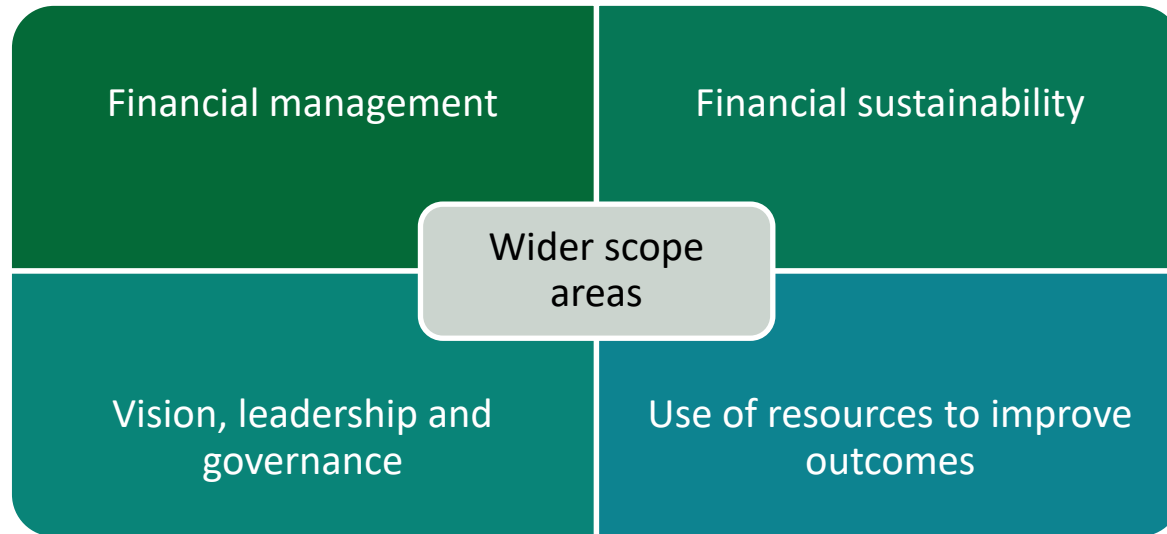
# Wider scope audit



# 3.1 Wider scope requirements

## Overview

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



In its planning guidance, Audit Scotland has also highlighted the following national or sectoral risks that the Auditor General and Accounts Commission wish auditors to consider at all bodies during the 2022/23 audits:

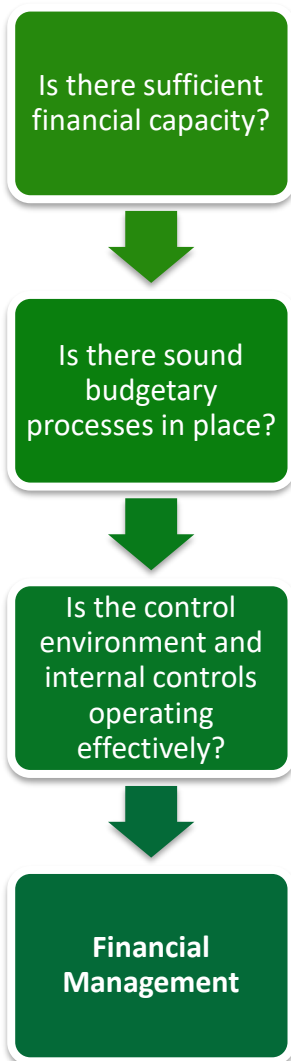
- Climate change.
- Cyber security.

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

As the IJB relies on the cyber security policies within the three constituent authorities, we have considered that as part of our separate audits of these bodies, and have therefore not replicated our conclusions in this report.

## 3.2 Wider scope requirements (continued)

### Financial management



#### Significant risks identified in Audit Plan

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

#### Current year financial performance

The 2022/23 budget of £228.822 million, including set aside, was approved by the IJB in March 2022. The budget has been updated throughout the year to include in-year movements and the final outturn position is a net underspend of £2.435 million, as summarised below.

	Approved budget (March 2022) £m	Final Budget (March 2023) £m	Final Outturn (March 2023) £m	(Under)/over spend £m
Integrated budget	204.160	222.478	221.402	(1.076)
Set Aside	24.662	31.513	35.024	3.511
<b>Total</b>	<b>228.822</b>	<b>253.991</b>	<b>256.426</b>	<b>2.435</b>

The net overspend is a combination of:

- A £3.511m overspend on the set aside budget for large hospital services due to costs of contingency beds, associates staffing for these beds, and other workforce costs including increased use of temporary workforce solutions. This overspend is being funded by NHS Forth Valley.
- Underspends across several areas of Community Health Services including district nursing, addictions, Allied Health Professionals, community learning disabilities and community mental health services. This is largely associated with underspends in staffing reflecting recruitment and retention issues, offset partly by increased temporary workforce costs.

## 3.3 Wider scope requirements (continued)

### Financial management (continued)

#### Current year financial performance (continued)

The budget incorporated planned savings of £2.651 million. The final outturn has highlighted that approximately 72% of the planned savings and efficiencies programmes were achieved in year, which were offset by in-year slippage on implementation of key business cases and other fortuitous underspends including staff vacancies referred to above.

The Partnership Senior Management Team (SMT), the Finance and Performance Committee (FPC) and the Board regularly review progress against the budget throughout the year with quarterly reporting to the Board. From review of the reporting throughout the year, variances are reported and explained along with the key risks faced, however, the reporting format could be further enhanced by incorporating the following:

- Including a clear reconciliation from the original approved budget to the revised budget updated during the year.
- A RAG rating against the savings plan to show the likelihood of savings being achieved, and where there are risks of non-achievement, setting out the implications (for both current and future years).
- Clearer analysis on the progress with the approved use of reserves and projected position on earmarked balances.

Management have noted that further work is being progressed to develop and improve the integrated financial reporting and will be presented initially to the FPC in due course. We recommend that the above points are considered as part of that work.

#### Finance capacity

The finance team has remained consistent throughout the year. The IJB finance team is reliant on support from the three partner bodies finance teams to provide information to support the financial management of the IJB. As is the case across the public sector, finance teams are increasingly being stretched with additional reporting pressures. While this has not directly impacted the financial management of the IJB, this is an area that should be closely monitored.

#### Internal controls and internal audit

The IJB is largely reliant on the internal control arrangements within the respective partner bodies. Due to the unique nature of the IJB, discussed further on page [13](#), the use of three different financial systems, with their own coding structure, adds to the complexity of preparing accounts for the IJB.

The internal audit services were previously provided by FTF (Fife, Tayside and Forth Valley) Internal Audit Services, appointed on behalf of NHS Forth Valley. In accordance with the agreement with the three partners, from 2022/23, this has changed to being appointed on behalf of Clackmannanshire Council. As Clackmannanshire Council procure Internal Audit Services from Falkirk Council, the IJB's Chief Internal Auditor is the Internal Audit Risk and Corporate Fraud Manager from Falkirk Council.

## 3.4 Wider scope requirements (continued)

### Financial management (continued)

#### Internal controls and internal audit (continued)

We have assessed the internal audit function, including its nature, organisational status and activities performed. We have reviewed all internal audit reports published throughout 2022/23. The conclusions have helped inform our audit work, although no specific reliance has been placed on this work.

The 2022/23 Internal Audit Plan was approved by the ARC in November 2022 and comprised three assignments for the year, covering 60 audit days. Detailed reports are provided to the Committee for each project. The approval of the plan in November 2022, some eight months into the financial year, is not in line with best practice but is as a result of the transition to Falkirk Council internal audit team. We are pleased to note that the 2023/24 internal audit plan has been approved much earlier in June 2023.

An Internal Audit Joint Working Protocol has also been agreed by the Internal Auditors of the partner bodies to allow the sharing of reports to provide additional assurance to the IJB.

#### Standards of conduct for prevention and detection of fraud and error

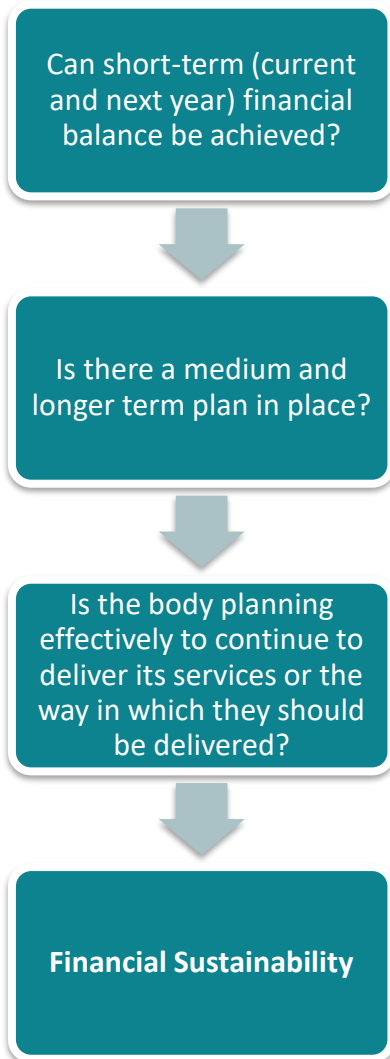
We have assessed the IJB's arrangements for the prevention and detection of fraud and irregularities. This has included specific considerations in response to the Audit Scotland's publication "Fraud and irregularities 2021/22 – sharing risks and case studies to support the Scottish public sector in the prevention of fraud". Overall, we found the 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 reporting could be enhanced by providing a clearer track of changes in budgets and more detail on savings plans and use of reserves.

## 3.5 Wider scope requirements (continued)

### Financial sustainability



#### Significant risks identified in Audit Plan

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

- A projected overspend on the 2022/23 budget position;
- Pressures on expenditure including public sector pay costs and inflationary pressures not being met by increased income;
- The IJB was required to repay to the Scottish Government a sum of £8.098m from the reserves carried forward from 2021/22; and
- Indicative estimates gaps for future years beyond 2023/24.

#### 2023/24 budget setting

The IJB approved a balanced budget of £243.670 million (inclusive of the estimated set side budget of £29.217 million) for 2023/24 in March 2023. In getting to the balanced position, a budget gap of £6.392 million was identified in the Integrated budget and a £3.074m gap in the Set Aside budget. An efficiency and transformation plan for £4.392m was agreed to offset part of this gap, with the remaining balance being funded from a one-off use of reserves of £2m. This targeted level of savings is a significant increase to that achieved in previous years, therefore is a challenging target. In addition, the use of reserves is not sustainable, but instead given the IJB time to fully develop a more detailed medium term plan.

The report to the Board in March 2023 referred to the arrangement for implementing set aside arrangements and noted further work was still required. This work includes developing an activity and cost model to fully comply with the legislation and guidance. This is expected to help identify where cost avoidance, through improved patient flow and bed management can be achieved. However, at this stage, the IJB has viewed the financial balance within the set aside budget as high risk. The risk sharing arrangements also require further discussion as part of the review of the Integration Scheme, referred to on page [28](#).

## 3.6 Wider scope requirements (continued)

### Financial sustainability (continued)

#### 2023/24 budget setting (continued)

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

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

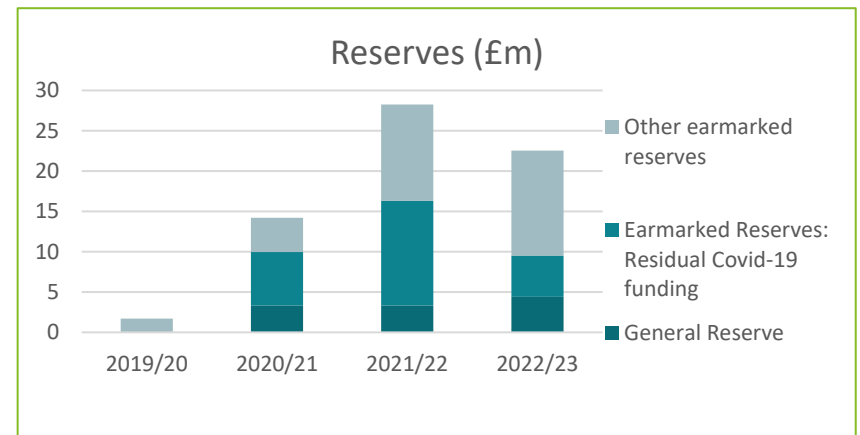
Board members were fully involved in the budget process in advance of the formal budget setting meeting. This included detailed considered at the FPC and as a change in 2023/24, a budget seminar was held, open to all members, to discuss in detail in advance of the formal budget setting meeting to ensure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

#### Reserves

At the time of approval of the 2023/24 budget, the IJB carried out its annual review of its reserves strategy in line with good practice. The reserves policy and strategy is largely unchanged from previous years, with the key element being:

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

An analysis of the reserves at the end of 2022/23 in comparison with previous years is illustrated below, with the General Reserve being 1.8% of budgeted expenditure, therefore in line with the policy.



## 3.7 Wider scope requirements (continued)

### Financial sustainability (continued)

#### Reserves (continued)

The reserves balance is significantly higher than that projected at the time of setting the budget (£10.284m) due to the following:

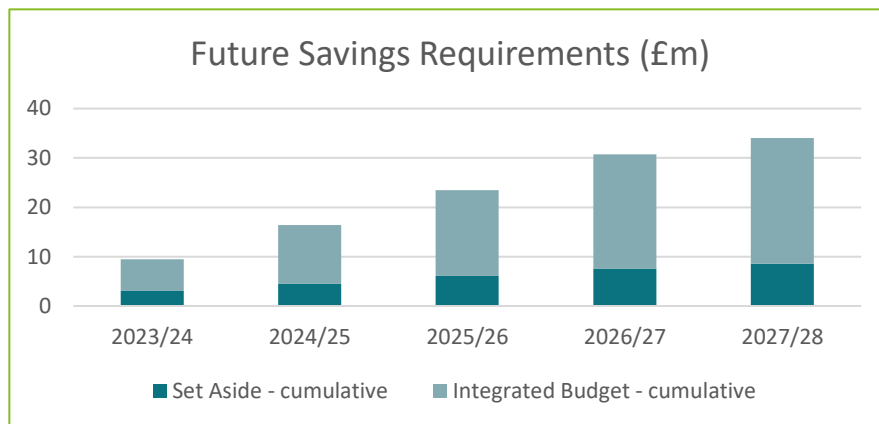
- £5.140 million of Covid-19 earmarked reserves which is subject to ongoing discussion with Scottish Government.
- An increase in general reserves as a result of a net underspend in the integrated budget for 2022/23, as discussed on page [25](#).
- Higher than projected balance of service pressures earmarked at 31 March 2023.
- A number of new earmarked reserves.

While management expect reserve levels to fall to target levels by 31 March 2024 as a result of the financial risks and pressures, it is important that clear plans are developed and monitored as part of the regular financial monitoring reporting to the Board to demonstrate how these funds are being used to improve outcomes.

#### Medium-to-long term financial planning

As part of the 2022/23 budget papers, the IJB has set out the medium term financial outlook over the next 5 years. This provides a very high level view of the financial challenges facing the IJB and is aligned to the national financial planning assumptions in relation not the Health and Social Care Portfolio and an assumption that funding will continue to be provided for increases to the Scottish Living Wage.

The cumulative savings requirements over the 5 years are illustrated below, showing that by 2027/28, savings of £34.013 million will be required.



Management have confirmed that there are plans in place for a more in-depth review of the Medium Term Financial Plan later in the year. It is critical that this is developed, with transformation and savings plans aligned to demonstrate how financial balance is going to be achieved.

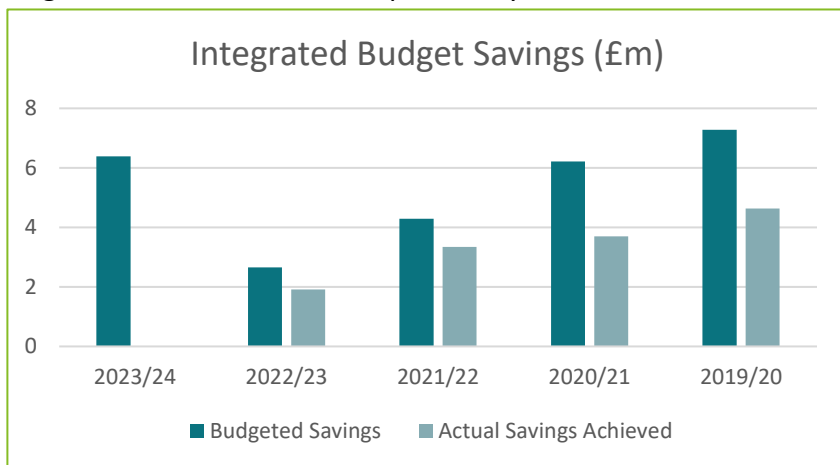


## 3.8 Wider scope requirements (continued)

### Financial sustainability (continued)

#### Savings and transformational change

As explained on page [22](#), the approved budget incorporates the need to make savings in both the Integrated and Set Aside Budgets. The graph below illustrates the level of savings achieved over the last 4 years against the 2023/24 budgeted amount, demonstrating that the IJB has historically not met its savings targets and the 2023/24 savings target is significantly higher than that achieved in previous years.



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

- Operational Grip and Control.
- Strategic Approaches.
- Policy Options.

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

In addition to this, an Operational Performance Board has been created to improve oversight of performance (financial and non-financial) of delegated integration functions. As part of the approval of the budget, agreement was given to re-allocate previous earmarked reserves of £237,000 which were no longer required to support additional management capacity to deliver this strategic change. This is now partly in place with additional part time capacity.

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

The IJB agreed a transformation funding investment programme as part of the 2022/23 budget. As the IJB refreshes the programme, the deployment of funding will also require to be reviewed based on strategic alignment and evidence of impact including improving outcomes. A fund of £2.478m is currently earmarked as transformation funding.

## 3.9 Wider scope requirements (continued)

### Financial sustainability (continued)

#### Savings and transformational change (continued)

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

#### Workforce planning

A key enabling activity identified within the Strategic Delivery Plan is workforce planning. As noted on page [23](#), one of the biggest risks faced by the IJB is the availability of workforce and the reliance on temporary staff.

An Integrated Workforce Plan 2022-2025 was submitted to the Scottish Government in July 2022 for review and comments. Feedback was received and a final plan published in October 2022.

It is critical that the actions identified in the Workforce Plan are taken forward and closely monitored to support the delivery of the Strategic Commissioning Plan and ambitious programme of transforming care.

#### Deloitte view – Financial sustainability

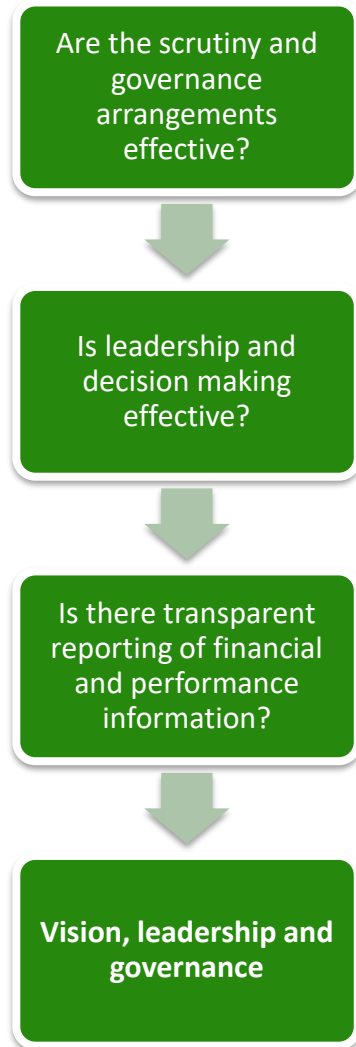
The IJB has achieved financial balance in 2022/23 and set a balanced budget for 2023/24 with a level reserves maintained in excess of the minimum set within its Reserves Strategy. It is therefore financially sustainable in the short-term. However, based on its high level assessment of its medium term financial outlook, there are significant funding gaps over the next 4 year, therefore it is currently not financially sustainable in the medium to longer term.

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

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

## 3.10 Wider scope requirements (continued)

### Vision, leadership and governance



#### Significant risks identified in Audit Plan

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

#### Vision and strategy

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

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

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

The plan sets out the following 5 strategic themes:

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

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

## 3.11 Wider scope requirements (continued)

### Vision, leadership and governance (continued)

#### Vision and strategy (continued)

In the 2021/22 Annual Audit Report, it was reported that elements of the IJB's Strategic Improvement Plan were delayed due to the pandemic, including the full delegation of all services that are part of the integration scheme. The IJB has confirmed that this work has now been complete, with further delegation of services implemented by 31 January 2023.

#### Leadership

The Partnership Senior Management Team has continued to be led by the Chief Officer having been in post from June 2019 and the Chief Finance Officer, who has been in post since the inception of the IJB in 2015. There have, however, been a number of changes across the SMT resulting in some capacity issues. These continue to be reported to the Board.

The Chair and the Vice Chair of the Board changed in May 2022 in line with the partnership agreement which requires these positions to rotate across constituent authorities every 2 years. As a result of the local government elections in May 2022, there were a number of changes to Board members during the year. While IJB specific induction took place, and additional seminars held, for example in setting the budget, the induction sessions were not mandatory and training and development has sat with the constituent authorities. We are pleased to note that proposals were agreed at the February 2023 Board meeting for a series of Board development sessions.

#### Governance and scrutiny arrangements

##### *Integration Scheme*

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

Under the requirements of the Act, local authority and NHS Boards are required to review the Integration Scheme within 5 years of the scheme being approved (i.e. by October 2020 at the latest). While an initial review was undertaken in January 2020, this has not progressed to the pandemic, ongoing service pressures and other competing demands. The review is expected to now be completed in 2023/24 with an expected issuance of a revised Integration scheme.

##### *NHS Forth Valley Escalation Framework*

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

## 3.12 Wider scope requirements (continued)

### Vision, leadership and governance (continued)

#### Governance and scrutiny arrangements (continued)

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

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

At present, there is potentially a number of areas of work being duplicated in order to provide the relevant assurance to the partner bodies. For example, the Chief Officer and Chief Finance Officer are required to attend not only Board and Committee meetings of the IJB, but also the equivalent of the 3 partner bodies. This clearly will have a significant impact on their capacity to deliver on the transformation required. The IJB is a separate legal entity in its own right which is responsible for planning and overseeing the delivery of community health, social work and social care. While each of the partner bodies needs to receive sufficient assurance around the performance of the IJB, this could be achieved through an agreed protocol of sharing reports, with meeting attendance reduced to an exception basis. Clarity on roles and responsibilities should be considered as part of the review of the Integration Scheme.

#### Audit and Risk Committee

The ARC continues to be a key element of the governance arrangements in place. The Terms of Reference for the ARC specify membership to be 4 voting members (1 from each constituent Council and 2 from NHS Forth Valley), plus 2 non-voting members. The following issues arise during 2022/23:

- Due to a number of reasons, the ARC has had no non-voting members during the year, with one appointed by the Board at the end of March 2023.
- The NHS has been unable to appoint two members during the year due to lack of non-executive Board members, therefore the Chief Executive of NHS Forth Valley was appointed as the second NHS Forth Valley voting member.
- While the Chief Executive has sent apologies for each of the meetings and therefore not attending, having a Chief Executive of one of the partner bodies as a voting member of the ARC is not in line with good practice. The IJB had raised this as a formal concern during the year and the matter has been discussed with the Scottish Government regarding additional Non-Executive Board members to support committees. While meetings have continued to take place and are quorate, the reduced number of appointed members presents a risk to the capacity of the ARC to provide sufficient scrutiny and challenge.

## 3.13 Wider scope requirements (continued)

### Vision, leadership and governance (continued)

#### Governance and scrutiny arrangements (continued)

##### Audit and Risk Committee (continued)

In line with good practice, the Committee should carry out an annual self assessment of its effectiveness. No recent review has been carried out, however, management has confirmed that a process has now been agreed. It is important that this is completed to allow the ARC to assess its effectiveness over the last year and develop an Action Plan for any areas identified from this review that require to be taken forward.

The ARC also provide oversight and scrutiny of the Strategic Risk Register, with regular updates then provided on high risks to the Board. The ARC carried out its latest review of the Strategic Risk Register at its June 2023 meeting and noted the update on the risk management arrangements. Due to the current challenging financial and service delivery climate, a key area for consideration was the IJB's risk appetite and tolerance. It was agreed that the September IJB Development session will consider the approach to risk and confirm/agree strategic risks to ensure the risk appetite can be used as a supporting and influencing process rather than constraining opportunities and development.

##### Transparency of reporting

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

The partnership website includes a comprehensive suite of information including strategic plan, annual accounts and annual performance reports, thereby demonstrating openness and transparency of decision making and performance information (which is considered further on page [27](#)).

#### Deloitte view – Vision, leadership and governance

The IJB has a clear vision, as set out within its Strategic Commissioning Plan. There continues to be capacity constraints within the Senior Management Team. There have also been a number of changes within the Board membership during the year, and difficulties in filling posts within the Audit and Risk Committee. We are pleased to note that development sessions are now in place for Board members and that progress has been made with filling some of the posts within the ARC. This continues to present a risk.

The Constituent authorities have not carried out a formal review of the Integration Scheme including issuance of a revised Integration Scheme. This is planned for 2023/24. It is important that this is progressed to ensure the Constituent authorities works towards issuance of a revised integration scheme which is currently in progress. The integration governance arrangements are also being reviewed as part of the Escalation Framework at NHS Forth Valley, Clackmannanshire and Stirling IJB is in a unique position, being the only IJB that is a partnership with two Councils and the NHS. This brings with it a number of complexities and challenges. There is, however, scope to streamline and remove duplication of roles and provide clarity on where responsibilities lie.

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

## 3.14 Wider scope requirements (continued)

### Use of resources to improve outcomes



#### Significant risks identified in Audit Plan

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

#### Performance management framework

The IJB's Performance Management Framework was first developed at the inception of the IJB, and updated in 2020. This set out the indicators and measurement, format and frequency of reporting, concepts and tools and the level of reporting and escalation as follows:

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

As highlighted in his blog "Christie 10-years on" [Blog: Christie 10-years on | Audit Scotland \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk/blog/christie-10-years-on), the Auditor General for Scotland noted that Christie challenged us to make a shift towards prevention and deliver improved long-term outcomes for individuals and communities. But we still measure the success of public services by short-term, service specific measures. Public bodies need to rethink radically how we measure success and hold organisations to account for their performance.

The IJB continues to develop its performance management framework, and plans are in place to carry out specific work in 2023/24, with the aim to develop ways to demonstrate improved outcomes for citizens, best value for the use of public money, and evidence of progress in relation to the agreed Strategic Plan Priorities. These plans are a positive step and we will monitor the progress with this as part of our ongoing audit appointment.

## 3.15 Wider scope requirements (continued)

### Use of resources to improve outcomes

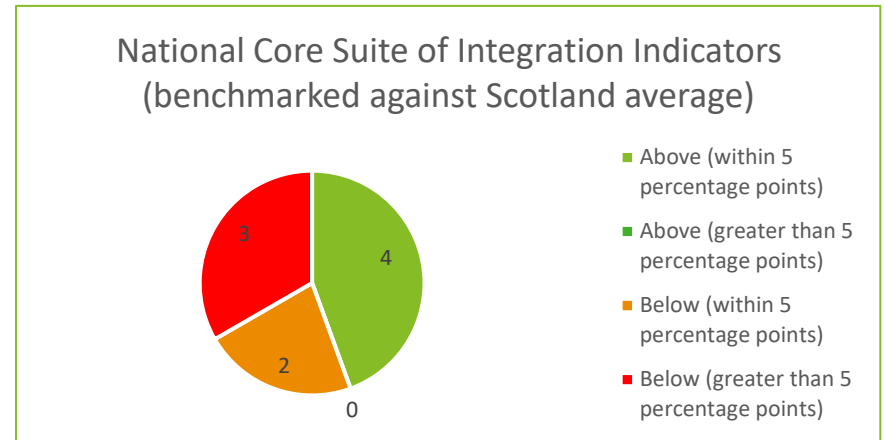
#### Performance management framework (continued)

Management has recognised that there continues to be ongoing challenges with regard to access to data, in particular automated data. This challenge is heightened due to the unique nature of the IJB, incorporating three partner bodies. The IT and management information systems across the three partner bodies require significant modernisation from both an individual organisational perspective but also to report and measure the impact of integrated service deliver and gather evidence of improved outcomes.

While the quarterly reporting to the Board and the Annual Performance Report include a lot of narrative against each Priority, along with data on key statistics, such as emergency admissions, delayed discharges and data in relation to carers, there are currently no benchmarks or targets to put the data into context. This is an area that was highlighted by the previous auditor in their report. As discussed on page 27, the new Strategic Commissioning Plan was approved in March 2023. This will support the development of a refreshed performance reporting style to include service focused performance targets, management information as well as benchmarking across services. The reports would benefit from a scorecard approach, providing a summary upfront to clearly identify where services are performing well, and those that are declining or below target which require additional scrutiny and challenge by the Board.

#### Performance data

Within the Annual Performance Report, the IJB has reported the national core indicators, as collated by Public Health Scotland. The outcome indicators are reported every 2 years, therefore the latest information is based on 2021/22 data. A summary of how Clackmannanshire and Stirling IJB compares with the Scottish average is shown in the chart below. In comparison with the equivalent data prepared in 2019/20, all but two of the indicators are reporting a declining performance.



As reported by the IJB, there is continued recognition of the impact of the Covid-19 pandemic on the care and support needs of the population and the impact on staff. Despite the end of the pandemic, there has not been a return to pre-pandemic trends. Instead, pressures on services have increased on care and support services.



## 3.16 Wider scope requirements (continued)

### Use of resources to improve outcomes

#### Performance data (continued)

The Management Commentary within the Annual Accounts draws out key elements of performance in relation to Care Closer to Home, as this is the overarching partnership priority and the priority for which there is more comparative data available to illustrate performance. Key highlights include:

- Bed days lost to delayed discharge has reduced from 1184 in November 2021 to 703 in January 2023. This reflects the work done as part of the Hospital Discharge redesign work.
- The number of emergency admissions has reduced from 14,573 in 2019/20 to 10,672 in 2022/23. However, as referred in the Annual Performance Report, this is still above the Scottish average and further work is taking pace to reduce this.
- The following positive trends are reflective of the focussed work in supporting early intervention and community treatment model of care.
  - The number of hospital admissions prevented by use of “Step Up” and “Step Down” care has increased since 2019/20.
  - The number of home visits by District Nurses have increased from 77,066 in 2020/21 to 92,362.
  - The number of people receiving reablement support has increased by 35% in 2022/23.
  - The number of people who receive care and support at home increased by 6% in 2022/23.

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

#### Deloitte view –Use of resources to improve outcomes

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

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

Performance during 2022/23 has seen some areas of improvement, particularly in delayed discharge and focus on early intervention and community treatment. However, in comparison with the Scottish average across the national suite of indicators, a number of areas remain below the Scottish average.

## 3.17 Wider scope requirements (continued)

### Best value

#### Requirements

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

#### **Duty to secure Best Value**

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

#### **Conclusions**

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

Financial sustainability continues to be a significant risk to the IJB. It is important that tools are developed to consistently track the benefits achieved (both financial and outcomes) from the transformational change to demonstrate that it is achieving the desired outcomes.

#### **Deloitte view – Best Value**

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

## 3.18 Wider scope requirements (continued)

### Climate change

#### Risks identified in Audit Plan

Tackling climate change is one of the greatest global challenges. The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impact of climate change.

The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work. For the 2022/23 audit, we have provided responses to a series of questions supplied by Audit Scotland to gather basic information on the arrangements for responding to climate change in each body. These are summarised below.

Question	IJB position
1. What targets has the body set for reducing emission in its own organisation or in its local area?	No specific targets have been set for the IJB to reduce emission.
2. Does the body have a climate change strategy or action plan which sets out how the body intends to achieve its targets?	<p>The IJB does not have a climate change strategy or action plan. There is also no reference to climate change in the Strategic Commissioning Plan. While the responsibility for staff, buildings and fleet cars sit with the three constituent authorities, the IJB does have overall responsibility for making decisions about service change, service redesign and investment and disinvestment. We would therefore expect climate change to be a consideration in making those decision and setting the directions to the NHS or Council.</p> <p>The IJB should therefore consider how climate change can be reflected in future Delivery Plans.</p>

## 3.19 Wider scope requirements (continued)

### Climate change

Question	IJB position
3. How does the body monitor and report progress towards meeting its emissions targets internally and publicly?	The IJB has reported on carbon emissions to the Scottish Government, with data published on the Sustainable Scotland Network website. However, this is limited and simply refers to the returns of the three constituent authorities.
4. Has the body considered the impact of climate change on its financial statements?	No specific consideration has been given to the impact of climate change on the financial statements. Given the type of public sector organisation, with no directly controlled staff or assets, the expected impact on the financial statements is minimal.
5. What are the areas of the financial statements where climate change has, or is expected to have, a material impact?	As above, given the type of public sector organisation, the expected impact on the financial statements is minimal. Areas that are being considered around energy use, water consumption, waste disposal and business travel are likely to have an impact on the ongoing annual costs for services commissioned from the Councils and NHS recognised in the financial statements.
6. Does the body include climate change in its narrative reporting which accompanies the financial statements and is consistent with those financial statements?	No reference to climate change is included in the Management Commentary. This is an area that should be considered for future years setting out the areas that the IJB can influence and progress to date.

#### **Deloitte view – Climate change**

As a public sector body that commissions services from its partner bodies and therefore does not directly employ staff or own assets, the opportunities for direct emissions reductions are limited. However, as the IJB is responsible for making decisions about service change, service redesign and investment and disinvestment, there is an indirect responsibility to consider the climate change implications of these decisions. We therefore recommend that the IJB should consider how climate change can be reflected in future Delivery Plans. This should be closely aligned with the work that the constituent authorities are doing to avoid duplication of effort and ensure full collaborative working.

## 4.1 Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

### What we report

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

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

### The scope of our work

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

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

### Use of this report

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

### What we don't report

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

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

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

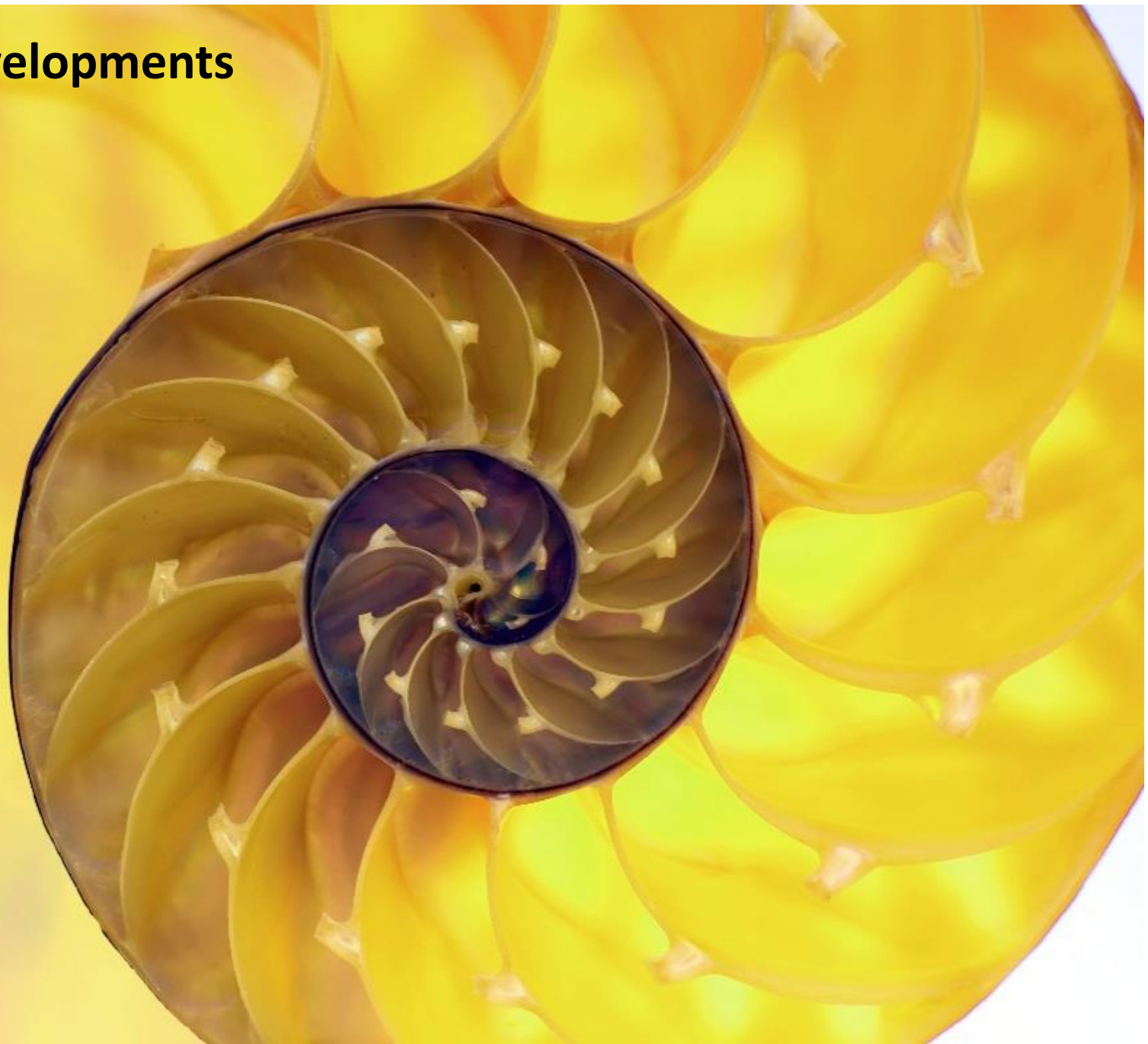
We welcome the opportunity to discuss our report with you and receive your feedback.



**Deloitte LLP**

Glasgow | 8 September 2023

## Sector developments



# 5.1.1 Sector developments

## Local Government Overview 2023

### Background and overview

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

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

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

### Next steps

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

## Local government in Scotland

Overview 2023



ACCOUNTS COMMISSION 

Prepared by Audit Scotland  
May 2023

## 5.1.2 Sector developments (continued)

### Local Government Overview 2023 (continued)

#### Key messages

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

#### Recommendations (relevant to Councils and IJBs)

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



# Appendices



## 6.1 Action Plan

The following recommendations have arisen from our 2022/23 audit work:

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Recommendation	Management Response	Priority	Responsible Person	Target Date
<p><b>1. Lack of preparation for the IJB audit</b></p> <p>We would recommend that in the future, there is better communication between the constituent authorities and the IJB and that there is an agreed timetable in place with the IJB and the constituent authorities to collate information for the start of the audit.</p>	<p>It is acknowledged that, as most year-end timetables moved back to pre Covid / regulation timeframes for 2022/23 some elements of planning could be further improved including across the IJBs arrangements which impact the group accounts of constituent authorities.</p> <p>Via the Finance Working Group (IJB CFO and Chief Officer, Local Authority CFOs ) a consolidated timetable will be discussed with key dates.</p> <p>The Finance Working Group will also review issuing arising from 2022/23 audits to agree learning points and consider improvements once all 2022/23 audits are complete.</p>	Medium	Chief Financial Officer	December 2023

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## 6.2 Action Plan (continued)

Recommendation	Management Responses	Priority	Responsible Person	Target Date
<p><b>2. Financial Reporting</b></p> <p>The reporting format could be further enhanced by incorporating the following:</p> <ul style="list-style-type: none"> <li>• Including a clear reconciliation from the original approved budget to the revised budget updated during the year.</li> <li>• A RAG rating against the savings plan to show the likelihood of savings being achieved, and where there are risks of non-achievement, setting out the implications (for both current and future years).</li> <li>• Clearer analysis on the progress with the approved use of reserves and projected position on earmarked balances.</li> </ul>	<p>Work is ongoing on producing a revised style and content of integrated financial reporting for IJB and IJB Finance and Performance Committee.</p> <p>The issues highlighted are all areas where further development of the reporting format is planned once the committee and IJB have had opportunity to provide initial feedback on revised reporting style and format.</p>	Low	IJB Chief Finance Officer	January 2024
<p><b>3. Transformation</b></p> <p>Tools should be developed to consistently track the benefits achieved (both financial and outcomes) from the transformational change to demonstrate that it is achieving the desired outcomes.</p>	<p>The IJB approved the commissioning of some external support to review and help enhance our arrangements including measurement and reporting of benefits realisation.</p> <p>It is intended to bring forward an initial review and recommendations from this work after the initial phase and</p>	Medium	Chief Officer, Heads of Service, Chief Finance Officer	January 2024

## 6.3 Action Plan (continued)

We have followed up the recommendations made in by the previous auditors. We are pleased to note that one recommendation has been fully implemented, however, the remaining are still in progress with slippage noted against the original target dates agreed.

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Recommendation	Management Response	Status
<p><b>4. Content of Finance Reports</b></p> <p>IJB regular financial reports should be updated to detail total expenditure against budget.</p>	<p>The Annual Internal Audit report contained a recommendation to survey IJB members on desired style and format of financial reporting. This management action in response to this recommendation is being taken forward before introducing substantive changes to the IJB Finance Report. This notwithstanding we agree that the recommendation made here is reflective of good practice and will be actioned.</p> <p><b>Responsible Officer:</b> IJB Chief Finance Officer</p> <p><b>Target Date:</b> February 2023</p>	<p><b>In Progress</b></p> <p>Management has confirmed that on reflection it is easier to implement significant changes in financial reporting into a new financial year and this will be implemented for 2023/24 routine financial reporting.</p> <p><b>Revised target date:</b> August 2023</p>
<p><b>5. Delegation of Services</b></p> <p>The Board should work with partners to prioritise delegation of all planned services to the IJB.</p>	<p>Work to agree and implement delegation of all planned services is underway led, on behalf of the IJB, by the Chief Officer. Completion requires ongoing support and commitment from the Chief Executives of the constituent authorities and requires associated decision making in particular by NHS Forth Valley.</p> <p><b>Responsible Officer:</b> IJB Chief Officer</p> <p><b>Target Date:</b> May 2023</p>	<p><b>Complete</b></p> <p>Further delegation of services was implemented by 31 January 2023.</p>

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## 6.4 Action Plan (continued)

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Recommendation	Management Response	Status
<p><b>6. Performance Reporting targets</b></p> <p>Performance reporting could be improved through the addition of clear performance targets to allow assessment of how the IJB is performing relative to expectation</p>	<p>The new Strategic Commissioning Plan, under development, will support a refreshed performance reporting style including service focused performance targets, management information as well as benchmarking across services and more widely; this has been place over the past year to better manage performance across discharge planning and community capacity including care at home, care homes and community hospitals. Some recording systems are being replaced to ensure better quality reporting based in better recording. Post-pandemic, the learning from streamlined recording and reporting is being utilised to improve whole systems performance management and comparative analysis</p> <p><b>Responsible Officer:</b> Head of Strategic Planning and Health Improvement</p> <p><b>Target Date:</b> June 2023</p>	<p><b>In Progress</b></p> <p>This recommendation is directly linked to the 2023/33 Strategic Commissioning Plan which was be presented to the IJB in March 2023 for approval. Post approval of the reporting requirements to monitor progress against it will be reviewed and agreed.</p> <p>Please refer to further recommendation raised at page <a href="#">46</a></p> <p><b>Revised target date:</b> June 2024</p>

## 6.5 Action Plan (continued)

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### Recommendation

### Management Response

### Status

#### 7. Management Commentary

The IJB should review and update the structure and content, including clearer performance and financial information and better highlight the organisational achievements for the year under review.

**2021/22 Update:** The structure and content is significantly impacted since this recommendation was originally raised. However, management should continue to improve their process for production of the Management Commentary, in particular the timely inclusion of performance data.

The style and content of the management commentary will continue to be developed to improve understanding, clarity and triangulation of financial and performance information and alignment to strategic priorities. This in turn assists in demonstrating best value.

Earlier availability of the performance information which will be incorporated within the Annual Performance Report will continue to be pursued however this is dependent on both local and national availability of data. This is aimed to be achieved through aligning annual accounts and annual performance report timetable.

**Responsible Officer:** IJB Chief Finance Officer

**Target Date:** June 2023

#### *In Progress*

Structure and style of management commentary was reviewed and improved as part of preparation on 2022/23 IJB Annual Accounts including how the 2023/33 Strategic Commissioning Plan and priorities set future reporting considerations.

Further improvements can still be made to the performance reporting section as discussed further on page [32](#).

Revised target date: June 2024

## 6.6 Action Plan (continued)

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Recommendation	Management Response	Status
<p><b>8. Financial Management</b></p> <p>The IJB should align partner financial reporting to improve the efficiency of the IJB's financial monitoring and enable a better understanding of costs across the partnership.</p> <p><b>2021/22 Update:</b> Financial reporting in 2021/22 is unchanged</p>	<p>Work is ongoing to improve financial reporting and produce a more integrated style of financial reporting to the IJB and HSCP Leadership Teams. This has taken longer than anticipated due to complexity of the task and competing demands including increasing Scottish Government requirements for financial returns.</p> <p><b>Responsible Officer:</b> IJB Chief Finance Officer</p> <p><b>Target Date:</b> September 2023</p>	<p><b>In Progress</b></p> <p>Whilst continuing to work with consolidating financial information from 3 different financial systems remains a challenge work is ongoing to improve reporting at all levels including to IJB, Senior Management Leadership Team and for Operational Managers.</p> <p>Revised target date: September 2023</p>

## 6.7 Action Plan (continued)

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Recommendation	Management Response	Status
<p><b>9. Financial Sustainability</b></p> <p>The IJB should update the MTFP to reflect the impacts of Covid-19 at the earliest appropriate opportunity.</p> <p><b>2021/22 Update:</b> The MTFP has not yet been updated for the impact of Covid-19</p>	<p>Work to review and update the MTFP is underway and is being aligned to</p> <ul style="list-style-type: none"><li>• The Scottish Government Resource Spending Review published in May 2022</li><li>• The 2023/24 Scottish Draft Budget being published on 15 December 2022</li><li>• The 2023/2033 IJB Strategic Commissioning Plan to be approved and published in March 2023</li></ul> <p>The MTFP will take cognisance of both direct and indirect impacts of Covid including the higher levels of service demand and complexity/acuity of care.</p> <p><b>Responsible Officer:</b> IJB Chief Finance Officer</p> <p><b>Target Date:</b> March 2023</p>	<p><b>In Progress</b></p> <p>An initial assessment of medium term financial gap for the partnership was completed as part of the budget presented to the IJB in March 2023 and more comprehensive exercise and Medium Term Financial Plan will be undertaken aligned to the timing of the refresh and publication of Scottish Governments Medium Term Financial Framework for Health and Social Care. This is dependent on Scottish Government timing and the Auditor General made a specific recommendation on this as part of the NHS in Scotland 2022 Overview report. It is currently envisaged this will be completed later in financial year 2023/24</p> <p>Revised target date: November 2023</p>



## 6.8 Action Plan (continued)

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Recommendation	Management Response	Status
<p><b>10. Update of governance documents</b></p> <p>As part of the review of the governance framework the IJB and its constituent authorities should look to update the supporting documents including the integration scheme, scheme of delegation and counter fraud policy.</p> <p><b>2021/22 Update:</b> The integration scheme and counter fraud policy have not yet been updated</p>	<p>Revised Scheme of Delegation was completed and approved by IJB in March 2023. Review of Financial Regulations and further consideration of counter fraud policy and/or requirement for more overt assurance on counter fraud arrangements from the constituent authorities. Additionally, in relation the Integration Scheme, the IJB will continue to work with constituent authorities to identify if there is a requirement to prepare a revised integration scheme.</p> <p><b>Responsible Officer:</b> IJB Chief Finance Officer (Financial Regulations and Counter Fraud), IJB Chief Officer (Integration Scheme)</p> <p><b>Target Date:</b> March 2023</p>	<p><b>In Progress</b></p> <p>It has been agreed with the Chief Executives of the constituent authorities that the process of review of the Integration Scheme will commence from late March 2023. A project plan is being updated to support this and resources identified from the constituent authorities. It is envisaged that the process will take between 36 -52 weeks from commencement to completion including required consultation. Further reviews of the IJBs governance frameworks will be undertaken on a continuous basis with the next key reviews being the Risk Management Strategy and Financial Arrangements. A revised integration scheme itself may require review and update of key governance frameworks of the IJB.</p> <p><b>Revised target date:</b> March 2024.</p>

## 6.9 Our other responsibilities explained

### Fraud responsibilities and representations



#### Responsibilities:

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

#### Required representations:

We have asked the IJB to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that affects the entity.

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



#### Audit work performed:

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

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

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

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

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

#### Concerns:

No concerns have been raised as a result of our audit work.

## 6.10 Independence and fees

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

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**Independence confirmation** We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the IJB and our objectivity is not compromised.

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**Fees** The expected fee for 2022/23, as communicated by Audit Scotland in December 2022 is analysed below:

	£
Auditor remuneration	33,400
Audit Scotland fixed charges:	
• Contribution to PABV costs	6,350
• Audit support costs	1,270
• Sectoral cap adjustment	(9,550)
<b>Total expected fee</b>	<b>31,470</b>

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**Non-audit services** In our opinion there are no inconsistencies between the FRC's Ethical Standard and the IJB's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

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**Relationships** We have no other relationships with the IJB, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.

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