

**East Ayrshire Integration Joint Board**

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

Issued 4 June 2019 for the meeting on 11 June 2019

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# Introduction

## The key messages in this report

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

### Background

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

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

As part of this review we met with the Partnership Management Team and the Chair of the Committee. We also observed IJB meetings in August 2018 and March 2019.

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

### Scope of audit

Our audit work covered the four audit dimensions as follows:

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

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



# Introduction (continued)

## The key messages in this report (continued)

### Overall conclusions

**Financial sustainability** - After taking account of earmarked commitments, the IJB will marginally underspend in 2018/19. IJB approval will be sought on 19 June 2019 to retain uncommitted balances within the IJB Reserve for transformation purposes. The Annual Budget 2019/20 report to the IJB on 26 March 2019 outlined a number of budget pressures and risks and it is anticipated that the retained transformation funding will mitigate going forward. A balanced budget has been set for 2019/20, however, this includes significant efficiencies that need to be achieved in order for a balanced budget to be maintained.

In the medium term, the IJB is faced with an extremely challenging financial position as the current level of service provision is not financially sustainable. The Strategic Commissioning Board (SCB) is driving the delivery of transformational change. The Medium Term Financial Plan (MTFP) is due to be updated in 2019/20.

**Financial management** - The marginal underspend position for 2018/19 is a significant improvement on the overspend position that has been regularly reported to the Board throughout the year. The IJB has made improvements to the quality of financial monitoring reports and has effective integrated budget monitoring arrangements in place.

It is positive to note that work is ongoing nationally which is being led by the three IJBs within Ayrshire and Arran acting as the test area for further work to be on "Directions" and Set Aside resources as part of the national Review of Progress of Integration of Health and Social Care.

**Governance and transparency** - In general, the IJB has a good attitude to openness and transparency and there is a supportive culture that underpins this. This could be further enhanced by publishing the papers and minutes of the Audit and Performance Committee online.

The 2018/19 Annual Review of the Strategic Plan, Workforce Plan and Property and Asset Management Strategy is an excellent example of ensuring a consistent approach and helps demonstrate how the IJB is contributing to the relevant national health and wellbeing outcomes.

There are a number of key governing documents which have not been reviewed or refreshed by the Board since 2015. We recommend that these are reviewed to ensure that they are still fit for purpose.

It is positive to note that the Board, along with its NHS and Council partners, are reviewing and updating the governance arrangements for the IJBs to take cognisance of the experience from early integration.

**Value for money** - The IJB has a performance management framework in place, with performance regularly considered by management, and the Audit and Performance Committee. It clearly reports on its contribution towards the national outcomes through its quarterly and annual performance reports as well as its Service Improvement Plans.

While there is a general decline in performance, the Partnership Performance Reports and Service Improvement Plans set out how the IJB intends to address each area of under performance. In particular, there is a focus on trying to shift the balance of care from a hospital to a community setting.

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

### Next steps

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

### Added value

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

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

# Financial sustainability

## Overview

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



### **Audit risks**

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

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

# Financial sustainability (continued)

## Short to medium term financial position

### 2019/20 budget

The IJB approved a balance budget of £277.621m for 2019/20 on 26 March 2019 as set out below.

	Council Delegated Budget (£'000)	NHS Delegated Budget (£'000)	Total Budget (£'000)
Baseline allocation	84,371	161,229	245,600
Additional delegated resource	3,752	1,631	5,383
<b>2019/20 budget allocation</b>	<b>88,123</b>	<b>162,860</b>	<b>250,983</b>
Council commissioned Integrated Care projects	1,206		1,206
Delegated functions managed out with the Partnership	2,002		2,002
Set aside budget		23,430	23,430
<b>2019/20 Total Budget Allocation</b>	<b>91,331</b>	<b>186,290</b>	<b>277,621</b>
Additional delegated resource	3,752	1,631	5,383
Indicative commitments	(6,516)	(2,513)	(9,029)
<b>Indicative funding gap</b>	<b>2,764</b>	<b>882</b>	<b>3,646</b>
Baseline savings	(1,334)	-	<b>(1,334)</b>
<b>Cash releasing savings required</b>	<b>(1,430)</b>	<b>(882)</b>	<b>(2,312)</b>

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

As a result of this approach, the IJB received additional funding of £1.081m from East Ayrshire Council than would have been the case had the budget allocation methodology per the Integration Scheme been applied. The 2.6% uplift from NHS Ayrshire and Arran is also higher than the 1.9% uplift had the Integration Scheme methodology been applied.

This balanced position includes achievement of cash releasing efficiency savings of £2.312m, in addition to £1.334m baseline savings already identified. Whilst the IJB has historically achieved savings targets and has plans to address the baseline savings, this still represents a significant financial risk for the IJB at a time of significantly increasing demand for services. A range of cash releasing efficiency savings proposals for the £2.312m have subsequently been presented to the Board in May for consideration.

In setting its budget, the IJB recognised that, whilst projecting to achieve short term financial balance, a number of risks exist, including:

- pressures in service areas which will be impacted by demographic changes;
- continuing demand for high cost children's outwith placements;
- implementation of new legislation (including Carers (Scotland) Act 2016, Free Personal and Nursing Care under 65s cost implications);
- costs arising from GP practices in difficulty; and
- continued political and economic uncertainty following the June 2016 EU referendum.

# Financial sustainability (continued)

## Short to medium term financial position

### Reserves

The IJB has adopted a Reserves Strategy which was approved in March 2016, where it agreed that it should hold no more than 4% of revenue expenditure by the end of the three year budget cycle as balances. This 4% would equate to £10.1m of the directly managed service budget.

As reported in the budget report to the IJB in March 2019, it recognised that given the significant financial pressures facing the Partnership and the requirement to deliver significant cash releasing efficiency savings, this optimum reserves balance is aspirational. No recommendations were made as part of the 2019/20 budget to allocate any resources to reserves however, consideration may be given to this in future to allow greater flexibility to manage demand fluctuations and to support financial planning over the medium to longer term.

Total reserves as at 31 March 2018 were £0.788m, of which £0.317m was unearmarked. This is expected to remain largely unchanged, but will depend on the final confirmed outturn position for 2018/19.

£0.471m was earmarked in 2017/18 for the following purposes:

- £0.389m – Client equipment and adaptations;
- £0.037m – Care Commission standards;
- £0.025m – Legal fees; and
- £0.020m – Addictions/ Health Improvement delegated functions.

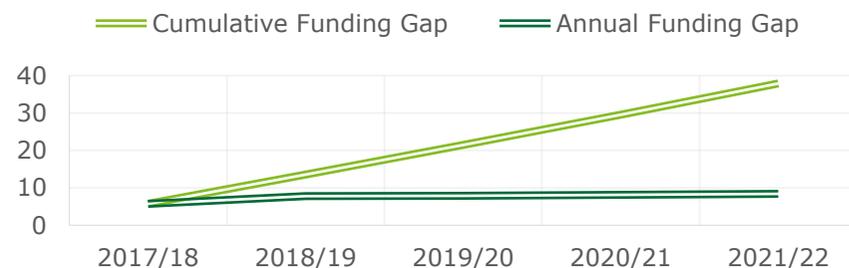
The earmarked balance is expected to reduce to £0.102m by 31 March 2019 and the balance will be drawn down in due course.

### Medium term financial planning

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

A Medium Term Financial Plan (MTFP) was approved in November 2017 to cover the period 2017/18 to 2021/22 and projects an estimate funding gap of £37.881m. This was based on the following key assumptions:

- Pay inflation – 2% increase per annum;
- Living wage implications – 3.55% increase per annum;
- Prescribing – 5% increase per annum;
- Older people services – 3% increase per annum; and
- Children's services – 3.5% increase per annum.



As we are now in 2019/20, being year 3 of the plan, the IJB has recognised that it needs to be refreshed and is due to be updated during 2019/20. This update is expected to take account of issues set out in the Scottish Government Health and Social Care Medium Term Financial Framework published in October 2018. Looking forward, as part of the IJB fiscal framework, a comprehensive review of the MTFP will be undertaken in 2021 and will align with the updated Strategic Plan 2021-24. This should also take into account the national performance framework which require the IJB to demonstrate how it contributes towards the national outcomes.

# Financial sustainability (continued)

## Medium to long-term financial sustainability

### Transformation work

In response to the challenges that the IJB faces, it has put in place a Strategic Commissioning Board (SCB). This is officer led and is tasked with transformation and efficiency savings to ensure the financial sustainability of the organisation. The Scottish Government has a representative on this Board to act as a 'critical friend'. The SCB reports to the Audit and Performance Committee.

During the 2017/18 budget setting process, the Council recognised the challenges facing Health and Social Care and the need for radical change within the organisation and the clear commitment from the IJB to embrace change. A sum of £1m was earmarked to be used by the IJB to facilitate change and reduce recurring costs. Service reconfiguration/ transformation work has been taken forward through the SCOPB during 2017/18 and 2018/19 and will continue into 2019/20, with current commitments of £0.873m against the £1m allocation.

Projects approved a part of this transformation work include Community Equipment Store (£196k), Transformation Lead (£130k), and two pilot phases, followed by implementation of a new Electronic Scheduling and Monitoring System (ESMS)(£269k). In addition, further investment was made into the "Front Door" service to manage demand.

### Workforce Strategy and plan

The East Ayrshire Health and Social Care Partnership Strategic Plan 2018-21 centres around the vision of the Partnership: 'Working together with all of our communities to improve and sustain wellbeing, care and promote equity'. In order to achieve this, a programme of transformational change is already underway and is supported by the Workforce Development and Support Plan covering the period 2018 – 2021.

From a review of the Workforce Development and Support Plan 2018 – 2021, we noted that it is comprehensive in nature and covers the key aspects of a workforce plan. An action plan is in place and progress against the action plan is regularly reported to the Board.

### Deloitte view – Financial sustainability

The IJB expects to achieve short-term financial balance in 2018/19. A balanced budget has been set for 2019/20, however, this includes significant efficiencies that need to be achieved in order for a balanced budget to be maintained.

In the medium-term, the IJB is faced with an extremely challenging financial position as the current level of service provision is not financially sustainable. The Strategic Commissioning Board has been established to drive the delivery of transformational change at the required scale and pace to set the direction for the Strategic Plan 2018-21. A Medium Term Financial Plan in place covering the period 2017/18 to 2021/22, which sets out the key demand pressures and funding assumptions over the five year period. This is due to be updated in 2019/20 and should take account of issues set out in the Scottish Government's five-year Medium Term Financial Strategy and its Health and Social Care Medium Term Financial Framework.

# Financial management

## Overview

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



### **Audit risks**

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

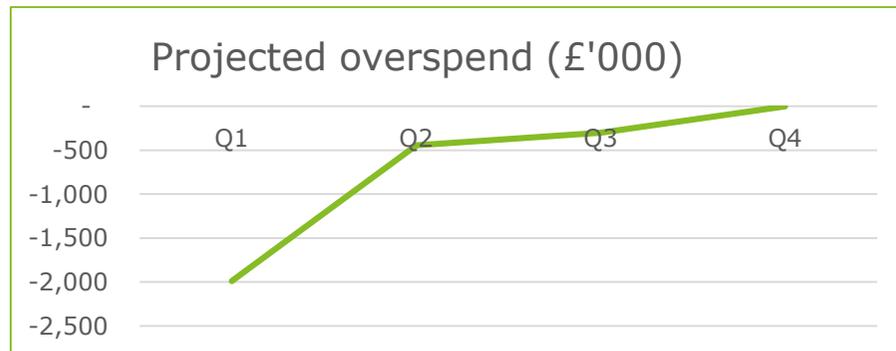
- A lack of appropriate financial management could result in the IJB not achieving its financial targets; and
- The underlying financial performance of the IJB is not transparently reported.

# Financial management (continued)

## Financial performance

### 2018/19 projected outturn

The IJB is expected to end the year in a breakeven position which is a significant improvement from the position as at 31 July 2018 which forecast an overspend of £1.990m. This has been achieved as a result of good financial management and the work of the SCSOPB to help deliver transformational change. The forecast position has been reported to members throughout the year as illustrated below:



The key reasons for the variances as at 31 December 2018, which net to an overspend of £302k were:

- Lead Partnership (overspend of £697k) - Primary Care Lead Partnership was projecting an overspend of £0.758m which mainly relates to additional payments within Primary Medical Services to GP practices currently experiencing difficulty (mainly practices that the NHS Board is administering due to previous GPs handing back contracts). This was offset by underspends in other Lead Partnership areas.
- Core Services (underspend of £140k) – This mainly relates to a £207k underspend in relation to Allied Health Professionals due budget adjustments and vacant posts offset by a number of smaller overspends. This was offset by overspends in other areas.

- Non District General Hospitals (underspend of £258k) – This mainly relates to a £210k projected saving at Kirklandside reflecting current arrangements with no continuing care beds currently in use.

### Savings Plans

The approved 2018/19 budget included a need to make savings of £5.616m. Based on the projected final position, these savings were achieved as follows:

- £0.745m - Children's Health and Community Justice Services;
- £3.974m - Community Health and Care Services;
- £0.551m - Primary Care and Out of Hours Services; and
- £0.346m – Service Strategy.

The above savings have been achieved through various transformation programmes, including a series of demand management programmes building on the "Front Door" model, which accounts for the significant savings achieved in Community Health and Care Services.

### Financial capacity

The finance team is led by the Chief Finance Officer who also has the role of Head of Transformation at East Ayrshire Council. He has experience in local government finance roles for a number of years and has sufficient status to be able to deliver good financial management. His team provides finance and accounting support to the IJB. We have not identified any issues with the financial skills, capacity and capability of the finance team. This is an area that the IJB should continue to monitor closely in view of the transformation programme and the key role that finance play.

# Financial management (continued)

## Systems of internal financial control

### Financial reporting

The IJB has effective financial planning and management arrangements in place. Senior management and board members regularly review progress on projected outturn. The Board reviews financial performance each quarter.

It is however difficult for the Board to fully assess the financial performance of the IJB given that the financial monitoring reports and outturn reports presented to the IJB only refer to forecast spend to the year-end. There is no information provided on the actual spend incurred in any given period to provide assurance to the IJB that financial performance is in line with budget at any given point in time in the year. Going forward, financial monitoring reports should present information on actual expenditure in each quarter, in addition to the forecast outturn for the full year as at the end of each quarter.

We note that the quality of financial monitoring reports has improved and now includes detailed information on the Lead Partnership and Set Aside, and the IJB operates as an integrated budget. Amendments to the budget during the year are transparently reported in the quarterly financial monitoring reports.

We are also pleased to note that work is ongoing nationally with the three Ayrshire IJBs acting as the test area for further work to be on Directions/ Set Aside resources as part of the national Review of Progress of Integration of Health and Social Care. Currently, projected variances are included within the host Partnership's accounts on a directly managed service basis, however, the pan-Ayrshire work will analyse cost and activity data to identify true fair shares. This should ensure that resources are appropriately allocated across the three IJBs.

#### Deloitte view – financial management

The IJB will marginally underspend in 2018/19, which is a significant improvement on the overspend position that has been regularly reported to the Board throughout the year in the quarterly financial monitoring reports. The IJB has made improvements to the quality of financial monitoring reports and has effective integrated budget monitoring arrangements in place.

It is positive to note that work is ongoing nationally, with Ayrshire and Arran acting as the test area for further work to be on Directions/ Set Aside resources as part of the national Review of Progress of Integration of Health and Social Care.

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

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

### Internal audit

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

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

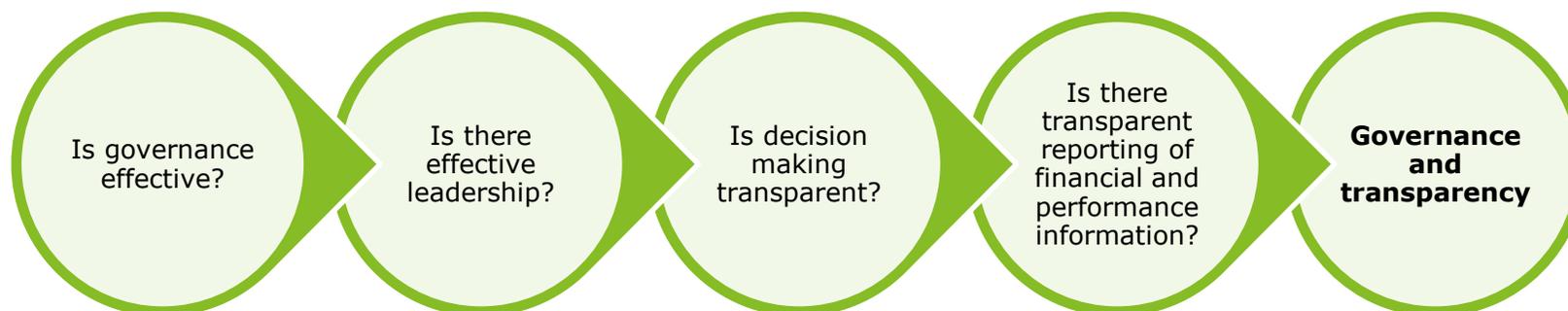
### Standards of conduct for prevention and detection of fraud and error

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

# Governance and transparency

## Overview

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



### **Audit risks**

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

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

# Governance and transparency (continued)

## Openness and transparency

### Openness and transparency

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

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



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

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

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

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

All Board meetings are held in public, with items on sensitive matters considered in private. Access to all papers and minutes of Board meetings, as well as key governance documents, are available on the IJB's website. However, Audit and Performance Committee papers and minutes for the IJB are not routinely made available online.

Minutes of meetings clearly outline decisions made, who made them and the rationale behind the decisions.

All voting members are required to complete and update their register of interests. These are maintained by the partner bodies and are available on the partner bodies websites. However, from a review of the register of interests available on the website, it was unclear as to when the registers were last updated, particularly for Council members.

A Partnership and Engagement strategy is in place, recognising the range of participation and engagement in local communities and sets out how the partnership and IJB representation and stakeholder involvement can be further developed.



# Governance and transparency (continued)

## Leadership, vision and governance arrangements

### Governance and scrutiny arrangements

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

The Audit and Performance Committee provides a scrutiny role and regularly monitors the performance of the IJB. From a review of committee minutes, it was evident that there is an appropriate level of challenge and scrutiny provided by Members. However, we noted that Audit and Performance Committee papers and minutes are not made routinely available on the Board's website. Consideration should be given to making these publicly available to enhance transparency.

The IJB has a number of key governing documents which have not been reviewed or refreshed since 2015. The IJB should carry out a periodic review of its key governing documents to ensure that they are still fit for purpose.

A report was considered by the IJB in June 2018 setting out the findings from a first stage review of the Integration Scheme (along with that of North Ayrshire). The review process confirmed that a number of areas needed to be addressed in order to improve planning, governance and delivery of Health and Social Care Services in Ayrshire. It also identified that the full powers of the current Integration Scheme have not been utilised and there is further scope to take action within current arrangements. These include:

- **Collaboration across Ayrshire** – There is strong alignment across all 3 partnerships and Lead Partnership arrangements are in place. These arrangements are, however, complex, human resource intensive and can be slow in decision making.
- **Decision making** being made by one IJB which impact on the other two IJBs without due regard or consultation with the other areas. This is exacerbated in lead partnerships .

- **Financial governance** – the arrangements for financial accountability between IJBs in relation to Lead Partnership arrangements requires review. There is potential for conflict over budget setting, detrimental impact of decisions by IJBs and overspends.
- **Performance governance** – Legislation requires that decisions made by an IJB that have an impact on neighbouring IJBs require to be consulted upon. In the lead partnership model this is even more evident as decisions made by a Lead Partnership IJB have direct impact on services in other areas and on Acute services. These issues are not limited to lead partnership arrangements and can include strategic service and finance decisions of an IJB that impact adversely on residents of another area.
- **Financial context** – on an annual basis, the IJBs are required to agree that the finance available from NHS/ Councils is sufficient to deliver on the Strategic Plan. With increasing demand and restrictions on public sector finding, this is increasingly difficult. This presents a risk to early intervention and preventative services.

As a result of the above review the following changes were made to the governance arrangements:

- To consider the potential conflicts in financial governance around the lead partnership model, it was agreed to move to more "fair share" commissioning, based on the National Resource Allocation Committee (NRAC).
- It was agreed to utilise mental health as the initial example of this commissioning model, to bring financial commitments to be in line with usage. Unscheduled care and set aside will also require similar considerations but are more complex.
- Some changes were made to how services are devolved, including Allied Health Professionals, Family Nurse Practitioner Services and Telehealth and United for Health and Smartcare European Programme.

# Governance and transparency (continued)

## Leadership, vision and governance arrangements (continued)

### Governance and scrutiny arrangements (continued)

In response to the need to improve the financial and performance governance arrangements, NHS Ayrshire and Arran and the three Partnerships are working with the Scottish Government on a pilot project to review Directions. It is recognised that while the Scottish Government Good Practice Note on Directions, issued in April 2016, clearly sets out that in the case of an IJB, a direction must be given in respect of every function that has been delegated to the IJB, there is no consistency on how Directions are implemented. The purpose of this pilot project is to develop an exemplar set of directions to make commissioning more transparent.

It is positive to note that NHS Ayrshire and Arran and its partners are reviewing and updating the governance arrangements for the IJBs to take cognisance of the experience from early integration.

### Strategic Plan

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

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

At its March 2019 Board meeting, the IJB approved the 2018/19 Annual Review of the Strategic Plan, Workforce Plan and Property and Asset Management Strategy for the period 2018-21. This allowed the IJB to set out plans for these key strategies for 2019/20 and to set out the indicative partnership budget to deliver on these commitments. This review is an excellent example of ensuring a consistent approach by lining up the strategic plans with the resources, being workforce, assets and finance and helps demonstrate how the IJB is contributing to the relevant national health and wellbeing outcomes.

# Governance and transparency (continued)

## Leadership, vision and governance arrangements (continued)

### Leadership

The IJB has strong leadership and, with its partners, has a clear vision for what it wants to achieve for the people of East Ayrshire. Board members and staff support the vision.

The Partnership is governed by the IJB comprising eight voting members appointed by East Ayrshire Council and the NHS Ayrshire and Arran Board. The voting membership of the Board comprises four elected members from East Ayrshire Council and four non-executive members from NHS Ayrshire & Arran. Representatives from other Sectors including the 3rd Sector, Independent Sector, staff representatives and others representing the interests of patients, service users, carers and professionals also sit on the Board and contribute to its work. During the year, there have been no changes to the voting membership of the IJB and we consider there to be sufficient diversity to provide effective balance and scrutiny in leadership.

The arrangements for the Chair and Vice Chair, who are drawn from the nominations of the Parties, are set out in the Integration Scheme where the role of Chair alternates between voting members nominated from East Ayrshire Council and NHS Board. Councillor Reid was nominated Chair following Council elections in May 2017. At its meeting in March 2019, the Board noted that NHS Ayrshire and Arran had notified that two of its voting members will reach the maximum term of office by 31 March 2019. Following the confirmation of NHS Ayrshire and Arran voting members in May 2019, Michael Breen, non-executive Director will now take the role of the Chair from June 2019 with Councillor Reid as vice Chair of the IJB and Chair of the Strategic Planning Group.

### Members training

In our 2017/18 annual audit report, we recommended that appropriate training be provided to members to ensure they fully understand reports presented. During 2018/19, the IJB has continued with its development days, with three held during the year. The programme for these sessions were developed in consultation with IJB members and included sessions focussed on the Strategic Plan, financial management and performance.

The IJB are in the process of undertaking a self-evaluation following up on the findings from the Audit Scotland and Ministerial Strategic Group findings of progress in integration.

### Best value (BV)

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

### Deloitte view – Governance and transparency

In general, the IJB has a good attitude to openness and transparency and there is a supportive culture that underpins this. This could be further enhanced by publishing the papers and minutes of the Audit and Performance Committee online.

The 2018/19 Annual Review of the Strategic Plan, Workforce Plan and Property and Asset Management Strategy is an excellent example of ensuring a consistent approach by lining up the strategic plans with the resources; being workforce, assets and finance and helps demonstrate how the IJB is contributing to the relevant national health and wellbeing outcomes.

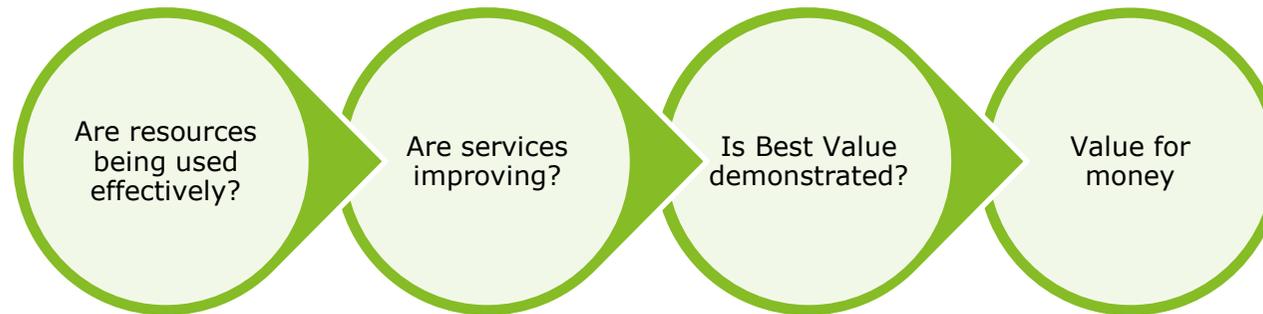
There are a number of key governing documents which have not been reviewed or refreshed by the Board since 2015. We therefore recommend that these are reviewed and refreshed on a periodic basis to ensure that they are still fit for purpose.

It is positive to note that the Board, along with its NHS and Council partners, are reviewing and updating the governance arrangements for the IJBs to take cognisance of the experience from early integration.

# Value for money

## Overview

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



### **Audit risks**

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

- There is a risk that insufficient resources are targeted to areas of underperformance; and
- The IJB does not clearly report on its contribution towards the national outcomes.

# Value for money (continued)

## Performance management

### Performance management

The IJB has embedded a performance management culture throughout the Partnership. It has created a wider range of performance information to manage services and target improvements for the people of East Ayrshire. This is supported by its performance management systems which analyse data, track progress and identify actions.

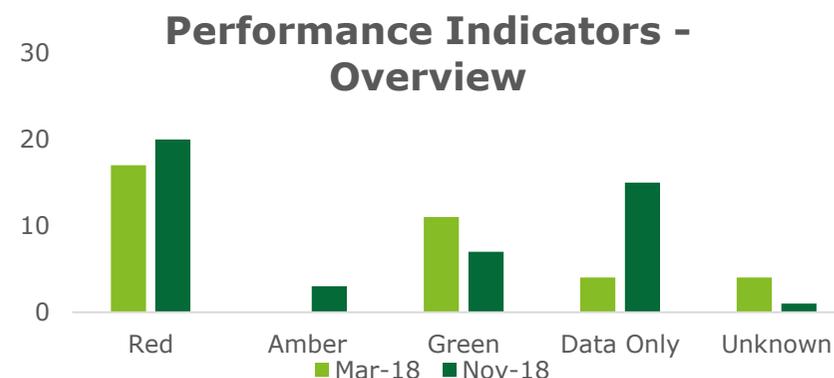
Regular performance information is provided to the Audit and Performance Committee, IJB members, operational managers and is publicly reported. Benchmarking is used to compare performance with other organisations to support change and improvement.

It is positive to note that Service Improvement Plans are agreed annually and progress reported to the Committee and recognises the IJBs commitment to delivering continuous improvement across services and supporting more positive outcomes for its residents and communities. These improvement activities are aligned to the partnerships strategic priorities, which in turn contribute to the national health and wellbeing outcomes.

The latest report to the Committee highlighted significant progress being made to deliver improvements, with 12 (75%) of the agreed actions progressing at the rate expected, five of which were fully complete.

### Performance data

From our analysis of performance indicators during the year, we note that between the period March 2018 to November 2018 overall performance has declined. There has been an increase in the number of 'red' indicators reported from 17 to 20 and a decrease in the number of green indicators from 11 in March 2018 to 7 in November 2018. The Partnership Performance Reports and Service Improvement Plans sets out how the IJB intends to address each area of under performance. In particular, there is a focus on trying to shift the balance of care from a hospital to a community setting.



### Deloitte view – Value for money

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

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

## Other specific risks

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

Risk	Areas considered	Conclusion
EU Withdrawal	We have assessed what work the IJB has done to prepare for the impact of EU withdrawal, specifically considering people and skills; finance; and rules and regulations.	<p>The IJB is reliant on the NHS and Council to prepare for EU withdrawal to minimise the impact on the IJB. While there has been no formal reporting to the IJB, the Chief Officer is actively involved in both the NHS and Council work and can therefore take assurance from this.</p> <p>From our audit work on East Ayrshire Council and NHS Ayrshire and Arran, we are satisfied that both partners are sufficiently prepared for the impact of EU withdrawal. A number of areas, particular for the NHS, including risks relating to prescribing costs, are being considered nationally.</p>
Changing landscape for public financial management	As part of our audit work on financial sustainability (see page 7) we have considered how the IJB has reviewed the potential implications of the Scottish Government's Medium Term Financial Strategy for its own finances, including long term planning.	The Scottish Government Medium Term Financial Strategy will be considered as part of the planned update to the IJBs MTFP in 2019/20.
Dependency on key suppliers	We obtained a detailed breakdown of expenditure by supplier and performed an analysis to identify if there were any risks of dependency on key suppliers.	As the IJB does not directly engage with suppliers but instead commissions the Council and NHS to provide services, we have not identified a specific risk associated with the IJB. We have considered this risk as part of our audits of the Council and NHS and no issues identified which would indirectly impact on the continuity of health and social care services.
Openness and transparency	We have considered the IJB's approach to openness and transparency as part of our audit work on governance and transparency (see page 13).	From our audit work, we are satisfied that the IJB is appropriately open and transparent in its operations and decision making. We have identified some minor improvements to the availability of Audit and Performance Committee papers and minutes.

# Appendices



# Purpose of our report and responsibility statement

## Our report is designed to help you meet your governance duties

### What we report

Our report is designed to help the Audit and Performance Committee of the IJB discharge their governance duties.

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

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

### What we don't report

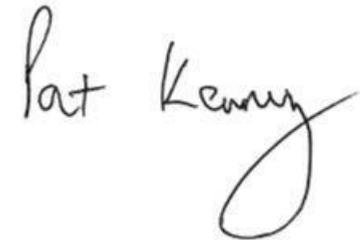
As you will be aware, our audit is not designed to identify all matters that may be relevant to the IJB.

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

This report has been prepared for the Audit and Performance Committee of the IJB, as a body, and we therefore accept responsibility to you alone for its contents.

We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

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



for and on behalf of Deloitte LLP  
Glasgow  
4 June 2019

# Action plan

## Recommendations for improvement

We have followed up the recommendations made in our 2017/18 annual report in relation to the wider scope areas and are pleased to note that five of the total six recommendations made have been fully implemented. One recommendation relates to the financial statements audit and therefore will be reported in our annual report to the Board in September 2019. The following recommendations have been identified from our 2018/19 audit work.

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
<i>Audit and Performance Committee Papers and Minutes</i>	The IJB should consider publishing the papers and minutes of the Audit and Performance Committee online. (see page 13 for details)	The Audit and Performance Committee agreed that in order to allow full and open discussion and scrutiny the meeting should not be public – noted at APC meeting in June 2015. Minutes are available on portal to all IJB members. APC membership includes stakeholder reps, people/ patient rep, carer rep and employee rep. In recognition of recent changes in IJB membership a review will be undertaken in respect of public meetings/ sharing of reports, recognising that some reports required to be withheld from the public.	N/A	N/A	Medium
<i>Review of Governing Documents</i>	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. (see page 14 for details)	All governance documents will be examined and where required will be refreshed during 2019/20. A lifespan to be agreed for each document outlining required date of review.	Chief Officer/ Chief Finance Officer/ Partnership Programme Manager	31/3/2020	Medium
<i>Register of Interests</i>	The register of interests for Members are held on the website of the partner bodies. From a review of the registers held, it is unclear as to when these were last updated, particularly for Council members. We recommend that the register of interests include a reference to outline when they were last updated and are regularly refreshed. (see page 13 for details)	Elected members/ NHS non-exec directors are nominated by the partner bodies and as such the updating of the registers of interest is the responsibility of the parties to the Integration Scheme.	N/A	N/A	Medium

# Action plan (continued)

## Recommendations for improvement (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
<i>Scottish Government Medium Term Financial Strategy</i>	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. (see page 7 for details)	The update of the Medium Term Financial Plan during 2019/20 will take account of financial implications/ methodology included in the Scottish Governments MTFS where appropriate.	Chief Officer, Chief Finance Officer, Senior Manager – Finance/ Senior Manager – Planning and Performance	31/12/2019	Medium
<i>Financial Management</i>	The financial monitoring reports should present information on actual expenditure in each quarter, in addition to the forecast outturn for the full year as at the end of each quarter. (See page 11 for further details.)	Since the inception of IJBs, reports have been presented as projected outturn v budget. It is important to note that East Ayrshire Council operate with 13 (4 weekly) accounting periods whereas NHS Ayrshire and Arran operate on a monthly basis. Discussions will be required with IJB members to ensure they have a full understanding of what phased budgets are year-to-date actuals are designed to highlight.	Chief Finance Officer/ Senior Manager – Finance	30/09/2019	Medium
Budgeting process	We recommended the following improvements to the budget setting process: <ul style="list-style-type: none"> <li>• There needs to be a link between the budgeted spend and the IJB's priorities as set out in the Strategic Commissioning Plan.</li> <li>• 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.</li> </ul> (see page 11 for details)	Work will be undertaken to improve the links between strategic planning and budgeting as part of the budget setting process for 2020/21. This will be considered as part of the update of the Medium Term Financial Plan during 2019/20.	Chief Officer/ Chief Finance Officer/ Senior Manager- Finance/ Senior Manager – Planning and Performance	31/03/2020	Medium



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