

North Ayrshire Integration Joint Board

Interim Report to the Members of the North Ayrshire IJB
on the audit for the year ended 31 March 2019

Issued 6 June 2019 for the meeting on 20 June 2019

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Introduction

The key messages in this report

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

Background

As set out in our plan which was presented to the Performance and Audit 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.

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.

As part of this review we met with Chief Officer, Chief Finance and Transformation Officer and Chair of the Performance and Audit Committee. We also observed a Performance and Audit Committee meeting in March 2019.

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



Introduction (continued)

The key messages in this report (continued)

Overall conclusions

Financial sustainability – The IJB expects to achieve short-term financial balance in 2018/19. This is a significant improvement and the first time a balanced position will have been achieved. A balanced budget has been set for 2019/20, however, this includes significant efficiencies and service transformation programmes to be delivered.

As reported in our 2017/18 annual report, the IJB closed 2017/18 with a cumulative deficit position of £5.807m which needs to be recovered in future years. It is positive that the IJB will repay a sum of £0.668m towards this debt to North Ayrshire Council in 2018/19, with the remainder being repaid in future years. There was a plan agreed during 2018/19 for £1.5m of repayment to be made, however a surplus of this value was not generated due to variations between projections and actual costs at the financial year-end. The year-end financial monitoring report to the IJB will include a plan to improve future financial projections.

In the medium-term, the IJB is faced with a challenging financial position as the current level of service provision is not financially sustainable. In response to this, the Medium Term Financial Plan (MTFP) is due to be updated in 2019/20, with the Transformation Board driving the delivery of transformational change.

As part of the 2019/20 transformation programme, the IJB are launching a “Thinking Different, Doing Better” programme aimed at educating staff and the wider public on the role of the partnership and of the case for change. This is a significant commitment but should be highlighted as a good practice example of engaging with key stakeholders to inform future decision making and drive towards shifting the balance of care from a hospital to a community setting.

Financial management – The expected underspend position for 2018/19 is a significant improvement on the overspend position that was expected earlier in the year, particularly given historical overspends in previous years. Improvements have been made to the quality and frequency of financial monitoring reports and there is now an effective integrated budget monitoring arrangement in place.

The Social Care Finance Team moved across to the partnership during 2018/19 to facilitate improved communication and joint working with front line HSCP colleagues. This has provided an opportunity to strengthen financial management arrangements, including the reliability and accuracy of financial projections and financial processes.

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” 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 Performance and Audit Committee online.

There are a number of key governing documents (Financial Regulations, Scheme of Delegation, Reserves Strategy) 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 Performance and Audit Committee. It clearly reports on its contribution towards the national outcomes through its quarterly and annual performance reports.

While there is a general decline in performance, the Partnership Performance Reports 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 6 to 21 of this report.

Introduction (continued)

The key messages in this report (continued)

Next steps

An agreed Action Plan is included at page 24 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 and recommending and encouraging good practice. In so doing, we aim to help the IJB promote improved standards of governance, better management and decision making, and more effective use of resources.

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

Pat Kenny
Audit Director

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 medium-term financial planning is inconsistent with the Scottish Government's five-year plan.

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

Financial sustainability (continued)

Short to medium term financial position

2019/20 budget

The IJB approved a balance budget of £270.592m for 2019/20 on 21 March 2019 as set out below.

	Council Delegated Budget (£'000)	NHS Delegated Budget (£'000)	Total Budget (£'000)
Baseline budget	92,929	143,105	236,034
Baseline funding increase	1,389	2,319	3,708
SG funding adjustment	756	-	756
2019/20 excluding set aside	95,074	145,424	240,498
Set aside	-	30,094	30,094
2019/20 budget	95,074	175,518	270,592
Baseline funding increase	1,389	2,319	3,708
Funded pressures	(5,093)	(2,561)	(7,654)
Budget gap	(3,704)	(0,242)	(3,946)
Add historic cash releasing efficiency savings	-	(2,188)	(2,188)
Total savings required	(3,704)	(2,430)	(6,134)
Savings Plans in place	3,704	2,430	6,134
Balanced budget	0	0	0

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 Councils and the additional funding to support additional investment by NHS Boards announced in December 2018 which required a real term uplift in baseline funding of 2.6%.

Whilst the overall funding for the IJB has increased year on year, this increase is not keeping pace with the cost and demand pressures required to be funded which results in a significant budget gap. In addition, the IJB are carrying legacy CRES savings targets from previous years which require to be addressed on a recurring basis.

This balanced position includes achievement of cash releasing efficiency savings of £6.134m, which 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 £6.134m have been agreed by the Board as part of the service redesign work being taken forward to ensure that a balanced budget is maintained which includes addressing all legacy CRES targets.

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

- high risk areas of low volume / high cost services areas e.g. Learning Disability care packages, children's residential placements, complex care packages;
- care packages, children's residential placements, complex care packages;
- progress with the work to develop set aside arrangements and the risk sharing arrangements agreed as part of this;
- mitigating the costs and impact of the outlined unfunded pressures;
- implementation costs of the Scottish Government policy directives, for example Free Personal Care for under 65's;
- Potential re-grading of posts due to erosion of grade differentials;
- Lead / hosted service arrangements, including managing pressures and reporting this across the 3 IJBs; and
- the impact on Lead partnership and acute services from decisions taken by other Ayrshire areas.

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 2% - 4% of net expenditure, based on the lower value this would be £5.0m.

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.

The reserves position in the North Ayrshire IJB is unique in that the Board hold a negative reserve balance which has accumulated from previous year overspends, the negative reserve balance is offset by a debtor on the balance sheet reflecting the debt due to North Ayrshire Council. The Audit Scotland Technical Bulletin 2019/1 states that the IJB should make every effort to remedy the funding situation in year to prevent this position arising. There is currently £1.486m of resource set aside per annum out with the IJB delegated budget to repay this debt within a 4 year period. The IJB are projecting a payment of £0.686m for 2018/19 with the remainder paid over the following years. Going forward, the Board will budget to breakeven each year to ensure that the negative reserve position does not recur.

The estimated reserves position is noted below:

	Total Reserves (£'000)
Balance 31 March 2018	(5,807)
Actual repayment	668
Projected outturn (breakeven)	-
Estimated balance 31 March 2019	(5,139)
Planned repayment	1,486
Estimated balance 31 March 2020	(3,653)

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 provide sustainable services to the local community over the medium term.

A Medium Term Financial Plan (MTFP) was approved in 2017 to cover the period 2017/18 to 2019/20. The intention was to bring a refreshed three year MTFP to the IJB at its meeting in March 2019 for approval, however this was delayed pending clarification on the NHS funding position for 2019/20. As the funding position has now been resolved, the plan is to bring a refreshed three year MTFP to the Board meeting in August 2019 for approval.

As part of this plan, we would expect it to include:

- Scenario planning to assess the funding gap when key assumptions are adjusted;
- Detailed savings plans are identified in order to reduce the projected funding gap;
- A fully integrated budget to allow effective resource planning; and
- Integration of the set aside budget.

This update is also expected to take account of issues set out in the Scottish Government Health and Social Care Medium Term Financial Framework published in October 2018 as well as the work of the Transformation Board in place. 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

The IJB recognise that redesign and transformation is required to enable services to be provided in the most cost effective manner and within the resource available and to achieve the ambition of the Strategic Plan.

In response to the challenges that the IJB faces, it has put in place a Transformation Board. This is officer led and is tasked with oversight and development of the programme of transformational change and efficiency savings to ensure the financial sustainability of the organisation.

The Transformation Board meets monthly to oversee the change programme, the group is solutions focussed with a view to identifying and implementing actions to get any off track plans back on target and has seen positive results through the achievement of a breakeven position for 2018/19. The planned 2019/20 transformation and savings plans have been reviewed and the change team resource has been aligned to the delivery of these plans and these will be monitored through the Transformation Board.

As part of the drive towards transformational change, a £4m Challenge Fund was supported by North Ayrshire Council aimed at the investment required to transform services. To date £2m of this has been used with recurring savings now being recognised as a result of these projects. The remainder of the Change Fund has been removed due to other competing financial pressures. Any future investment will require to be identified from within the recurring IJB budget.

As part of the 2019/20 transformation programme, the IJB are launching a “**Thinking Different, Doing Better**” programme aimed at educating staff and the wider public on the role of the IJB. Funding has been set aside to pay for temporary cover to ensure that all staff can attend these sessions without having an adverse impact on the day to day health and social care operations.

“Think Different, Doing Better” programme

- Dedicated accommodation for sessions over 6-9 months
- 150 sessions
- Interactive workshops
- Q&A sessions with Chief Officer

Attendees:

- 3,500 health and social care partnership staff
- All IJB members
- Locality Planning Groups
- Community Councils
- CPP Partners
- NHS Board members
- Community groups

The aim of this programme is to reinforce the partnership vision and values, to stimulate conversation with staff on the need for change, promoting a cultural shift in how the partnership operates, to seek the views of key stakeholders and help inform future operational planning. This is seen as a good practice example of engaging with key stakeholders to inform future decision making and drive towards shifting the balance of care from a hospital to a community setting.

Deloitte view – Financial sustainability

The IJB expects to achieve short-term financial balance in 2018/19 and to start repayment of the historic debt outstanding to North Ayrshire Council. A balanced budget has been set for 2019/20, however, this includes significant efficiencies and service transformation programmes 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 Transformation 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 is in place covering the period 2017/18 to 2019/20, 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 to take account of issues set out in the Scottish Government’s five-year Medium Term Financial Strategy, its Health and Social Care Medium Term Financial Framework and the work of the Transformation Board.

Financial management

Overview

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



Audit risks

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

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

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

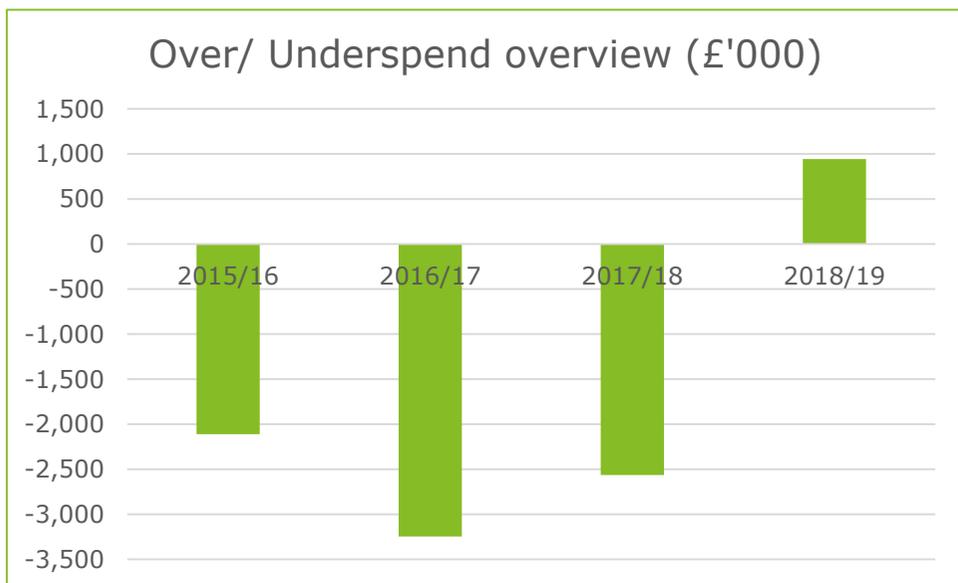
Financial management (continued)

Financial performance

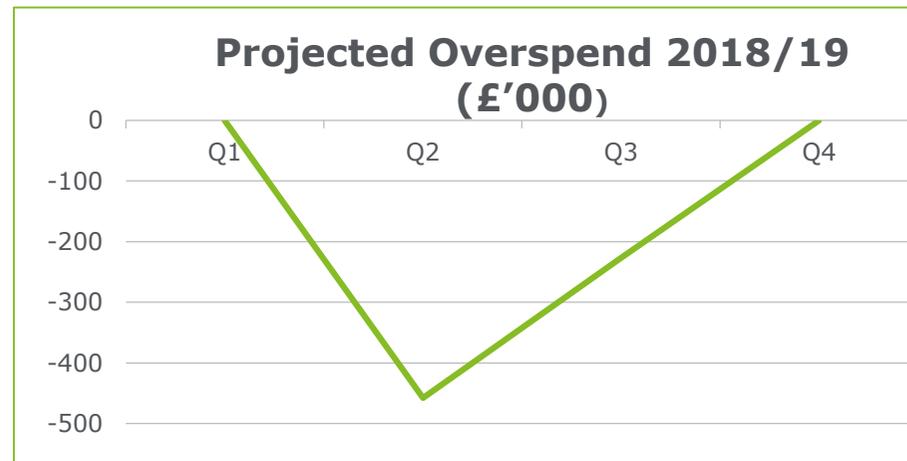
2018/19 projected outturn

The IJB is expected to end the year with an overall underspend of £0.945m. After accounting for earmarked ring-fenced funding of £0.277m there is an underspend of £0.668m transferred to general reserves which will be allocated to reduce the outstanding debt to North Ayrshire Council for previous year overspends. This position is a significant improvement from the position as at 30 September 2018 which forecast an overspend of £0.458m and the first time that the IJB has been in a position to commence repayment of the outstanding debt to the Council. In August 2018, a recovery plan was approved by the Board to address the projected overspend. The impact of the plan so far has been to improve the financial position by £0.765m. As a result, this is the first time that a balanced position will have been achieved.

This has been achieved as a result of good financial management and the work of the Transformation Board to help deliver transformational change.



The overspend reported to the Board during the year is illustrated as follows:



The key reasons for the variances as at 31 December 2018, which net to an projected overspend of £0.227m were:

- Health and Community Care Services (overspend of £0.308m) - Care home placements including respite placements projected to overspend by £0.718m due to increase permanent placements. This is offset by a projected underspend of £0.400m in Care at home services.
- Management and Support Costs (overspend of £0.228m) – There is a projected overspend of £0.682m relating to Cash Releasing Efficiency Savings (CRES) savings still to be identified and £0.055m in relation to workforce savings. This is partially offset by an underspend in contract inflation of £0.150m and a number of other small underspends.

Financial management (continued)

Financial performance and systems of internal financial control

Savings Plans

The 2018/19 budget included £4.003m of savings plus £2.557m of carried forward NHS CRES savings (total £6.560m). A further workforce saving of £0.055m was approved in period 6 taking the total savings required to £6.615m for 2018/19.

BRAG Status	Position at Budget Approval (£'000)	Position at period 9 projections (£'000)
Red	3,148	2,424
Amber	519	649
Green	2,893	226
Blue	0	3,316
TOTAL	6,560	6,615

The projected year-end outturn position assumes that the Red savings would not be delivered as planned and this was reflected in the overall projected outturn position. However, the IJB is now forecasting that an overall underspend position will be delivered for 2018/19 with unachieved savings being offset by a number of operational underspends and a transfer of £1.5m held by the Council on behalf of the IJB. It is encouraging that the level of savings with red status has reduced since the budget was approved, recognising a greater level of confidence of delivery and the progress made so far with identifying savings against the CRES target.

Financial reporting

The IJB has effective financial planning and management arrangements in place. Senior management and board members regularly review progress. The Board reviews financial performance at each meeting.

We note that the quality of financial monitoring reports has improved and now include detailed information on the Lead Partnership and set aside, and the IJB operates on the basis of an integrated budget. Amendments to the budget during the year are transparently reported in the financial monitoring reports.

We are also pleased 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. Currently, projected variances are included within the host Partnership's accounts on a directly managed service basis with an assumption of NRAC risk-sharing arrangement, however, the pan-Ayrshire work will analyse cost and activity data to identify true fair shares.

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.

Financial management (continued)

Systems of internal financial control

Financial capacity

The finance team is led by the Chief Finance and Transformation Officer who was appointed to her role in July 2018. She has experience in local government finance roles for a number of years including undertaking the role of S95 officer for another IJB previously. She has sufficient status to be able to deliver good financial management. The appointment of the new Chief Finance and Transformation Officer has been pivotal in the significant improvement in the IJB's financial position, with the increased focus on financial management. The fact that this position is a dedicated IJB role, with complete autonomy from both the Council and NHS, has helped ensure that the needs of the IJB are kept at the forefront. This has been demonstrated through the move towards a truly integrated view of resources at the financial year-end and through the budget process for 2019/20.

The Social Care Finance Team moved across to the partnership during 2018/19 to facilitate improved communication and joint working with front line HSCP colleagues. This has provided an opportunity to strengthen financial management arrangements, including the reliability and accuracy of financial projections and financial processes.

Internal audit

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

Deloitte view – financial management

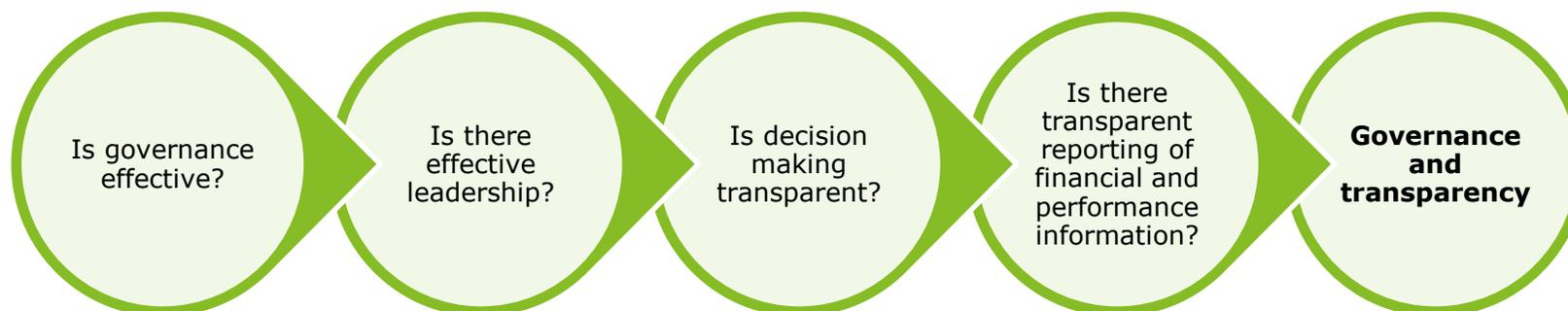
The IJB is forecasting to underspend in 2018/19, after £1.5m is transferred back from North Ayrshire Council which was held on behalf of the IJB. The IJB will repay a sum of £0.668m towards the outstanding debt to the Council. It was envisaged that during the year the first instalment of the repayment would be £1.5m, however, a surplus of that value was not generated due to variations between projections and actual costs at the financial year-end. The final outturn position is a significant improvement on the overspend position that was expected earlier in the year, particularly given historical overspends in previous years. Improvements have been made to the quality and frequency of financial monitoring reports and there is now an effective integrated budget monitoring arrangement in place. The appointment of the Chief Finance and Transformation Officer has been pivotal in the significant improvement of the IJB's financial position.

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.

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.

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

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, Performance and Audit 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 IJB and are available on the IJB website.

A Participation 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 Performance and Audit Committee. From a review of Board minutes, it was evident that there is an appropriate level of challenge and scrutiny provided by Members.

The Performance and Audit Committee provides a scrutiny role and regularly monitors the performance of the IJB. During the year, the Committee reviewed and updated its terms of reference to ensure that it is delivering on its key aims and objectives. 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 Performance and Audit 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 (Financial Regulations, Scheme of Delegation and Reserves Strategy) 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 East 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

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 and to inform any update to the Scottish Government guidance.

It is positive to note that the IJB is reviewing and updating the governance arrangements 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.

Leadership

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

The Partnership is governed by the IJB comprising eight voting members appointed by North Ayrshire Council and the NHS Ayrshire and Arran Board. The voting membership of the Board comprises four elected members from North 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 has been two changes to the voting membership of the IJB. Despite this change, we still consider there to be sufficient diversity to provide effective balance and scrutiny in leadership. At its meeting in May 2019, the Board appointed a new Chair and Vice Chair of the IJB and a new voting member was appointed following a resignation in March 2019.

Governance and transparency (continued)

Leadership, vision and governance arrangements

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 a number of briefing sessions held during the year. The programme for these sessions were developed in consultation with IJB members and included sessions focussed on set aside, 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. The IJB have plans in place to carry out a skills-gap self assessment following the appointment of its new Members, Chair and Vice Chair. The aim of this is to identify any gaps in Members knowledge and put in place a development plan to address any areas of concern.

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 Performance and Audit Committee online.

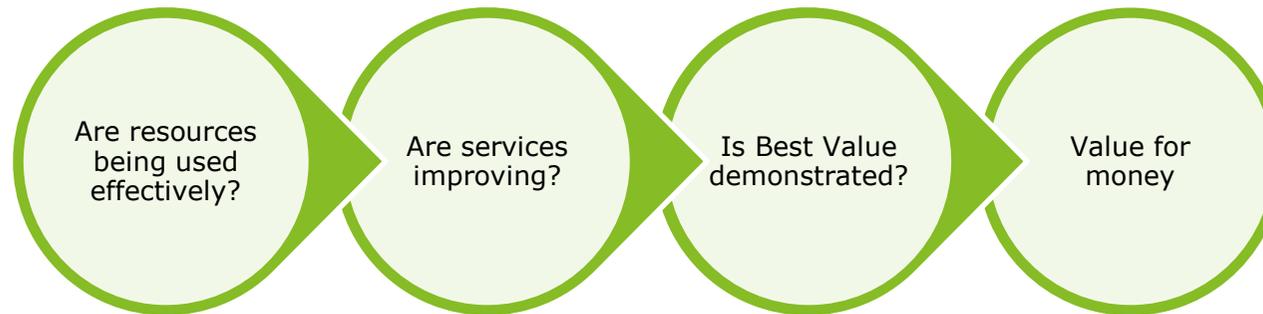
There are a number of key governing documents which have not been reviewed or refreshed by the Board since 2015. We therefore recommend that these are reviewed and refreshed on a periodic basis to ensure that they are still fit for purpose.

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:

- The IJB does not allocate resources effectively; and
- The IJB does not clearly report on its contribution towards the national outcomes.

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

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 North Ayrshire. This is supported by its performance management systems which analyse data, track progress and identify actions.

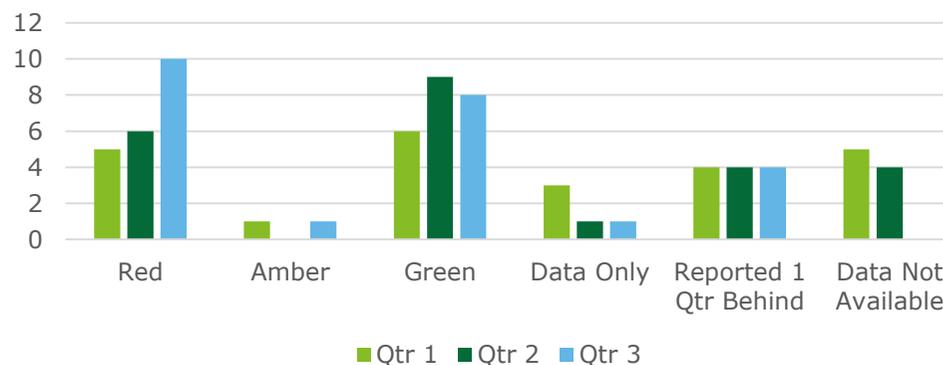
The 2019/20 budget recognises the need to link expenditure to anticipated outcomes but as outlined on page 12, there needs to be improved links between the budget and outcomes.

Regular performance information is provided to the Performance and Audit Committee, IJB members and operational managers. Benchmarking is used to compare performance with other organisations to support change and improvement. Our 2017/18 annual report recommended that performance information is made more publicly available to enhance openness and transparency. However, public reporting of performance information is limited to the Annual Performance Report. As such, this recommendation is yet to be implemented.

Performance data

From our analysis of performance indicators during the year, we note that between the period April 2018 to December 2018 overall performance has declined. There has been an increase in the number of 'red' indicators reported from 5 to 10. The Partnership Performance Reports 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. It is not possible to identify whether the decline in performance is linked to the financial constraints or increase in demand. This re-enforces our recommendation that there needs to be increased links between financial budgets and outcomes to allow the Board to monitor the impact of its decisions.

Performance Indicators - Overview



Deloitte view – Value for money

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

The IJB clearly report on its contribution towards the national outcomes through its quarterly and annual performance reports. The budget also recognises the need to link expenditure to outcomes, but there is still a need to improve the links between budget and outcomes.

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 North 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 6) 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 and the Scottish Government Health & Social Care Medium Term Financial Framework has not been reviewed or discussed at Board level. We note that this will be considered as part of the planned update to the IJB's 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 15).	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 Performance and Audit 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 Members 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 Members 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

6 June 2019

Action plan

Recommendations for improvement

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
<i>Performance and Audit Committee Papers and Minutes</i>	The IJB should consider publishing the papers and minutes of the Performance and Audit Committee online. (see page 15 for details)	The Terms of Reference for PAC includes a requirement to submit copies of minutes to the IJB for review. The partnership will publish quarterly performance reports online during 2019-20.	Chief Finance and Transformation Officer	September 2019	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 16 for details)	A schedule of key governance documents including review timescales and responsible officers will be submitted to PAC in June 2019. Thereafter progress with document reviews will be monitored through PAC.	Chief Finance and Transformation Officer	March 2020	Medium
<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 9 for details)	Updated MTFP will be presented to the IJB in August 2019 for approval.	Chief Finance and Transformation Officer	August 2019	Medium

Action plan (continued)

Recommendations for improvement (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
<i>Budgeting process</i>	<p>We recommended the following improvements to the budget setting process:</p> <ul style="list-style-type: none"> • There needs to be a link between the budgeted spend and the IJB's priorities as set out in the Strategic Commissioning Plan. • There needs to be improved links between the budget and outcomes: there is no information of the outcomes the IJB expects to be progressed (and to what extent) by the budget, which makes it difficult for the IJB to assess to what extent budgetary decisions are impacting on outcomes achieved. <p>(see page 12 for details)</p>	<p>The service change programme approved as part of the 2019/20 budget aligned the service change to the IJB priorities and impact on service delivery is taken into consideration. Consideration will be given to how this can be more explicit across the entirety of the IJB budget as part of the development of the MTFP. Recognition nationally (by the SG Health and Sport Committee) that there is difficulty in attributing budgets to the National Health and Wellbeing outcomes.</p>	Chief Finance and Transformation Officer	March 2020	Medium

Action plan (continued)

Follow-up 2017/18 action plan

We have followed up the recommendations made in our 2017/18 annual report in relation to the wider scope areas and are pleased to note that four of the total seven recommendations made have been fully implemented. The following recommendations have either not been implemented or are only partially implemented. We will continue to monitor these as part of our audit work.

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2018/19 Update
Medium Term Financial Plan	<p>The Medium Term Financial Plan (MTFP) should be refreshed to determine the current expected funding gap. As part of this plan, we would expect it to include:</p> <ul style="list-style-type: none"> Scenario planning to assess the funding gap when key assumptions are adjusted. Detailed savings plans are identified in order to reduce the projected funding gap. A fully integrated budget to allow effective resource planning. Integration of the set aside budget. 	<p>Budget outlook to be presented to the IJB to inform planning for 2019-20 to 2021-22. Medium Term Financial Plan for the same period will be presented to IJB to align the resources available with the service change required to deliver success within the available budget.</p> <p>The integration of set-aside will require to be taken forward separately pan-Ayrshire with the support of the Health Board.</p>	Chief Finance and Transformation Officer	March 2019	High	<p><i>Partially implemented:</i> The MTFP will be refreshed during 2019/20.</p> <p>Updated management response: The 2019/20 budget was approved by the IJB in March 2019 with the MTFP to follow. Unable to present estimate for more than one year at that time due to protracted negotiations over funding. MTFP to be refreshed over coming months and plan to take to IJB in August 2019. The MTFP has been delayed due to uncertainty around the level of funding being provided by NHS Ayrshire and Arran which has an impact of the scenario planning for the MTFP. The work in relation to set aside is being progressed on a pan-Ayrshire basis with SG support, this work is at the early stages with two planning meetings which have taken place focussing on Directions and data.</p> <p>Updated target date: August 2019 (follow up with savings approval March 2020)</p>

Action plan (continued)

Follow-up 2017/18 action plan (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2018/19 Update
Strategic / Transformational Planning	<p>There should be a clear link between the Board's Strategic Plan and the MTFP to demonstrate what transformational work is to be carried out to achieve long term financial sustainability. A corporate workforce plan needs to be integral to this strategy.</p> <p>A change management programme should then be put in place, with appropriate tools and templates to allow the IJB to demonstrate that the benefits are being achieved.</p>	<p>Service change will be aligned with the delivery of Strategic Plan outcomes as part of the development of the MTFP for 2019-22.</p> <p>An approach to workforce planning is emerging, building on the work that the Council and NHS are undertaking, acknowledge that an integrated workforce plan should be developed alongside, however this is likely to take longer to develop.</p> <p>A consistent approach to project and change management is in place and Transformation Board recently established to ensure governance and accountability.</p>	Chief Finance and Transformation Officer	March 2019 (integrated workforce plan TBC)	High	<p><i>Partially implemented:</i> The MTFP will be refreshed during 2019/20 and a Workforce Plan to be presented to the Board in May 2019.</p> <p>Updated management response: Service change proposals for 2019-20 were aligned to the SP priorities. The Workforce Plan is to be presented to the IJB in May 2019. The MTFP will be refreshed over the coming months, plan to present to IJB in August to commence formal planning for 2020-22 budget proposals. The Change Management Programme is monitored via the Transformation Board. The Change Team support has been reviewed. Meetings with the approved lead, change team planning managers, finance lead takes place in March 2019 to agree timescales, milestones and savings trajectories.</p> <p>Updated target date: August 2019</p>

Action plan (continued)

Follow-up 2017/18 action plan (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2018/19 Update
Openness and Transparency	Whilst decision making is transparent and subject to scrutiny and challenge, we recommend that the IJB consider how performance information could be made more publicly available on the IJB's website. This would improve levels of openness and transparency.	The Annual Performance Report is published each year. The Performance and Audit Committee receive quarterly reports on performance, however these are not publicly available as the Performance and Audit Committee papers are not published. The IJB are not currently able to publish these due to NHS information which is not currently in the public domain. Consideration will be given to elements of the performance and audit information which could be more openly shared and published to further support and approach to openness and transparency.	Chief Officer / Chief Finance and Transformation Officer	December 2018	Low	<p><i>Not implemented:</i> Performance information is yet to be made publicly available.</p> <p>Updated management response: The key points from PAC meetings will be highlighted at the IJB in due course and agreed measures that link across statutory reporting and other plans that the HSCP input to will be publicised as a matter of course e.g. Council Plan updates, LOIP, MSG objective setting, CLAS, CP and Justice statutory returns, APR, etc. Further specific updates stemming from the monitoring of the change programme works will be presented to the IJB as required. Statutory information is currently in the public domain as is the council plan, LOIP and MSG objectives to date. Again, any significant changes to these that the HSCP feed into will be highlighted to the IJB at future meetings. PAC ToR updated to reflect a requirement for the minutes of PAC meetings to be taken to the IJB for information.</p> <p>Updated target date: September 2019</p>



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