

**Shetland Islands Integration Joint Board**  
Interim Report to the Audit Committee  
on the audit for the year ended 31 March 2019

Issued 18 June 2019 for the meeting on 27 June 2019

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# Introduction

## The key messages in this report

I have pleasure in presenting our report to the Audit Committee (the Committee) of Shetland Islands 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.

### 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 the Chief Officer, Chief Financial Officer, a number of Board members and senior members of the IJB's partner organisations in NHS Shetland (the NHS) and Shetland Islands Council (the Council). We also observed an 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 is not in a financially sustainable position. While the IJB's Medium-Term Financial Plan ('MTFP') refers to the need for £7.7m (14%) of recurring savings to be achieved by 2023/24, it has not taken sufficient action to address this and has not identified the savings required to close the funding gap. The IJB needs to work with its partners to prioritise and progress transformational change, considering alternative methods of service delivery or taking difficult decisions such as changes to the level of service provided in order to reach a financially sustainable position in the medium to longer term.

**Financial management** – The IJB has effective financial management processes in place. However, there is room for improvement in the budget setting process, the reporting of progress against budget and changes to the budget in year. To improve financial management at the IJB, the Board should delegate authority to a committee to review and report to the Board on financial performance. The IJB also needs to consider the capacity of the leadership team given the dual role being completed by the Chief Financial Officer, and changes in the Chief Officer role.

**Governance and transparency** – The IJB promotes a culture of openness and transparency, although there is room for improvement and the IJB needs to adopt an approach of always 'striving for more'. While attendance at meetings is good, there is a downward trend and the level of turnover at meetings limits the effectiveness of scrutiny. Scrutiny could be improved through the development of tailored training plans for the Board.

The IJB needs to significantly improve its approach to self assessment. It should develop a self assessment programme to ensure that the Council has adequate self assessment arrangements in place.

**Value for money** – While the IJB's performance continues to fare well against the national average, this comes at substantial cost. The IJB has noted that achieving Best Value is an area in which it needs to improve. Given the current financial position, the IJB needs to consider the targets it sets and outline what it considers acceptable performance in lower-priority areas, ensuring such decisions are made through engagement with the wider community. When preparing its budget, the IJB should make clear links to outcomes and outline how spend is improving outcomes or how spend will be reduced in areas that are not.

The IJB should develop a clear and concise annual Improvement Plan. This Improvement Plan should be informed by service self-assessments, stakeholder surveys and national reports.

The IJB has been performing consistently against its targets. However, performance has declined from 2017/18 in 51% of cases (improving in 34%; remaining consistent in 15%). From the IJB's performance monitoring reports, it is difficult for the Board to fully assess performance, given that performance information provided is lengthy, highly numerical and difficult to follow, with the accompanying report lacking detail. There needs to be a link made between cost and performance, and the IJB should consider the targets it sets on an ongoing basis to ensure they remain realistic, demonstrate a commitment to improvement and are aligned with the Scottish Government's National Performance Framework.

Our detailed findings and conclusions are included on pages 5 to 26 of this report.

### Next steps

An agreed Action Plan is included at pages 29 – 34 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.

This is provided throughout the report and our separate Sector Developments report. In particular, we have added value through our work with the IJB by sharing best practice on medium-term financial planning. We also believe that our input has encouraged a constructive discussion of the IJB's governance arrangements, its approach to openness and transparency, how it works to improve outcomes for the community and how it can use self-assessment to improve performance.

# 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-term financial position

### Short-term financial balance

The IJB has achieved financial balance in 2018/19 and is forecasting to do so in 2019/20. However, financial balance was only achieved in 2018/19 following the receipt of additional funding of £1.2m from the Scottish Government, through NHS Shetland (in relation to primary care). The remaining funding gap was addressed through deficit funding of £3.6m provided by NHS Shetland directly. In 2019/20, the IJB has identified savings to address the majority, but not all, of the funding gap.

In 2017/18, the IJB identified an 'efficiency target' of £2.53m, achieving £0.92m of these (37%). In 2018/19, the IJB identified an 'efficiency target' of £2.28m, achieving £0.23m of these (10%). In 2019/20, the IJB agreed a high-level savings targets of £2.53m. Savings have been identified to address £1.98m (78%) of this target. This is a substantial improvement on 2017/18 and 2018/19. However, detailed plans were not prepared until May 2019 and savings for the remaining £0.55m have yet to be identified. Given historical performance, the IJB will need to carefully and closely monitor performance against savings plans in the year to ensure that these are achieved or that appropriate alternative actions are taken to address the funding gap, as discussed further below and on the following pages.

It is essential that the IJB operates within the delegated budget and commissions services from the Council and NHS Shetland on this basis, particularly given the risk of overspends against budget (as has occurred in 2017/18 and 2018/19). Where the IJB identifies that budgeted services will require more resources than available, it needs to identify savings, agree additional funding from the NHS and Council, or change service delivery: it is poor practice and not in line with the Integration Scheme to budget using non-existent resources where savings are not identified.

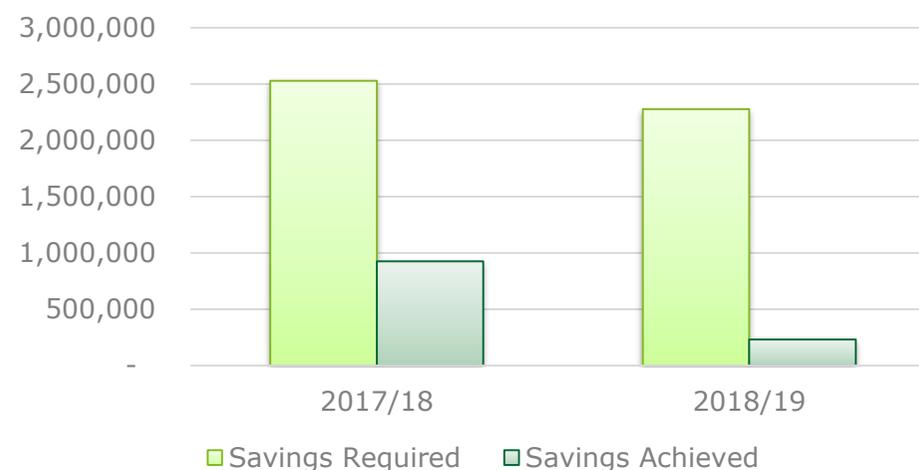
Budgeted Expenditure £m	Funding Gap £m	Identified Savings £m	Unidentified Savings £m
48.18	2.53	1.98	0.55

### Reserves

The IJB has a clear Reserves Policy in place, which sets out the legislative basis for holding reserves and how reserves should be used. However, it does not set a minimum level of reserves to be held. The Reserves Policy was approved in 2017. While there has been no review since then, there has been no significant change in operations that would necessitate such a review.

The need for the IJB to maintain reserves to address short-term funding gaps is minimised as the Integration Scheme places responsibility on the Council and NHS to agree a recovery plan with the IJB and identify other options to address overspends where this plan is unsuccessful. However, we do note that the IJB has £0.31m of unearmarked reserves to carry forward to 2019/20, which provides a degree of a buffer for funding gaps and which can be allocated by the IJB to drive forward redesign, transformation and programmes of demand management.

IJB performance against savings target



# Financial sustainability (continued)

## Medium to long-term financial sustainability

### Medium-term financial sustainability

We welcome the development of an IJB-specific Medium-Term Financial Plan ('MTFP') in 2018/19. While the IJB's MTFP refers to the need for £7.7m (14%) of recurring savings to be achieved by 2023/24, the suggestion in the plan that "spending would need to increase by 17% by 2023/24" is unhelpful - the IJB cannot simply keep increasing spend, it must make savings and if it cannot identify savings through service redesign it will be required to make difficult decisions on service provision in order to reach a financially sustainable position.

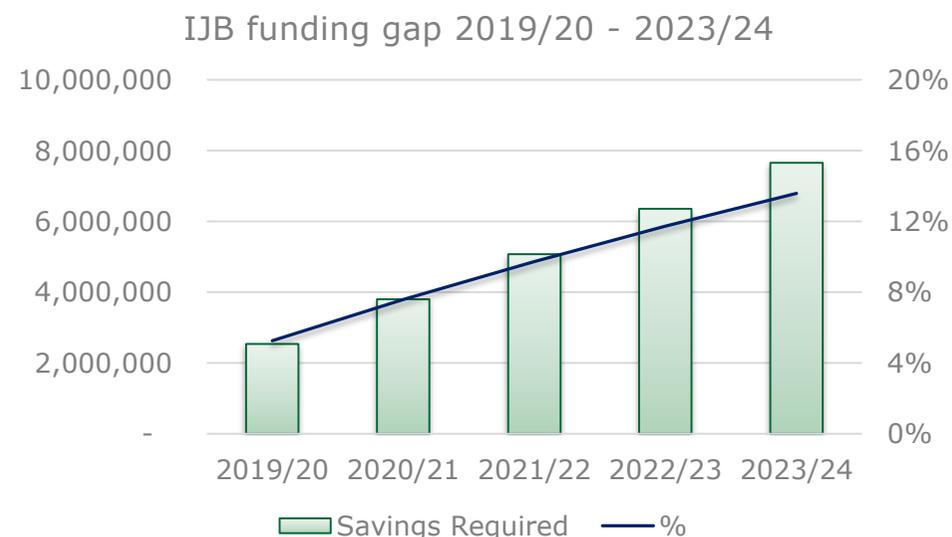
While a useful starting point, the robustness of the MTFP needs to be substantially improved, with specific consideration given to the following:

1. The MTFP presents a single figure for the funding gap. It needs to include scenario analysis and risk assessments of assumptions (particularly in relation to potential service redesign and funding from the IJB's partner organisations). The IJB should adopt the mid-point of the 'worst case' and 'best case' scenarios for quantifying its funding gap.
2. The MTFP currently quantifies the problem facing the IJB, but does not plan how this problem will be addressed. In the immediate future, the IJB needs to outline the options available to it to address the funding gap: this can include preferred methods of achieving savings (such as redesign), but it must also include actions which the IJB would take if these methods were not achieved (such as reductions in service provision).
3. The MTFP does not outline how the IJB intends to use its resources to deliver the Strategic Commissioning Plan (page 7). The MTFP needs to include clear links to the Strategic Commissioning Plan to enable the IJB and wider stakeholders to understand how the IJB plans to allocate its resources over the medium term to achieve the objectives set out in the Strategic Commissioning Plan, and to understand the 'funding gap' against each area of the plan.
4. In accordance with the Integration Scheme, the IJB should be revising its Strategic Commissioning Plan in light of budget allocations and be setting a clear direction for both the NHS and Council.

In 2017/18 and 2018/19, the IJB achieved savings of 2% and 0.5% of its total expenditure (with the funding gap being 5%). Without any plans in place and with this historical record over the prior two years, it is difficult to see how the IJB can realistically expect to be able to close a funding gap which is forecast to be 14% in five years.

While we are aware of the ongoing work in service redesign and business transformation at the Council and NHS, there is no evidence that these have identified all the savings required to meet the target in the MTFP, nor that the IJB has prepared for the eventuality that it may have to alter service delivery if it fails to achieve the necessary savings.

Given recent performance against savings targets, the IJB's short-term financial balance being achieved only through additional funding from NHS Shetland (£3.6m), the significant medium-term funding gap and the lack of detailed savings plans to address it, it is clear that at present, the IJB is not financially sustainable.



# Financial sustainability (continued)

## Medium to long-term financial sustainability (continued)

### Medium-term financial planning

The IJB developed its MTFP in March 2019, covering the period to 2023/24. Within this plan, the Scottish Government's Medium-Term Financial Strategy ('MTFS') is considered a 'key factor'. The assumptions used in the plan - in terms of funding uplifts and cost increases - are consistent with the Scottish Government MTFS and Health and Social Care Medium-Term Financial Framework ('MTFF'). However, the IJB's MTFP does not make reference to the key principles of public service reform - prevention, performance, partnership and people - and how these key principles contained within the MTFS are reflected in the IJB's financial planning, and how the IJB intends to align its resources to these key principles or monitor progress against them.

In order to develop a culture where long-term financial sustainability is at the forefront of decision makers' minds, the IJB should include the impact that decisions will have on the IJB's position against the in-year budget and the funding gap identified in the MTFP in the 'Finance implications' section of reports. This will make the anticipated longer-term financial impact of decisions clear to everyone who is making the decision, rather than simply understanding the impact in the short term. The implications of decisions on long-term outcomes and needs of the community should also be enhanced, to move away from service decisions being based on the availability of short-term funding rather than long-term need.

### Strategic Commissioning Plan

The IJB underwent a scenario planning exercise in 2018/19 to develop an updated Strategic Commissioning Plan covering the period 2019-22. While the scenario planning exercise was a welcome and innovative approach, substantial improvements are required to the resulting plan, including:

- Quantifying demand pressures and the resulting costs in a 'no change' environment, linked clearly to the MTFP.
- Identification of the level of transformation required, linked to NHS Shetland's and Shetland Islands Council's transformation programmes.
- Specific, detailed action plans need to be developed and linked to the plan to ensure it is achievable.

The IJB needs to review the transformation programmes of its partner organisations (page 9), building the anticipated financial impact of these projects into the budget, the MTFP and Strategic Commissioning Plan. At present, it is difficult to understand what impact transformation has had or is expected to have. This also makes it difficult to monitor the effectiveness of transformation projects as a tool for ensuring financial sustainability.

# Financial sustainability (continued)

## Medium to long-term financial sustainability (continued)

### Transformation work

The IJB does not have a standalone transformation programme, with transformation being through NHS Shetland and Shetland Islands Council, both of whom have their own Business Transformation Programmes. The IJB needs to assess these programmes and consider whether they meet the IJB's needs: if not, the IJB should consider developing its own programme. The IJB should receive reporting on progress against the programmes in areas which are relevant to the IJB. Currently, it is not clear how the transformation programmes of the NHS and Council will deliver the savings the IJB requires and how the IJB will monitor this.

### Workforce Strategy and plan

The IJB does not have permanent employees, other than the Chief Officer. However, workforce is pivotal to the IJB's objectives and is considered through the Joint Organisational and Workforce Development Protocol between the IJB, NHS and Council.

The IJB needs to work with the NHS and the Council to ensure that the IJB's needs are met through its partners' workforce plans. As the NHS and Council are both developing their workforce plans in the current year, the IJB should receive reporting on how the IJB has been involved in the development of the plan, what the IJB identified as its needs and how these have been built into the plan. Any IJB-specific gaps should be highlighted, with the consequent plans to address those gaps provided to the Board (e.g. changes in service delivery models, additional training, use of technology.)

### Deloitte view – Financial sustainability

As discussed on page 6, the IJB is projecting an overspend against budget in 2018/19, with only 10% of the budgeted savings being achieved. Despite this, the IJB expects to achieve a surplus position due to additional funding of £3.6m from NHS Shetland. The IJB's MTFP identifies the need for recurring savings of £2.5m (5%) in 2019/20 to £7.7m (14%) by 2023/24. The IJB needs to identify savings, agree additional funding from the NHS and Council, or agree changes to service delivery which will enable it to reach a financially sustainable position over the medium term.

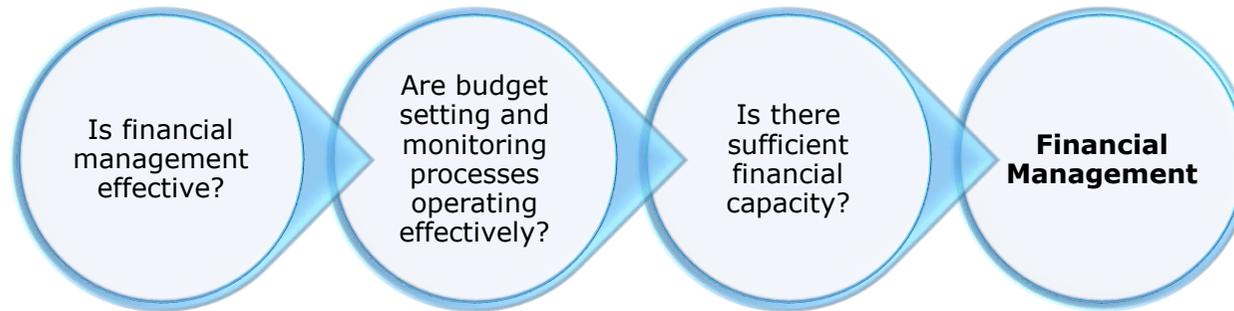
The assumptions in the IJB's MTFP are consistent with the Scottish Government's MTFS and MTFF. However, there is room for improvement in outlining how the anticipated spend over the medium term aligns with the key themes on public service reform (prevention, performance, partnership, people), the Strategic Commissioning Plan and demonstrates a focus on improving outcomes.

The IJB's Strategic Commissioning Plan needs to be improved, quantifying demand pressures and the resulting costs in a 'no change' environment, linked clearly to the MTFP and identifying the level of transformation required, linked to NHS Shetland's and Shetland Islands Council's transformation programmes. In 2019/20, the IJB needs to prioritise the process of preparing specific, detailed action plans linked to the plan to ensure it is achievable.

# 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:

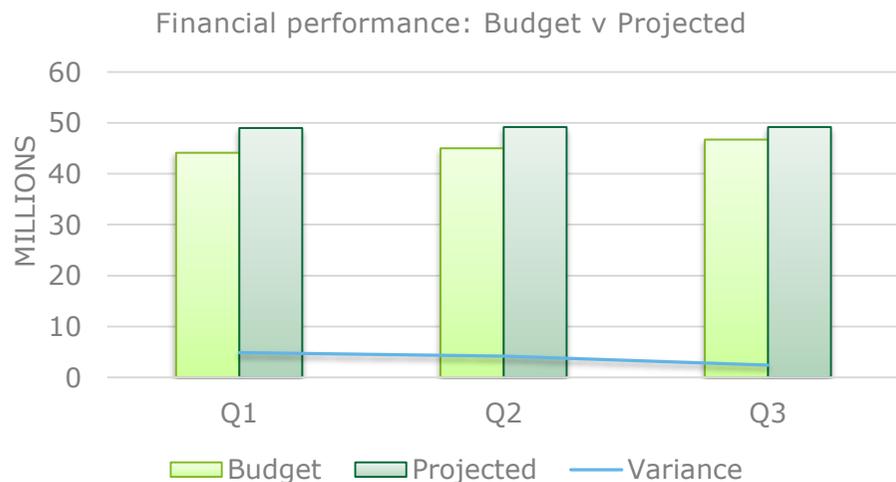
- The budget setting arrangements of the IJB are insufficient to commission services within the funding available and monitor performance; and
- The underlying financial performance of the IJB is not transparently reported.

# Financial management (continued)

## Financial performance

### 2018/19 projected outturn

The IJB is expected to end the year with an overspend compared to budget. Despite this, it will achieve a surplus in the year, due to additional funding of £3.6m being received from NHS Shetland. This has been reported to members throughout the year as illustrated below:



The original 2018/19 budget was noted rather than approved by the IJB, as it was not possible to prepare a balanced budget. The IJB budgeted for expenditure of £44.122m in the year. This has been repeatedly revised in the year, to £44.139m in Q1, £44.972m in Q2 and £46.718m in Q3. The 'reduction' in the overspend to Q3 is due to additional funding from the Scottish Government, specifically for primary care.

It is difficult for the Board to 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.



Overspends in the year were driven by a failure to achieve the savings needed in the recovery plan, additional locum costs for psychiatric cover, primary care and unscheduled care. Given the long-term and recurrent nature of these costs (i.e. the psychiatric locum cover has been provided on an ongoing basis for almost two years, and the IJB has historically failed to achieve the recovery plan), it is questionable how appropriate it is to not build these foreseeable issues into the budget.

# Financial management (continued)

## Systems of internal financial control

### Financial reporting

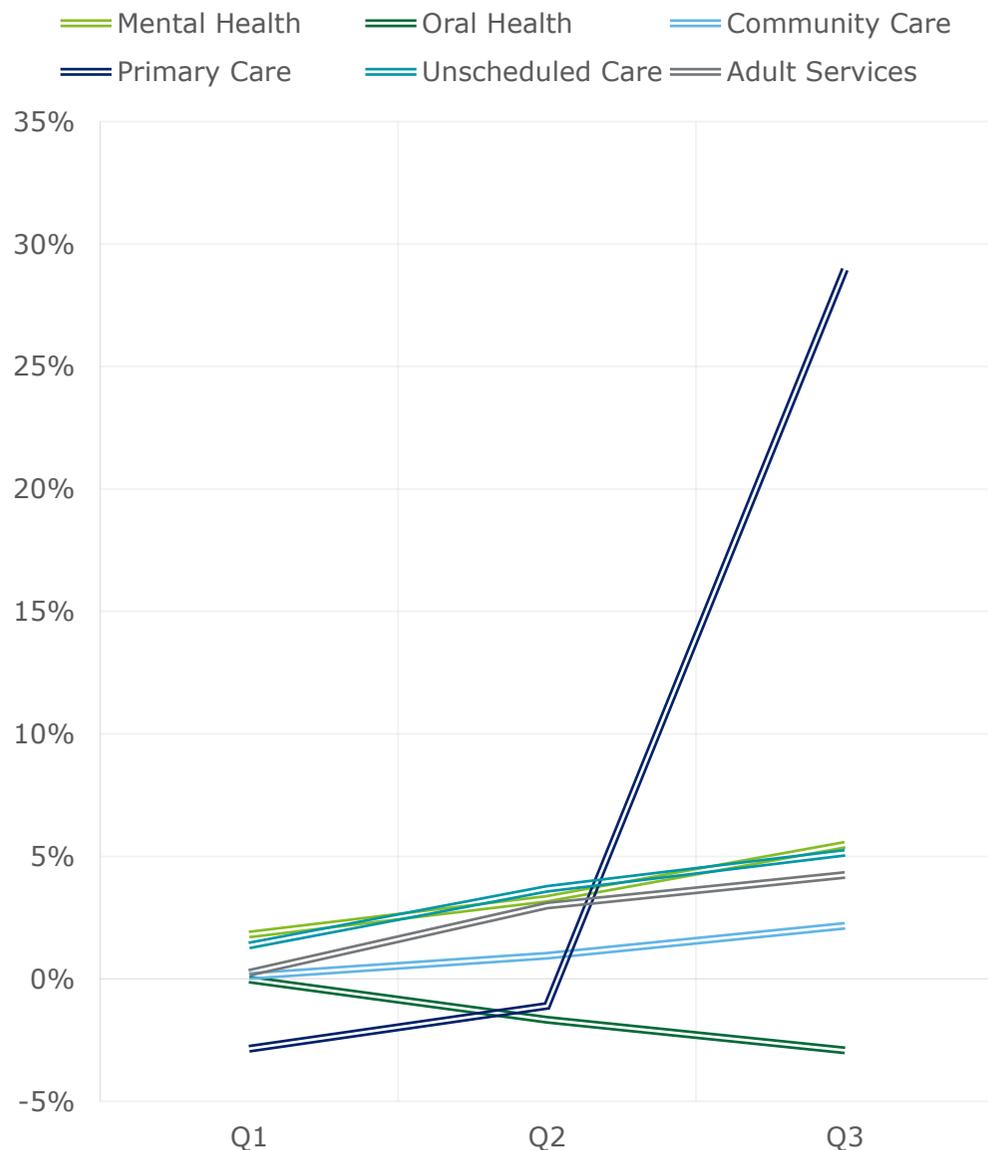
Amendments to the budget are made throughout the year, to take account of changing circumstances and events which were not foreseen when the budget was agreed.

Revisions to the budget are included in the Financial Monitoring Reports (FMR) which are presented to the Board each quarter. While this provides information on the numerical amendments which were made, they do not provide any detail on why these revisions were required and why they weren't identified in the original budget. The revisions are substantial - £6.4m of amendments or reallocations have been made to Q3, with the overall budgeted spend increasing by £2.6m (6%). We are aware that the main driver of changes to the budget in the year was additional funding received from NHS Shetland. High-level narrative on the reasons for major reallocations within service budgets and amendments to the overall budget should be included in the FMR.

We have concerns about the accuracy of budgeting (page 13) and forecasting given the amount of amendments in the year, in addition to the high level of forecast overspends from Q1 to Q3. In 2017/18, the Q1 FMR forecast an overspend of 6.5% (increasing to 7.5% by Q3); in 2018/19, the Q1 FMR forecast an overspend of 11% (reducing to 5.2% by Q3 due to additional funding received). The overspends are due to the budget being 'made' to balance with savings - both identified and unidentified - which is inappropriate: savings should be attached to the individual service budgets (by reducing their budgeted allocation) and separately identified in the budget report to enable monitoring throughout the year. Savings should not be treated as essentially a 'balancing figure' in the budget.

We note that there is no committee within the IJB responsible for monitoring financial performance, and a significant amount of Board meeting time is spent analysing the detail of IJB finances rather than focusing on strategic thinking and priority areas. The IJB should delegate authority to a committee to review and report to the Board on financial performance to better spread workload, free up time in Board meetings, improve the scrutiny of financial performance and enhance the importance attached the committees by the IJB.

BUDGET AMENDMENTS BY SERVICE



# Financial management (continued)

## Systems of internal financial control (continued)

### Budget setting

Financial planning is not integrated, long-term or outcome focused. This severely limits the ability of the IJB to change the way the system operates. A way to move from this is to follow up on recommendations we made to treat the budget allocation as 'IJB money' rather than 'Council' and 'NHS' money.

We are pleased to note that the IJB has approved its budget for 2019/20 (as opposed to simply noting it, as in 2018/19). In 2018/19, the IJB was in breach of the Integration Scheme by failing to develop a recovery plan to address the budgeted funding gap. We welcome progress in this area - the IJB has identified £1.979m of the £2.533m savings required in 2019/20, with the budget specifically highlighting the remaining funding gap as being achievable through other non-recurring actions. A number of improvements, however, are required to the budget setting process:

1. There needs to be a link between the budgeted spend and the IJB's priorities as set out in the Strategic Commissioning Plan.
2. 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.
3. Although seminars are held to discuss the budget, it was noted in our discussions with IJB Members that the level of engagement needs to be improved. IJB Members need to be able to contribute to discussions on budget setting and should feel able to challenge the budgeted funding allocations. Funding allocations should be based on need, and it is inappropriate for funding allocated to be below the cost of services commissioned as disclosed in the 2019/20 budget.
4. There is a requirement in the Integration Scheme for the budget to be linked to locality plans. The IJB is not complying with this requirement as no locality plans exist. This means that the IJB is also in breach of the Community Empowerment Act.

In line with good practice, the IJB should maintain a central record of all queries received from the IJB on the budget and answers provided, with this being publicly available, thereby ensuring that all Members are equally informed on the budget and that the public can be assured that appropriate scrutiny is applied to the budget.

### Financial capacity

From our audit work over the past number of years, we are satisfied that there are suitably qualified and experienced officers leading the finance function within the IJB. We note that there have been no changes in the finance function in the year. The quality of reporting is appropriate.

However, the IJB needs to consider the capacity of the finance function given the dual role being completed by the Chief Financial Officer, who works as Head of Finance & Procurement at NHS Shetland. While we are aware that capacity is an ongoing consideration, we note the dual role of this position has not been specifically considered. This should be specifically considered given the findings of the recent Audit Scotland report on Health & Social Care Integration (which highlighted capacity concerns due to a lack of dedicated Chief Financial Officers and insufficient support being provided to them) and Ministerial Review on integration (which noted that the role of the Chief Financial Officer is both operational and strategic, which is a wider role than initially planned for.) Nationally, increasing numbers of IJBs are appointing their own dedicated Chief Financial Officer or full-time support at a more junior grade.

The IJB needs to consider the case for a dedicated Chief Financial Officer in Shetland. If a case exists, the NHS and Council should work with the IJB and provide it with the resources needed to develop that capacity. The IJB will need to carefully manage any change and transition and maintain continuity of knowledge given recent changes in the Chief Officer role (page 16).

The IJB also needs to consider if its leadership is appropriately resourced and supported by enough personnel and other services (e.g. HR, legal, accountancy) to deliver the strategic change necessary. While staff may be 'assigned' to the IJB to provide these services, this is on top of their current roles and the IJB needs to critically evaluate whether this is appropriate and actually working in practice - if it is not, the IJB needs to be clear what is missing that would enable improved outcomes and work with the Council and NHS for these to be provided.

# Financial management (continued)

## Systems of internal financial control (continued)

### Internal audit

Shetland Islands Council's Chief Internal Auditor provides the Internal Audit function for Shetland IJB. Internal Audit concluded that the main area of concern remains centred on the carried forward funding gap and the ongoing savings and efficiency targets.

The Internal Audit function has independent responsibility for examining, evaluating and reporting on the adequacy of internal controls. During the year, we have liaised with internal audit and reviewed all internal audit reports. These have helped inform our audit work, although no specific reliance has been placed on the work of internal audit.

On the basis of the audit work undertaken during the year, the Chief Internal Auditor is able to conclude that a reasonable level of assurance can be given that the system of internal control is operating effectively within the IJB.

In 2018/19, the Chief Internal Auditor of Shetland Islands Council retired. An opportunity was taken to outsource the internal audit service, with the strategic direction for the internal audit now being set by 'Audit Glasgow', the internal audit function within Glasgow City Council, who provide internal audit services to a number of other bodies. The Council is retaining several internal audit staff, thereby ensuring continuity of knowledge. The transition has been well managed and offers an opportunity for the IJB to make use of a wider base of expertise.

### 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 well designed and appropriately implemented.

### Deloitte view – financial management

Although we welcome improvements made in the budget setting process in 2018/19, further improvements are needed. In future, the budget should quantify the impact of the current year decisions on the funding gaps identified throughout the period covered by the MTFP, rather than just focusing on the impact in the coming year. The IJB also needs to better align its budget with its Strategic Commissioning Plan, making clear how the budget progresses the IJB's priorities.

Throughout the year, the IJB was forecasting an overspend against budget. Despite this, the IJB has achieved a surplus position due to additional funding from the Scottish Government and NHS Shetland. Going forward, FMRs 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. This will enable the IJB to challenge where overspends are anticipated more effectively. To further improve scrutiny, narrative in the FMRs needs to be significantly improved to provide explanations for why variances have occurred, not just what they consist of.

Revisions to the budget are referred to in the FMRs, however, these do not provide any detail on why these revisions were required and why they weren't identified in the original budget. The revisions are substantial but insufficient information is provided to enable appropriate challenge of the reasons for this.

A significant amount of Board meeting time is spent analysing the detail of IJB finances rather than focusing on strategic thinking and priority areas. The IJB should delegate authority to a committee to review and report to the Board on financial performance.

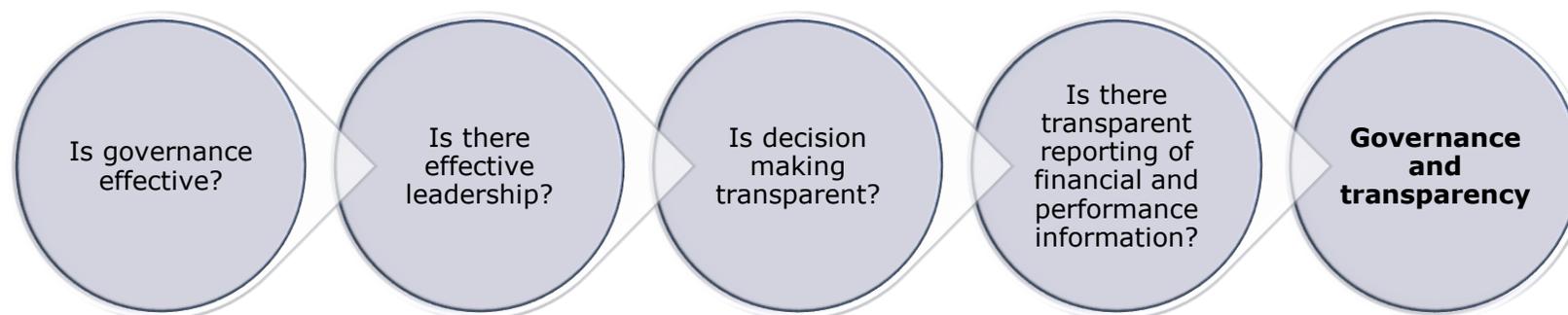
The IJB needs to consider the capacity of the leadership team given the dual role being completed by the Chief Financial Officer, and changes in the Chief Officer role. The IJB should consider the case for a dedicated Chief Financial Officer in Shetland. The IJB also needs to consider if its leadership is appropriately resourced. If it is not, the IJB needs to be clear what is missing that would enable improved outcomes and work with the Council and NHS for these to be provided.

The IJB has changed internal auditors in the year, given the retirement of its Chief Internal Auditor. The internal audit function is now provided by 'Audit Glasgow', the internal audit service in Glasgow City Council. The transition has been well managed and offers an opportunity for the IJB to make use of a wider base of expertise.

# 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:

- Scrutiny is rendered less timely and appropriate given the time between the events occurring and being reported to the IJB; and
- The IJB's approach to openness and transparency is not keeping pace with public expectations and good practice.

# Governance and transparency (continued)

## Leadership, vision and governance arrangements

### Leadership and vision

The IJB and its partners have a clear vision for what they want to achieve for the people of Shetland, as set out in the Shetland Partnership Plan, to which the IJB has clearly linked its Strategic Commissioning Plan. Members and staff within the partner organisations support the vision.

The IJB has strong executive leadership, driven by the Chief Officer. The Chief Officer and leadership teams within the Council and NHS need to continue to drive progress together, ensuring that there is sufficient buy-in across the team, rather than being so heavily reliant on the Chief Officer.

There have been a number of changes in leadership at the IJB in the year. In April 2019, the Chief Officer took up the Interim Chief Executive post at NHS Shetland, with a replacement Interim Chief Officer announced in May 2019. The Chair of the IJB's term ended at the end of March 2019, with a new Chair appointed from April. The IJB needs to ensure that it has appropriate transitional arrangements and handovers in place to enable functions which need to be carried out to be carried out regardless of changes in the leadership.

While changes in leadership provide opportunities for changes in direction, the IJB must be particularly aware of the potential impact on its partner organisations - the NHS and Council - as a result of the vacancy in the Chief Officer role created by the appointment of the IJB's previous Chief Officer to the Interim CEO role at the NHS.

### Development

The IJB does not have a training plan at an individual officer, Member, committee, or Board level. From discussion with Members, we have confirmed that no skills gap analysis has been carried out and appraisals are not conducted for Members to enable an informed training plan to be developed. The effectiveness of training that is provided is not regularly assessed.

The Shetland Partnership Plan's **vision** is:

"Shetland is a place where everyone is able to thrive; live well in strong, resilient communities; and where people and communities are able to help plan and deliver solutions to future challenges."

The Shetland Partnership Plan has agreed four **strategic priorities** to help make this happen:

**Participation**

**People**

**Place**

**Money**

The IJB needs to fundamentally overhaul its approach to training and adopt a formal, ongoing approach to development. The IJB needs to carry out a skills gap analysis as part of the annual self assessment of committees and the IJB, work in conjunction with Members to develop training plans for them (specific to committees/Members' needs), assess the effectiveness of all training provided and track and report attendance at training by Members. The IJB should specifically consider a joint development programme with the NHS and Council to improve understanding and integration.

# Governance and transparency (continued)

## Leadership, vision and governance arrangements (continued)

### Effectiveness of governance

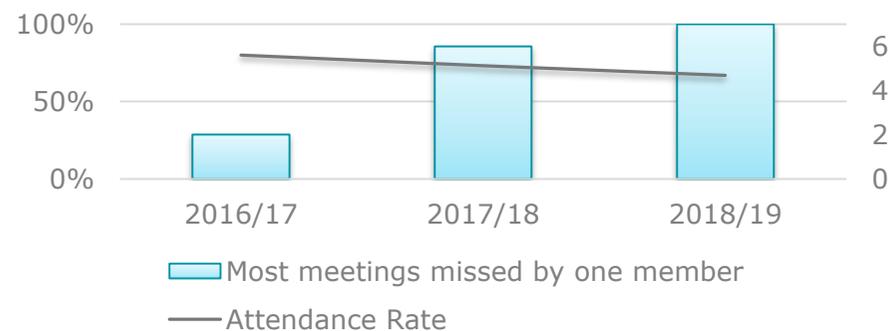
The IJB does not have a structured approach to regular self-assessment. In 2018/19, no self-assessments were conducted. The IJB needs to have annual self-assessments of governance arrangements, committee and Board performance, which can help inform and guide the more structured triennial reviews of the governance framework. The IJB should agree a structured self-assessment and review programme, thereby ensuring the IJB has adequate self-assessment arrangements in place.

From review of the attendance sheet for IJB meetings, we are concerned at the declining level of attendance: dropping from 80% in 2016/17 (when the IJB was newly established) to 67% in 2018/19. While attendance is still acceptable, the direction of travel is worrying. There are issues also with the continuity of knowledge given the high level of turnover in IJB members: 18 people attended IJB meetings in 2016/17, there were 16 changes to these in 2017/18 and a further 11 changes to these in 2018/19. Only 29% of IJB members have attended meetings in every year of the IJB's existence. This makes it difficult for the IJB to maintain focus and momentum as there is regular turnover (or use of substitutes).

Attendance sheets are not maintained for the IJB Audit Committee. However, of the 4 meetings held in 2018/19, we note from attendance at these meetings that one meeting was quorate only by virtue of the substitute attendance of the Chair of the IJB (which is against good practice), and another had to be cancelled due to the meeting being inquorate. Having an Audit Committee where the meeting is quorate with Committee members only 50% of the time is obviously not acceptable and indicates wider issues with perceptions of the Audit Committee and its importance. The Chair of the IJB, in partnership with the Council and NHS, needs to ensure that appropriate time is provided for IJB meetings and Members are held to account for non-attendance at meetings or for failing to carry out their responsibilities.

We have reviewed the IJB's 'action tracker' of decisions. We noted that this was not provided to the IJB in Q3, which makes it difficult for the Board and the public to understand how decisions taken are implemented and to monitor their implementation. An action tracker should be developed for each committee and should be provided at every meeting. The action tracker needs to include target dates, have clear and concise updates provided, and have sufficient information to justify the Red/Amber/Green/Completed status which is chosen.

Attendance: 2016/17 - 2018/19



IJB attendees: Length on IJB 2016/17 - 2018/19



Changes in IJB attendees: 2016/17 - 2018/19



# 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.



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 and concluded that the IJB has a generally positive attitude towards openness and transparency. However, we note that the IJB has not carried out a review of how open and transparent it is and no such review is included in the IJB's business programme for 2019/20. The IJB has not sought the views of the wider community on its approach to openness and transparency. The IJB should carry out regular stakeholder surveys and seek views on how open and transparent it is through these.

**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.



# Governance and transparency (continued)

## Openness and transparency (continued)

### Quality of information

The IJB provides extensive and timely information to Members to enable them to take decisions. However, the IJB should review whether the style of report is appropriate (it is important that Members are involved in any such review.) There is a high quantity of lengthy reports, with the covering reports often failing to identify the key matters actually being considered and the implications of decisions not being properly analysed and considered.

As part of the review of reports, the IJB should also consider how it minutes meetings: the IJB should ensure that minutes are clear and have sufficient detail. We note that the Council has recently announced its intention to move towards webcasting of Council meetings and this should be considered for the IJB also. This, coupled with effective minute taking, should demonstrate how scrutiny has been effective and how decisions have been made.

In addition to making information available on its website and hosting public Board and committee meetings, the IJB needs to take steps to actively communicate with the community on an ongoing basis about key decisions it has taken and the impacts that they have had. Improvements could be made through the use of webcasting meetings or hosting meetings in alternative locations on occasion.

### Publishing information

The IJB makes a large volume of information publicly available. The IJB needs to ensure that the information which is publicly available is accessible to the reader. For example, while the IJB has published its governance arrangements, it would not be clear to the average member of the public how the IJB makes decisions as the documents published are detailed, technical operational documents and not summarised or explained for non-IJB users.

The IJB should consider developing its own website, rather than having information published on Shetland Islands Council's website. While a link to the IJB-specific page is clearly signposted on the Council's homepage, information on the IJB is not always clearly differentiated from Council responsibilities and decisions, which hinders the ability of the IJB to forge its own identity and to be seen as an entity in its own right. Across Scotland, a number of IJBs have their own websites and the level of information disclosed is greater than that disclosed by the IJB in Shetland, and clearly demonstrates to stakeholders and the wider public what the IJB is responsible for and how it is driving improvement across the health and social care system.

### Commitment to improvement

The IJB is required by law to carry out a formal review of its Integration Scheme by the fifth anniversary of its adoption, identifying and assessing potential changes which could improve integration.

Through this review, the IJB needs to ensure that there is agreement of responsibility and accountability arrangements. The NHS, IJB and Council need to work together to clearly set out roles and responsibilities of each of the parties - in greater detail than currently set out in the Integration Scheme - ensuring consistency across the partner organisations and ensuring that delegation of responsibilities is carried out effectively. We are aware of work being piloted nationally, through NHS Ayrshire and Arran, to develop an exemplar set of Directions to make commissioning more transparent. The IJB should ensure it is an early adopter of these when developed.

Fundamentally, the IJB needs to make it work locally, addressing any perceived lack of clarity and setting out how local arrangements will work. The IJB needs to establish, communicate and enforce a clear governance structure, outlining who is responsible for service performance and quality of care.

The IJB should be considering how it can become increasingly open and transparent on an ongoing basis, identifying improvements that will help stakeholders and the public to understand how decisions are made and how they can engage with the IJB. The IJB should carry out annual self-assessments of its performance as a body and the effectiveness of its governance through committee evaluations. The IJB should ensure that any such assessment specifically considers improvements which can be made to openness and transparency. The results of these reviews should be made publicly available through the publication of an Annual Self-Evaluation Report.

# Governance and transparency (continued)

## Deloitte view

### **Deloitte view – Governance and transparency**

In general, the IJB has a good attitude to openness and transparency. However, it has not taken specific actions in the year to improve its approach to openness and transparency in line with good practice. The IJB should review its approach to openness and transparency in 2019/20, developing an action plan in conjunction with the Board and wider stakeholders, monitoring improvements in openness and transparency on an ongoing basis thereafter. The IJB should specifically consider developing its own website, enabling it to create a distinct identity and improve the level and accessibility of information disclosed.

The lack of review of the IJB's approach to openness and transparency evidences the IJB's weaknesses in self assessment. In the year, no self-assessments were carried out. The IJB should have annual self-assessments of governance arrangements, committee and Board performance. The IJB should develop a self assessment programme to ensure that the IJB has adequate self assessment arrangements in place.

The IJB is required by law to carry out a formal review of its Integration Scheme in 2019/20. Through this review, the IJB needs to ensure that there is agreement of responsibility and accountability arrangements, clearly setting out roles and responsibilities of each of the parties. The IJB should ensure it is an early adopter of the exemplar Directions being developed at a national level.

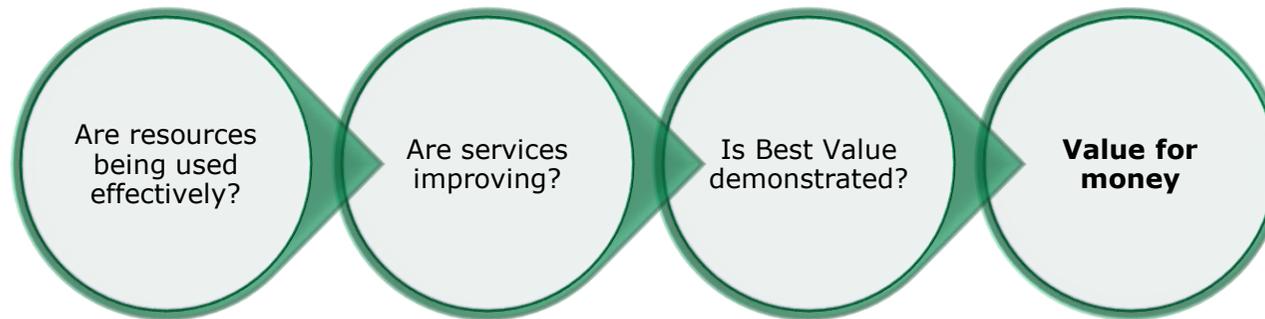
While attendance at IJB meetings is acceptable, the downward trend in attendance is worrying and the effectiveness of scrutiny is at risk of being weakened by the high level of turnover of those attending. The effectiveness of training that is provided is not regularly assessed. The IJB needs to adopt a formal, ongoing approach to development. The IJB needs to carry out a skills gap analysis as part of the annual self assessment of committees and the Board, work in conjunction with Members to develop training plans for them (specific to committees/Members' needs), assess the effectiveness of all training provided and track and report attendance at training by the Board.

The IJB provides extensive and timely information to Members to enable them to take decisions. However, the IJB should review whether the style of report is appropriate. There is a high quantity of lengthy reports, with the covering reports often failing to identify the key matters actually being considered and the implications of decisions not being properly analysed and considered.

# 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.

# Value for money (continued)

## Performance management

### Performance management

The IJB has a performance management framework in place, with performance regularly considered by management and the Board. This is currently based on existing frameworks in each partner body and further work is required to provide a fully integrated suite of indicators for the IJB linked to its Strategic Commissioning Plan and the Scottish Government's National Performance Framework.

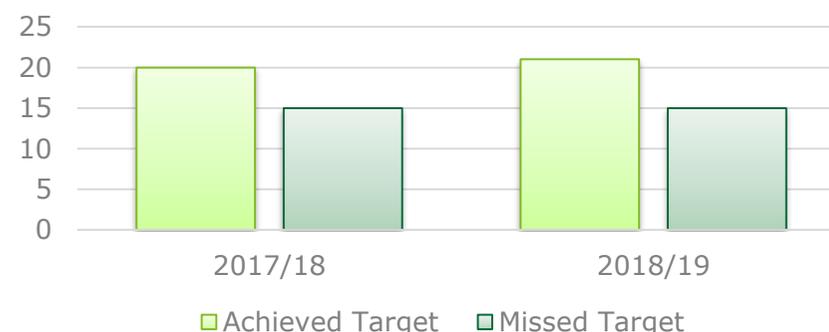
### Performance data

The IJB has been performing consistently against its targets: in 2017/18, it achieved 20 targets and missed 15, and in 2018/19, it achieved 21 targets and missed 15 (one additional target was added). However, this information does not enable the IJB to fully understand its performance: while the IJB has performed consistently, this is because it is meeting targets which have not changed - between 2016/17 and 2018/19, targets have either decreased or remained static in 71% of cases, so while the IJB is meeting targets, this doesn't mean that performance is actually improving. From our review of indicators in 2018/19, we noted that performance has declined from 2017/18 in 51% of cases (improving in 34%), which is a substantially different picture to that suggested by comparing against target. At present, while performance is declining, this is masked by the way performance is reported. The IJB should be reviewing its historical performance and its targets and challenging whether targets set are realistic and demonstrating a commitment to continuous improvement.

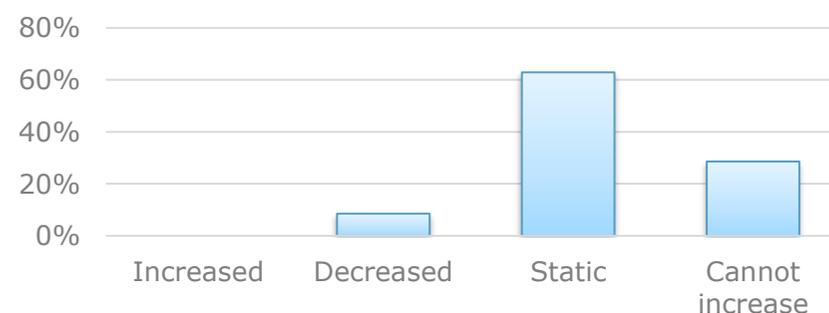
Members have noted that performance information provided to the IJB is lengthy, highly numerical and difficult to follow. The accompanying report lacks detail. The narrative provided alongside the performance indicators is extremely high-level and does not enable an observer to understand specifically why performance has - or has not - met a target, whether that was within or outwith IJB control, and what specifically will be done to address areas of underperformance. There is no link made between cost and performance. Reports also do not outline the general performance of the IJB - with each indicator presented separately it is difficult for members to identify trends across the IJB.

To demonstrate a focus on improving performance and outcomes, an Improvement Plan should be reported to the IJB. This Improvement Plan should be informed by service self-assessments, stakeholder surveys and national reports. A centralised Improvement Plan will enable the IJB to monitor improvement across the IJB as a whole - rather than considering the Council and NHS separately - and to identify areas where improvement is not progressing as planned.

Performance against target: 2017/18 - 2018/19



Targets: 2016/17 - 2018/19



Performance Indicators: 2017/18 - 2018/19



\* Cannot increase/cannot improve due to the target and performance being 100%.

# Value for money (continued)

## Performance management (continued)

### Accuracy of reporting

From our review of information reported to the IJB, we noted that the sickness absence information reported to the IJB differs from that reported to the Council, despite the sickness absence information being for the same period and covering the same staff. It is not clear why the information differs between reports and undermines the ability of the Board to effectively monitor performance in this area. The IJB needs to work with the Council and NHS to standardise what is reported to committees (i.e. if sickness absence is reported to one committee, the same information should be reported to all committees). Through Pentana, the IJB should develop a suite of indicators that are locked down at month and quarter end and then used for all reporting to ensure consistency.

### Demand management

The IJB has been involved in several programmes of demand management in recent years, receiving 'spend to save' funding from the NHS and Council to progress these. This provides upfront funding to services in order to deliver changes which will yield recurring future savings whilst improving outcomes. We are aware of recent investment in areas such as mental health, primary care, intermediate care and social care to change how service is delivered to improve outcomes whilst making financial savings. These are positive examples of the IJB working with its partners to improve services for the local community and we encourage the IJB, NHS and Council to work together to identify further areas where such action can be taken.

While there have been a number of programmes approved and started, the IJB needs to continue to improve its focus on transformational change and its engagement - both internally and externally - as it drives transformation forward as the basis for its longer-term financial strategy. This will require investment in strategic leadership, planning and good governance. The IJB needs to set a risk appetite for transformational change against which it monitors risks and actions taken.

Engagement between the IJB, its partners and the wider community from the outset is key: all stakeholders should understand how the approach to transformation will improve services as well as reduce costs. The repercussions for financial sustainability and service delivery if savings are not achieved needs to be clearly communicated to all stakeholders. There needs to be improved monitoring of performance against the targets set for each project and actions in transformation need to be clearly linked to outcomes to enabling monitoring of the impact that transformation is having on services. The action plans currently included in the projects are high-level, with more detail needed on who is responsible for taking actions forward and when they need to be completed by, and how and when progress will be monitored.

The progress reports provided to the IJB do not enable it to effectively monitor and properly scrutinise performance. In progress reports, it should be clear:

- i. What work has been undertaken to date.
- ii. What work is still to be completed.
- iii. Why there are revised due dates (if any) and the financial impact this has had.
- iv. Whether or not the action has been completed on time, and if not, what lessons have been learned and remedial actions taken.

# Value for money (continued)

## Best Value

### Best Value

There is clarity in the IJB on who is accountable for achieving Best Value: the Chief Officer. However, a number of concerns have been highlighted through our discussions on the IJB achieving Best Value and obtaining appropriate assurance that it is demonstrating value for money in the use of resources. It was noted that the IJB is heavily reliant on Best Value statements from NHS Shetland and Shetland Islands Council, however, there was an acceptance from everyone we spoke to that the IJB is struggling to achieve Best Value and does not have enough information or consider a wide enough range of areas to assure itself that Best Value is being achieved: the IJB noted in its local response to the national report on integration that "Best Value is an area that is less developed."

Concerns were raised about a lack of buy in or appetite for change, with resistance to change by IJB members being highlighted as a key risk to the IJB's ability to achieve Best Value. While a number of service redesign and improvement actions have been approved and taken forward since the IJB was established (page 23), these have been primarily through delegated authority rather than working with the Board, and change through the Board has been slow. It is clear from our discussions, observations at IJB meetings and review of relevant documents that although there is a desire for improvement across the IJB, there is also a fear of change and the risk and exposure associated with it which means that improvement is slow and not continuous.

The Board and officers need to work together and with their partners in the NHS and Council to identify the factors that are slowing improvement, set clear actions for how such factors will be addressed on an ongoing basis in the future, and report to the Board on an annual basis on the IJB's self-assessment of Best Value to monitor improvements in this area and identify any further actions necessary.

### Deloitte view – Value for money

In line with good practice identified by Audit Scotland, we recommend that the IJB prepare a clear and concise annual Improvement Plan to be reported to the Board. This Improvement Plan should be informed by service self-assessments, stakeholder surveys and national reports.

The IJB has been performing consistently against its targets. However, this information does not enable the IJB to fully understand its performance: while the IJB has performed consistently, this is because it is meeting targets which have not changed. From our review of indicators in 2018/19, we noted that performance has declined from 2017/18 in 51% of cases (improving in 34%).

From the IJB's performance monitoring reports, it is difficult for the Board to fully assess performance, including performance against outcomes, given that performance information provided is lengthy, highly numerical and difficult to follow, with the accompanying report lacking detail. There needs to be a link made between cost and performance, and the IJB should consider the targets it sets on an ongoing basis to ensure they remain realistic whilst also demonstrating a commitment to improvement.

The IJB noted that Best Value is an area in which it is less developed. The IJB needs to identify causal factors, set clear actions for improvement and report on an annual basis on a self-assessment of Best Value to monitor improvements in this area and identify further actions.

## 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 impact on the IJB. However, there has been no reporting to the IJB on what actions the NHS and Council are taking, so it is not possible for the IJB to have assurance that sufficient planning is underway, despite it being recorded as a 'high' risk on the IJB's risk register.</p> <p>While the IJB's partner organisations - the NHS and Council - are prepared in many areas for EU withdrawal, there are a number of areas - workforce planning, longer-term financial planning and contingency planning for a 'no deal' withdrawal - which require improvement. Some of these areas have not been considered by the partner organisations, others have been considered but have not addressed IJB-specific risks and detailed plans and actions remain under development.</p> <p>Overall, the Council and NHS were found to be partly prepared for EU Withdrawal. Given that the IJB is reliant on their preparedness, that conclusion also applies to the IJB.</p>
Changing landscape for public financial management	As part of our audit work on financial sustainability (see pages 5 – 9) we have considered how the IJB has reviewed the potential implications of the Scottish Government's MTFS for its own finances, including long term planning.	<p>The IJB produced its MTFP (5 year financial plan) in March 2019, based on NHS Shetland's and Shetland Islands Council's MTFPs, with the Scottish Government's MTFS being considered as a 'key factor' within those plans. The assumptions used in the plan - in terms of funding uplifts and cost increases - are consistent with the Scottish Government MTFS.</p> <p>However, there is room for improvement in outlining how the anticipated spend over the medium term aligns with the key themes on public service reform (prevention, performance, partnership, people) and demonstrating a focus on improving outcomes.</p>

## Other specific risks (continued)

Risk	Areas considered	Conclusion
<p>Dependency on key suppliers</p>	<p>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.</p>	<p>No specific risks of key supplier failure have been identified through our work. While the IJB has a number of key supplier relationships – through the NHS and Council – only one accounts for more than 10% of expenditure with external suppliers.</p> <p>CrossReach accounts for 23% of IJB expenditure with external suppliers. Given their strong financial position, the comparatively small amount of transactions with the IJB, its backing by local authorities, status as a subsidiary of the Church of Scotland and its regulation by the Scottish Charity Regulator, we are satisfied that although this is a key supplier for the IJB, the risk of key supplier failure is remote.</p>
<p>Openness and transparency</p>	<p>We have considered the IJB’s approach to openness and transparency as part of our audit work on governance and transparency (see page 18).</p>	<p>The IJB has a good attitude to openness and transparency. However, there is room for improvement and the IJB needs to ensure its approach to openness and transparency keeps pace with public and regulatory expectations. The IJB should review its approach to openness and transparency, considering wider expectations, developing an action plan in conjunction with wider stakeholders to ensure that the IJB clearly demonstrates that it is always striving for more.</p>

# 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 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; and
- 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 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

18 June 2019

# Action plan

## Recommendations for improvement

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
<i>Financial Sustainability</i>	<p>The MTFP should be made more robust, giving specific consideration to the following:</p> <ol style="list-style-type: none"> <li>1. Include scenario analysis and risk assessments of assumptions.</li> <li>2. The MTFP needs to outline the options available to the IJB to address the funding gap.</li> <li>3. The MTFP should outline how the IJB intends to use its resources to deliver the Strategic Commissioning Plan.</li> <li>4. The MTFP should make reference to the key principles of public service reform - prevention, performance, partnership and people - and how these key principles are reflected in the IJB's financial planning, and how the IJB intends to align its resources to these key principles and monitor progress against them.</li> </ol> <p>(See page 7 for further details.)</p>	<p>The Strategic Commissioning Plan (SCP), which is refreshed annually will be the primary mechanism for addressing these recommendations. However, the MTFP will be updated annually so that it is aligned to the SCP.</p> <p>This is an ongoing iterative process where the SCP and MTFP are interdependent.</p>	Chief Financial Officer	31/03/2020	High
<i>Governance &amp; Transparency</i>	<p>The IJB needs to have annual self-assessments of governance arrangements, committee and Board performance. The IJB should agree a structured self-assessment and review programme.</p> <p>(See page 17 for further details.)</p>	<p>This recommendation will be addressed through the IJB Governance Review which features in the IJB Business Programme.</p>	Executive Manager, Governance & Law (SIC)	31/12/2019	High
<i>Governance &amp; Transparency</i>	<p>The Chair of the IJB, in partnership with the Council and NHS, needs to ensure that appropriate time is provided for IJB meetings and Members are held to account for non-attendance at meetings. The IJB should specifically review attendance at committee and Board meetings on an annual basis to identify where improvement is needed and to agree actions to be taken.</p> <p>(See page 17 for further details.)</p>	<p>This recommendation will be addressed through the IJB Governance Review which features in the IJB Business Programme.</p>	Executive Manager, Governance & Law (SIC)	31/12/2019	High

# Action plan (continued)

## Recommendations for improvement (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
<i>Value for Money</i>	<p>The IJB should review its historical performance and its targets and challenge whether targets set are realistic and demonstrating a commitment to continuous improvement.</p> <p>To demonstrate a focus on improving performance and outcomes, the IJB should develop an Improvement Plan. This Improvement Plan should be informed by service self-assessments, stakeholder surveys and national reports.</p> <p>(See page 22 for further details.)</p>	<p>As the IJB is a relatively small organisation with limited resources this recommendation will be addressed through existing mechanisms.</p> <p>The annual refresh of the SCP, subsequent directions and the Performance Management Framework will represent a continuous improvement cycle.</p>	Chief Officer	30/03/2020	High
<i>Financial Sustainability</i>	<p>The Strategic Commissioning Plan should be reviewed to include:</p> <ol style="list-style-type: none"> <li>1. Quantification of demand pressures and the resulting costs in a 'no change' environment, linked clearly to the MTFP.</li> <li>2. Identification of the level of transformation required, linked to NHS Shetland's and Shetland Islands Council's transformation programmes.</li> <li>3. Specific, detailed action plans need to be developed and linked to the plan to ensure it is achievable.</li> </ol> <p>(See page 8 for further details.)</p>	<p>The SCP, which is refreshed annually, will address these recommendations.</p> <p>The MTFP will be updated annually so that it is aligned to the SCP.</p> <p>This is an ongoing iterative process where the SCP and MTFP are interdependent.</p>	Chief Officer	31/03/2020	Medium

# Action plan (continued)

## Recommendations for improvement (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
<i>Financial Sustainability</i>	<p>The IJB should include the impact that decisions will have on the IJB's position against the in-year budget and the funding gap identified in the MTFP in the 'Finance implications' section of reports. The implications of decisions on long-term outcomes and needs of the community should also be enhanced, linked clearly to specific elements of the Strategic Commissioning Plan.</p> <p>(See page 8 for further details.)</p>	<p>The Chief Financial Officer will provide quality control reviews on all 'Finance Implication' sections of IJB reports during the Agenda Management process.</p> <p>The Chief Officer will quality control the impacts section of reports with regard to outcomes.</p>	Chief Financial Officer	31/03/2020	Medium
<i>Financial Management</i>	<p>High-level narrative on the reasons for major reallocations within service budgets and amendments to the overall budget should be included in the FMR.</p> <p>(See page 12 for further details.)</p>	<p>The budget process will be reviewed during 19/20 to address this recommendation.</p>	Chief Financial Officer	31/03/2020	Medium
<i>Financial Management</i>	<p>The IJB should delegate authority to a committee to review and report to the Board on financial performance to better spread workload, free up time in Board meetings, improve the scrutiny of financial performance and enhance the importance attached the committees by the IJB.</p> <p>(See page 12 for further details.)</p>	<p>As the IJB is a relatively small organisation with limited resources this recommendation will be addressed through existing committee structures.</p> <p>IJB agendas and chairing technique will be reviewed to allow greater scrutiny of financial reports.</p>	Chief Officer	31/03/2020	Medium

# Action plan (continued)

## Recommendations for improvement (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
<i>Financial Management</i>	<p>A number of improvements are required to the budget setting process:</p> <ol style="list-style-type: none"> <li>1. 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>2. There needs to be improved links between the budget and outcomes.</li> <li>3. The IJB should work with the Board to identify what engagement is necessary as part of the budget setting process.</li> <li>4. Funding allocations should be based on need, and the IJB should challenge allocations which are not.</li> <li>5. The budget is required to be linked to locality plans. The IJB is not complying with this requirement as no locality plans exist.</li> <li>6. The IJB should maintain a central record of all queries received on the budget and answers provided, with this being publicly available.</li> </ol> <p>(See page 13 for further details.)</p>	<p>The SCP, which is refreshed annually, will be the primary mechanism for addressing these recommendations.</p> <p>The budget setting process will be reviewed during 2019/20 to ensure the budgets are aligned to need.</p> <p>There is an ambition to maintain core records within the new website which is currently under development.</p>	Chief Financial Officer	31/03/2020	Medium
<i>Governance &amp; Transparency</i>	<p>The IJB needs to adopt a formal, ongoing approach to development. The IJB needs to carry out a skills gap analysis as part of the annual self assessment of committees and the IJB, work in conjunction with the Board to develop training plans for them (specific to committees/Members' needs), assess the effectiveness of all training provided and track and report attendance at training by the Board. The IJB should specifically consider a joint development programme with the NHS and Council to improve understanding and integration.</p> <p>(See page 16 for further details.)</p>	<p>This recommendation will be addressed through the IJB Governance Review which features in the IJB Business Programme.</p>	Executive Manager, Governance & Law (SIC)	31/12/2019	Medium

# Action plan (continued)

## Recommendations for improvement (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
<i>Governance &amp; Transparency</i>	<p>The IJB should carry out annual reviews of how open and transparent it is, seeking the views of the wider community. The IJB should carry out regular stakeholder surveys to help inform its approach to openness and transparency.</p> <p>The results of these reviews should be made publicly available through the publication of an Annual Self-Evaluation Report.</p> <p>(See page 18 for further details.)</p>	<p>This recommendation will be addressed through the IJB Governance Review which features in the IJB Business Programme.</p> <p>There is an ambition to maintain core records within the new website which is currently under development.</p>	Executive Manager, Governance & Law (SIC)	31/12/2019	Medium
<i>Governance &amp; Transparency</i>	<p>The IJB should review whether the style of reports used and is appropriate. Covering reports should identify the key matters being considered and the implications of decisions.</p> <p>(See page 19 for further details.)</p>	<p>This recommendation will be addressed through the IJB Governance Review which features in the IJB Business Programme.</p>	Executive Manager, Governance & Law (SIC)	31/12/2019	Medium
<i>Governance &amp; Transparency</i>	<p>The IJB should consider developing its own website, to improve the level and accessibility of publicly disclosed information and clearly demonstrate to stakeholders and the wider public what the IJB is responsible for and how it is driving improvement across the health and social care system.</p> <p>(See page 19 for further details.)</p>	<p>SIC is currently refreshing its internet platform and the IJB will have its own website within this system.</p>	Chief Officer	31/03/2020	Medium

# Action plan (continued)

## Recommendations for improvement (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
<i>Governance &amp; Transparency</i>	<p>The IJB is required by law to carry out a formal review of its Integration Scheme by the fifth anniversary of its adoption, identifying and assessing potential changes which could improve integration. This review needs to:</p> <ol style="list-style-type: none"> <li>1. Ensure that there is agreement of responsibility and accountability arrangements.</li> <li>2. Clearly set out roles and responsibilities of each of the parties.</li> <li>3. Address any perceived lack of clarity in the Integration Scheme and set out how local arrangements will work.</li> <li>4. Establish, communicate and enforce a clear governance structure, outlining who is responsible for service performance and quality of care.</li> </ol> <p>(See page 19 for further details.)</p>	<p>The IJB will carry out a formal review of its Integration Scheme by the fifth anniversary of its adoption, identifying and assessing potential changes which could improve integration.</p>	Director of Corporate Services (SIC)	15/11/2020	Medium
<i>Value for Money</i>	<p>Progress reports provided to the IJB should make it clear:</p> <ol style="list-style-type: none"> <li>1. What work has been undertaken to date;</li> <li>2. What work is still to be completed;</li> <li>3. Why there are revised due dates (if any) and the financial impact this has had; and</li> <li>4. Whether or not the action has been completed on time, and if not, what lessons have been learned and remedial actions taken.</li> </ol> <p>(See page 23 for further details.)</p>	<p>This recommendation will be addressed through the IJB Performance Management Framework 2019-2024.</p>	Chief Officer	31/03/2020	Medium
<i>Governance &amp; Transparency</i>	<p>An action tracker should be developed for each committee and should be provided at every meeting. The action tracker needs to include target dates, have clear and concise updates provided, and have sufficient information to justify the Red/Amber/Green/Completed status which is chosen.</p> <p>(See page 19 for further details.)</p>	<p>Action Trackers are included in the Business Programmes of IJB and IJB Audit Committee. The IJB will ensure they are provided at every meeting.</p>	Chief Officer	30/09/2019	Low

# 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 8 of the total 14 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 and provide an update in our Annual Report to the Committee in September 2019.

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2018/19 Update
<i>Financial Sustainability</i>	Continued focus needs to be given to developing a medium-term financial strategy through the Scenario Planning exercise. This should include quantification of the forecast funding gap and plans to address this.	The body understands the long-term pressures, which have been built in plans. There is a three year strategic plan in place (2016-19), but a medium-term financial plan is starting to be developed through a combination of the NHS MTFP and SIC LDP and is one of the anticipated outcomes of the Scenario Planning exercise.	Chief Financial Officer	1/12/18	High	<p><i>Partially implemented:</i> We will monitor progress on this against our updated recommendation on page 29.</p> <p><b>Updated management response:</b> The SCP, which is refreshed annually, will be the primary mechanism for addressing this recommendation. The MTFP will be updated annually so that it is aligned to the SCP.</p> <p><b>Updated target date:</b> 31/3/2020</p>
<i>Governance &amp; Transparency</i>	A training plan should be put in place for the Audit Committee and Board members to ensure they know what their roles and responsibilities are, as well as to be clear on the scope of their work.	Management have agreed to consider the training needs of the Audit Committee and Board and to institute a relevant training plan.	Executive Manager, Governance & Law (SIC)	1/9/18	Medium	<p><i>Partially implemented:</i> We will monitor progress on this against our updated recommendation on page 33.</p> <p><b>Updated management response:</b> This recommendation will be addressed through the IJB Governance Review which features in the IJB Business Programme.</p> <p><b>Updated target date:</b> 31/12/2019</p>

# Action plan (continued)

## Follow-up 2017/18 action plan (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2018/19 Update
<i>Governance &amp; Transparency</i>	The Audit Committee should have a clear terms of reference in place, and this should be assessed for effectiveness on an annual basis, in accordance with best practice.	The Terms of Reference will be reviewed so as to be clear on the responsibilities of the Audit Committee.	Executive Manager, Governance & Law (SIC)	1/9/18	Medium	<p><i>Partially implemented:</i> We will monitor progress on this against our updated recommendation on page 33.</p> <p><b>Updated management response:</b> This recommendation will be addressed through the IJB Governance Review which features in the IJB Business Programme.</p> <p><b>Updated target date:</b> 31/12/2019</p>
<i>Value for Money</i>	In order to demonstrate how the Board is achieving its objectives and meeting planned outcomes, management should demonstrate a clear link between expenditure and outcomes achieved.	Management consider that it is difficult to see the link between actions and outcomes, as often improvement can be hidden by the changing demographics (ageing population, for e.g.). However, they have agreed to look at this further going forward.	Chief Financial Officer	1/9/18	Medium	<p><i>Not implemented:</i> We will monitor progress on this against our updated recommendation on page 30.</p> <p><b>Updated management response:</b> The SCP, which is refreshed annually, will be the primary mechanism for addressing this recommendation.</p> <p><b>Updated target date:</b> 31/3/2020</p>

# Action plan (continued)

## Follow-up 2017/18 action plan (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2018/19 Update
<i>Governance &amp; Transparency</i>	The management accounts reporting process takes approximately two months. We accept that this is in line with protocol, but that improvements in the speed of reporting, without compromising on the quality should be explored.	Management have accepted this point and will consider if there are areas where the efficiency of reporting can be enhanced.	Chief Financial Officer	1/3/19	Low	<p><i>Not implemented:</i> We will monitor progress on this against our updated recommendation on page 33.</p> <p><b>Updated management response:</b> The timing of financial reporting will be considered during 2019/20.</p> <p><b>Updated target date:</b> 31/03/2020</p>
<i>Financial Sustainability</i>	The Board should focus on implementing recurring saving schemes to ensure long-term financial sustainability. The Board should complete an exercise to fully evaluate demand drivers and the impact on costs going forward.	The Strategic Commissioning Plan recognises the scrutiny placed on the Board and all future redesign projects will be supported with robust needs and risk assessments. These assessments will be subject to further scrutiny through the existing decision making structure of the IJB. NHS Shetland identified that they are focused on recurring savings efficiencies in 2017/18.	Chief Financial Officer	30/6/18	High	<p><i>Partially implemented:</i> We will monitor progress on this against our updated recommendation on page 32.</p> <p><b>Updated management response:</b> The SCP, which is refreshed annually, will be the primary mechanism for addressing this recommendation.</p> <p><b>Updated target date:</b> 31/03/2020.</p>



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