



East Ayrshire Integration Joint Board

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

Issued on 23 May for the meeting on 31 May 2022

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Key messages

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

Financial management

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

Financial sustainability

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

It is positive to see that specific focus has been given to prevention and early intervention as part of the budget setting process. The programme of transformation change is also progressing, with specific resource allocated in line with good practice. Progress continues to be impacted by the ongoing response to the COVID-19 pandemic.

Significant work is still required to make the level of lasting long-term transformational change needed to ensure financial sustainability.

Governance and transparency

The IJB continues to have strong leadership, with more tailored training being developed for Board members. The governance arrangements also continue to be robust and the IJB continues to be open and transparent, with clear focus on driving forward participation and engagement. In line with our previous years recommendation, this could be further enhanced through live streaming of Board meetings.

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

Value for money

The IJB continues to have a comprehensive performance management framework in place which analyses data, tracks progress and identifies actions, with a clear focus on service improvement, however, there remains gaps in data. Challenges remain in responding to the pandemic. Regular reporting on performance is provided to the Audit and Performance Committee and the IJB.

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

Key messages (continued)

Next steps

An agreed Action Plan is included on pages 24 to 28 of this report, including a follow-up of progress against prior year actions.

Added value

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

We have also included our “sector developments” on pages 20 to 22 where we have shared Audit Scotland’s national reporting and our research and informed perspective and best practice from our work across the wider public sector that are specifically relevant to the IJB.

Financial management

Is financial management effective?



Are budget setting and monitoring processes operating effectively?



Is there sufficient financial capacity?



Financial Management

Significant risks identified in Audit Plan

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

Current year financial performance

The 2021/22 budget of £301.570m, including set-aside, was approved by the IJB on 24 March 2021. The budget has been updated throughout the year to include in-year movements and the latest projected position is a net underspend of £4.535m (1.7%). The Partnership Senior Management Team and Board members regularly review progress against budget throughout the year, with quarterly reporting to the IJB. From review of the reporting throughout the year, variances are clearly reported and explained.

The net underspend is a combination of an underspend of £1.855m in services commissioned from East Ayrshire Council and an underspend of £3.692m on services commissioned from NHS Ayrshire and Arran, offset by net recharges of £1.012m from the Lead Partnership arrangements.

The budget incorporated planned savings of £1.576m. The latest projections have highlighted that the majority of these savings are on track to be achieved, with £0.552m flagged as “Red”, meaning at risk of not being achieved. Unachieved savings are being reviewed by management and work is planned through the Strategic Commissioning Board to agree both recurring and non-recurring cash releasing efficiency savings and re-alignment to budgets.

As part of the response to the COVID-19 pandemic, the Health and Social Care Partnership developed a mobilisation plan detailing the additional activities to support its response, alongside the estimated financial impact. Financial returns have continued to be submitted during 2021/22 with the draft final outturn being costs totalling £7.277m. While there is a risk that the full costs will not be funded going forward, all attributable costs have been fully funded for 2021/22.

Financial management (continued)

Finance capacity

The finance team has remained consistent throughout the year with the Chief Finance Officer post continuing to be filled on an interim basis by the Senior Finance Manager. Whilst COVID-19 has created additional work for the team, including the additional reporting requirements to the Scottish Government, this is being well managed. Given the Chief Finance Officer post remains on an interim basis, it is important that the Board closely monitor to ensure that there is sufficient finance capacity.

Internal audit

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

The 2021/22 IJB Internal Audit Plan was approved by the Committee in June 2021. In addition to reviews carried out within the parent organisation, the IJBs own internal audit plan included an assignment to carry out a review of Directions against Ministerial Strategic Group (MSG) recommendations and also perform a follow-up of the review of the IJB MSG self-assessment. This work was scheduled for quarter four of 2021/22 and therefore has not yet been formally reported.

The Chief Internal Auditor, in her update to the Committee in March 2022, has given assurance that sufficient work will be carried out in 2021/22 to inform an annual opinion on the IJB.

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

Standards of conduct for prevention and detection of fraud and error

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

Deloitte view – financial management

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

Financial sustainability



Significant risks identified in Audit Plan

While the IJB has achieved short term financial balance over recent years, there remains a risk that robust medium-to-long term planning arrangements are not in place to ensure that the IJB can manage its finances sustainably and delivery services effectively. We have therefore considered the 2022/23 budget setting process and the work being done over the medium and longer-term as summarised on the following pages.

2022/23 budget setting

The IJB approved a balanced budget of £317.141m (inclusive of the estimated Set Aside budget of £28.135m) for 2022/23 on 23 March 2022. This incorporated non-recurring savings of £1.672m following a line-by-line review of the 2021/22 baseline budgets, with the savings consisting of elderly residential and nursing care placements and adult care packages to reflect the actual placement activity during 2021/22. The IJB has recognised in setting its budget that delivery models have changed as a result of the pandemic and the savings proposals take cognisance of this, advances in tele-healthcare and new supported accommodation models. Further detailed work is planned for 2022/23 to re-align budgets to ensure financial balance can be achieved on a recurring basis.

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

- Price inflation pressures;
- The pending pay award for Local Government and NHS staff;
- The negotiated uplifts for the National Care Home Contract;
- The impact of demographic changes and implementation of new legislation;
- Unscheduled care and expectations around Set Aside, as well as ongoing Council and NHS Board financial challenges;
- The ongoing response to the COVID-19 pandemic; and
- Continued political and economic uncertainty following the EU Exit and wider global economic uncertainty.

Financial sustainability (continued)

2022/23 budget setting (continued)

Board members continue to be fully involved in the budget process in advance of the formal budget setting meeting as part of the development day on 2 March 2022. The Strategic Planning Group (SPG) also met as part of the budget setting process, with input provided from key stakeholders.

The costs associated with responding to the COVID-19 pandemic have been fully funded by the Scottish Government in 2020/21 and 2021/22. The final costs for 2022/23 and future years will depend upon the recovery timescale. In February 2022 the Scottish Government confirmed further funding to NHS Boards and IJBs to meet COVID-19 costs and to support the continuing impact of the pandemic. A sum of £14.143m has been allocated to East Ayrshire IJB, with £2.129m required to offset unfunded costs from 2021/22, resulting in £12.014m being carried forward as an earmarked balance within the IJB reserves.

In addition to the COVID-19 funding, in October 2021 the Scottish Government announced significant recurring investment for health and social care. In response to this, the IJB developed a Systems Pressures Investment Plan, which was approved in February 2022 which set out key areas of investment. This was reflected in the approved 2022/23 budget. This is a positive step towards improving the links between budgets and outcomes as this funding is specifically targeted at key priorities.

Reserves

At the time of approval of the 2022/23 budget on 23 March 2022, the IJB carried out its annual review of its reserves in line with good practice. Its Reserves Strategy recommends that the IJB will aspire to hold at least 2% of its annual budgeted expenditure as uncommitted general fund balances at the end of the three-year budget cycle, which equates to £5.8m. In recognition of the continuing financial pressures, this optimal reserves balance is considered aspirational, with the current projected balance of £2.389m below this level.

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



Financial sustainability (continued)

Reserves (continued)

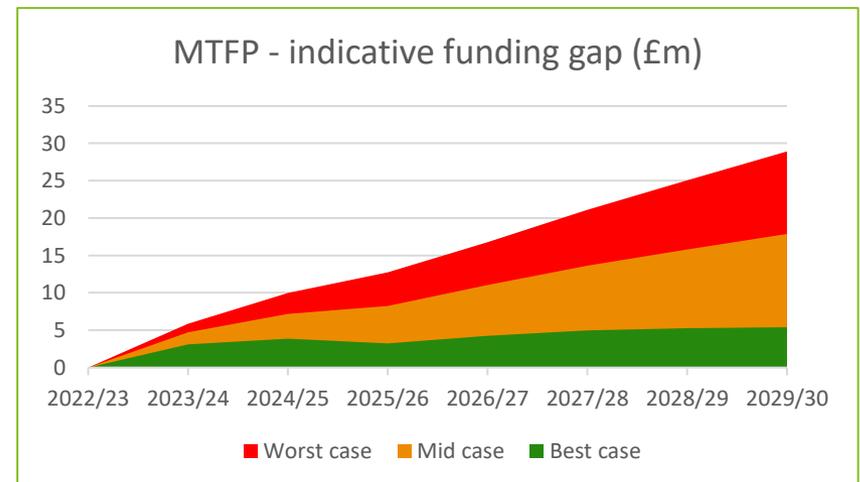
The earmarked balance incorporates the £12.014m COVID-19 funding received from the Scottish Government, explaining the significant projected increase in the balance. This may increase further should the projected underspend of £4.535m discussed on page 5 materialise when the final outturn figures are confirmed. The earmarked reserve balance relates to ring-fenced funding for a number of projects including £2.165m set aside for the Transformational Change Programme. It is important that clear plans are developed and monitored to demonstrate how these funds will be used.

Medium-to-long term financial planning

In previous years audits, we have continued to recommend that the IJB update its Medium Term Financial Plan (MTFP), following the original MTFP for 2017/18 – 2021/22 being approved in November 2017 and last updated in March 2020. This is required to ensure that the IJB can manage its finances on a sustainable basis, aligned to effective service delivery.

Given the continuing levels of uncertainty and in particular with the ongoing response to the pandemic and the planned National Care Service for Scotland, a detailed update to the MTFP has not been progressed. Management plan to develop this following the publication of the Scottish Government's updated Health and Social Care Medium Term Financial Framework, which is expected in the second half of 2022. This detailed plan will be presented to a future meeting of the IJB for approval.

As part of the 2022/23 budget setting in March 2022, the IJB considered a high level MTFP with an indicative funding gap based on three scenarios illustrated in the graph below, which shows that the funding gap by 2029/30 could be anything between £5.4m (1.7% of budget) and £28.9m (9.1% of budget). Whilst recognising that this is a high level assessment and further detailed work is required to test and refine the costs and updated funding assumptions following the publication of the Scottish Government's Framework, this does demonstrate that significant work is required to re-design and transform services to ensure that they can be provided on a sustainable basis over the medium-to-longer term.



Financial sustainability (continued)

Medium-to-long term financial planning (continued)

As noted on page 8, the SPG met in developing the annual budget, with the input from stakeholders also expected to be considered when preparing the updated detailed MTFP, with a focus on closer aligning priorities, activities, budgets and outcomes. This is taking on board our previous recommendations to improve links to budgets and outcomes.

Transformational change

In our 2020/21 report we concluded that the IJB had continued to demonstrate a clear commitment to transformational change and was progressing with its transformation change programme. Some areas of transformation activity experienced delays during 2020/21 due to COVID-19 restrictions. We therefore recommended that management consider allocating a further resource to drive forward and increase the pace of change.

We are pleased to note that management took on board our recommendation, and in particular approved the transfer of £7.266m to earmarked reserves in finalising its 2020/21 financial position which was possible due a significant underspend reported in the year, largely arising from late funding from the Scottish Government. The majority of this balance is expected to have been used during 2021/22.

As noted on page 9, a sum of £2.165m has also been set aside within earmarked reserves for the Transformational Change Programme.

In setting its 2022/23, in addition to delivery of cash releasing efficiency savings to achieve overall financial balance, the IJB proposed that additional demand be absorbed over the course of the financial year. While this represents a risk, given the uncertain nature of increasing demand, previous experience combined with delivery of new service models has allowed additional demand to be effectively managed in previous years. This has included the “front door” approach, advances in tele-healthcare and new supported accommodation models, as well as transformational change initiatives and service reviews taken forward through the Strategic Commissioning Board.

The programme of transformational change has continued to be taken forward during 2021/22 by the Strategic Commissioning Board, which provides oversight and direction. This includes the following programmes of work:

- Review of Care at Home services;
- Review of Adult Day Care services;
- Review of 24 hour care; and
- Review of Financial Inclusion services.

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

Financial sustainability (continued)

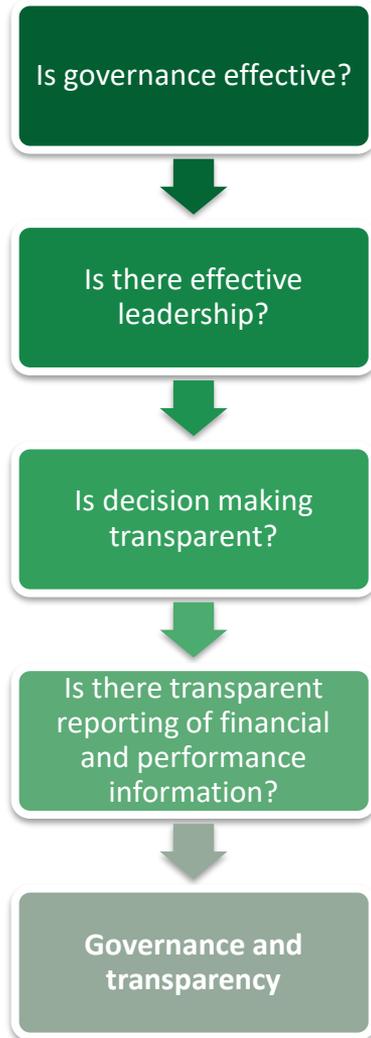
Deloitte view – Financial sustainability

The IJB has set a balanced budget for 2022/23 therefore is financially sustainable in the short term, however, its level of uncommitted reserves are 0.8% compared to its aspirational 2% level set within its Reserves Strategy. The IJB continues to be faced with significant financial challenges over the medium and longer-term, projecting a high level funding gap of up to £28.9m over the next eight years. A more comprehensive MTFP is expected later in 2022.

It is positive to see that specific focus has been given to prevention and early intervention as part of the budget setting process. The programme of transformation change is also progressing, with specific resource allocated in line with good practice. Progress continues to be impacted by the ongoing response to the pandemic. Significant earmarked reserves are projected to be carried forward into future years. It is critical that detailed plans are developed to demonstrate how these funds will be used to make transformational change

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

Governance and transparency



Significant risks identified in Audit Plan

In previous years we have concluded that the IJB has strong leadership in place with robust governance and scrutiny arrangements. We did not identify any significant risks in relation to governance and transparency during our planning. We have, however, continued to review the work of the IJB and its Committees, and in particular following up on the recommendations made in our 2020/21 audit in relation to public access to meetings, as summarised on the following pages.

Leadership

The Partnership Senior Management Team has remained largely consistent with previous years, and has continued to demonstrate strong leadership, working closely with partners.

In our 2020/21 report, we recommended that IJB members would benefit from a more structured and tailored training programme to specifically focus on the work of the partnership and the IJB to support their role in scrutiny and challenge. We are pleased to note that the development of the EA IJB induction and training programme was progressed during 2021/22, including:

- IJB development days to provide members with general and specific information relating to the IJB.
- All new members are provided with induction packs outlining governance arrangements, with access to key documents.
- As part of the induction programme, all new members are offered the opportunity to meet with the Chief Officer, the Interim Chief Finance Officer and Heads of Service.

In addition, conversations are underway at a national level to identify if a regional approach is available, for example including joint development for IJB members across all Ayrshire partnerships. We would encourage East Ayrshire IJB to engage in this discussion.

Governance and transparency

Governance and scrutiny arrangements

We have reviewed meetings attendance from the past year and confirm that this has been satisfactory to ensure robust governance and scrutiny over the course of 2021/22. In addition, from attendance at meetings we can confirm that there is sufficient scrutiny and challenge exercised by members during the meetings.

As a result of COVID-19 and associated restrictions, meetings of the IJB and its committees have taken place on a wholly remote basis via MS Teams since June 2020. In March 2022, as restrictions continue to ease, IJB and other governance meetings can now be attended in person in Council Chambers, with technology available to support hybrid meetings. The IJB therefore agreed to adopt a hybrid model to allow flexibility of in-person and virtual attendance.

The Audit and Performance Committee continues to be a key element of the governance arrangements in place. The Terms of Reference for the Committee were reviewed during the year, and approved by the IJB in October 2021.

The IJB has continued to provide oversight and scrutiny of the strategic risks. A report setting out the risk appetite of the IJB following an in-depth assessment was approved by the IJB in October 2021.

The IJB also approved a reviewed Financial Regulations in March 2022. The Financial Regulations are formally reviewed on a bi-annual basis, with no changes required from the previous reviewed Regulations, which were approved by the IJB in March 2022.

Openness and transparency

Agendas, papers and minutes of the IJB and its Committees are available through the East Ayrshire Council website, thereby continues to demonstrate openness and transparency of decision making and performance information (which is considered further on page 16). However, as highlighted in our 2020/21 report, it is currently not possible for members of the public to attend the meetings virtually or through on demand recordings. Management has confirmed that this remains under consideration, with any further roll out by the Council expected to include the IJB. We continue to recommend that the IJB pursue this to enhance its openness and transparency.

A Communication Strategy 2021-2024 was published in 2021 and had eight strands, much of which had long-term or ongoing ambitions. Despite the continued challenges of the pandemic, a lot of progress has been made, including improved communication tailored to meet needs of individuals, people who use services, their families and carers; and closer communication links and early engagement with third sector, independent sector and wider community partners. A Partnership Engagement Officer is now in post for two years to drive forward the strategic approach to participation and engagement.

Governance and transparency

Set aside arrangements

In our 2020/21 report we recommended that the IJB continue to make progress with implementing delegated hospital budgets and set aside requirements. This was recognised as an area requiring further development as part of the review of the Integration Scheme carried out in 2017 and in the Strategic Planning, Commissioning and Delivery of Health and Social Care Services within NHS Ayrshire and Arran report to the IJB in June 2018.

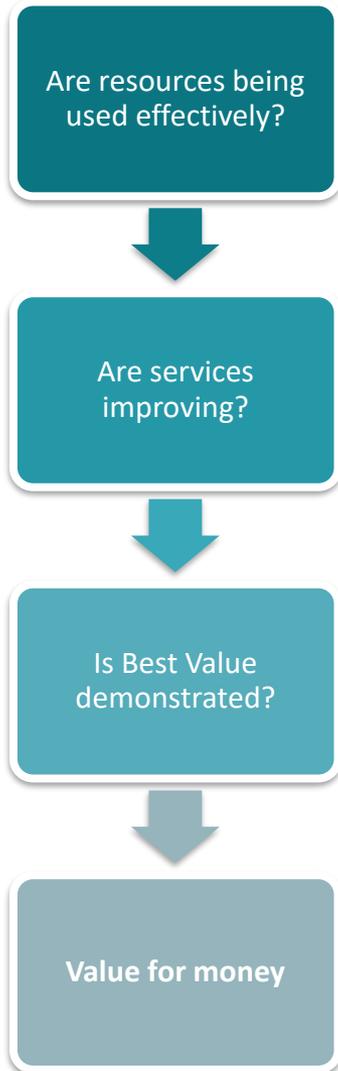
Progress had stalled due to the priority of managing COVID-19 responses. The pilot project on 'fair share' commissioning through the use of Directions has recommenced on a pan-Ayrshire basis. This project will seek to ensure that delegated hospital budgets and Set Aside budget requirements can be fully implemented.

Deloitte view – Governance and transparency

The IJB continues to have strong leadership, with more tailored training being developed for Board members. The governance arrangements also continue to be robust and the IJB continues to be open and transparent, with clear focus on driving forward participation and engagement. In line with our previous year recommendation, this could be further enhanced through live or on demand streaming of Board meetings.

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

Value for money



Significant risks identified in Audit Plan

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

Performance management framework

The IJB's approach to performance management has remained consistent during 2021/22. The Local Outcomes Improvement Plan 2021-24 (LOIP) underpins the East Ayrshire Community Plan. This in turn provides the performance management framework against which the Health and Social Care Partnership and its partners demonstrate progress and achievement towards improving outcomes for local people and communities. The local outcomes and performance measures identified in the LOIP are linked to the National Performance Framework, where and when appropriate, in line with best practice.

An Annual Performance Report retrospectively reports on performance for the previous year, using the previous year's performance as a benchmark against which to compare the current year's performance. Quarterly performance reports are also provided which sets out performance measures comparing year to date performance against a comparative year.

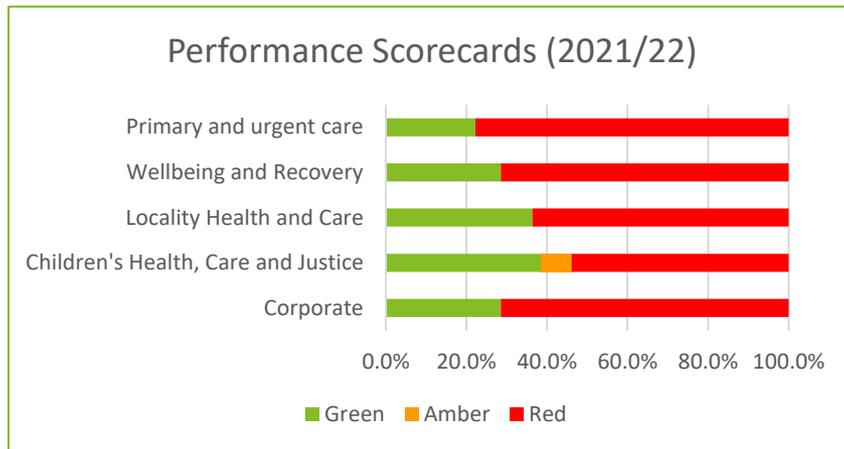
Service Improvement Plans (SIPs) are agreed annually, and progress reported to the Audit and Performance Committee. This recognises the IJB's commitment to delivering continuous improvement across services and supporting more positive outcomes for its residents and communities. These improvement activities are aligned to the partnerships strategic priorities as set out in the Strategic Plan 2021-30. These in turn contribute to the national health and wellbeing outcomes. A change to the approach in 2021/22 extended the SIPs to cover the three-year period 2021/22-2023/24 to better align with the Strategic Plan and provide further scope to plan and implement improvements over the medium and longer-term.

Value for money

Performance data

The latest Partnership Scorecard were considered by the audit and Performance Committee in March 2022, although did highlight there are a number of gaps in the data reported.

A summary of the latest Performance Scorecards, aligned to the Service Improvement Plans, for those indicators that have data available is shown below.



The report recognises that a number of the statistics highlight that there continues to be a challenging area for manager to complete Personal Development Plans or FACE time due to current service pressures across the partnership. Attendance/absence rates have also reduced slightly for Council staff, but risen slightly for NHS staff. Management are reviewing this to ensure that everyone is being appropriately supported.

Performance reporting also includes an update on the Ministerial Strategic Group.

Deloitte view – Value for money

The IJB continues to have a comprehensive performance management framework in place which analyses data, tracks progress and identifies actions, with a clear focus on service improvement, however, there remains gaps in data. Challenges remain in responding to the pandemic. Regular reporting on performance is provided to the Audit and Performance Committee and the IJB.

Best value

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

Duty to secure Best Value

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

Our BV audit work is integrated into our audit approach, including our work on the audit dimensions discussed on pages 5 to 16. Through our annual audit work, discussed further within this report, the IJB continues to have a number of arrangements in place to secure best value, including an established governance framework, strong leadership, and a comprehensive performance management framework through the Service Improvement Plans. There is a culture of continuous improvement, which was highlighted as part of the East Ayrshire Council Best Value Assurance Report published in May 2018.

The IJB recognises that it must commission services within the financial resources available and, as noted elsewhere in this report, and in common with other IJBs, continued work will be required to deliver long-term financial sustainability. While a detailed update to the MTFP has not yet progressed, this is planned for later in 2022. The progress with transformational change programme is a positive step, with resources now being allocated to drive forward the change required.

Deloitte view – Best Value

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

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

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

The scope of our work

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

Use of this report

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

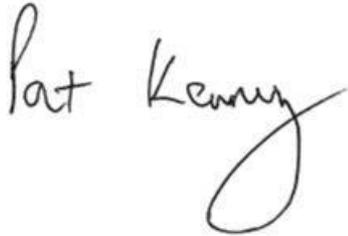
What we don't report

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

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

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

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



Pat Kenny, CPFA
For and on behalf of Deloitte LLP
Glasgow | 23 May 2022

Sector developments



Local government in Scotland

Financial overview 2020/21

Background and overview

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

Key messages

Local government finances 2020/21

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

Medium and longer-term outlook for local government finances

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

Local government in Scotland (continued)

Financial overview 2020/21 (continued)

Key observations

Reserves – Most of the increase in the general fund is committed to Covid-19 recovery.

Financial management and transparency - Management commentaries in councils accounts have improved, but many are still not complying with previous recommendations on transparency

Budgets for 2021/22 - The uncertainty over the funding position for Covid-19 at the end of 2020/21 led to issues in budget setting and many councils established Covid-19 budgets in autumn 2021

Medium and long-term financial planning - Covid-19 resulted in revised medium term financial plans, but longer-term planning will need to be updated as Covid-19 uncertainty diminishes.

Audit Scotland Recommendations

Elements of Covid-19 funding that are being carried forward in general earmarked and unearmarked reserves in the accounts should be clearly identified.

We recommend again that councils review and improve how they comply with these key expectations of transparency, in particular:

- Is the outturn against budget position for the year clearly shown, and are the reasons for significant variances obvious?
- Is the outturn reported in the narrative reconciled to the movement in the general fund contained in the financial statements, and are major differences explained?
- Is progress against agreed savings reported?

We expect councils to agree spending plans and timescales for Covid-19 recovery reserves with the relevant decision making committee.

All councils will now need to revise medium term financial plans to reflect additional financial pressures and updated funding arrangements and to account for updated savings requirements and financial assumptions. Councils should also review longer-term planning as Covid-19 uncertainty diminishes.

Next steps

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

Reimagining social care – recasting the social safety net

Deloitte insights

Background and overview

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

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

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

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

Trend Drivers

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



Trend Actions

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



Moving forward

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

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

Action plan



Action Plan

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

Recommendation	Management Response	Priority	Management update 2021/22
<p>1.1 Financial sustainability</p> <p>Consideration should be given to allocating a further resource to drive forward and increase the pace of change.</p>	<p>Proposals on the use of uncommitted balances for 2021/22 will be presented to the IJB for approval on 16 June 2021. This will include a proposed allocation towards continuation of the transformational change programme, which has previously supported a number of project management and programme delivery posts. It is anticipated that this dedicated support will continue, given our commitment to transformation and whole-system change, as evidenced through the work of the Strategic Commissioning Board.</p> <p>Responsible Person: Chief Officer / Interim Chief Finance Officer</p> <p>Target Date: August 2021</p>	Medium	<p>This was considered and reported within the Annual Report and Accounts for 2020/21</p> <p>Fully implemented</p>

Action Plan (continued)

Recommendation	Management Response	Priority	Management update 2021/22
<p>1.2 Set Aside The IJB should progress with implementing delegated hospital budgets and Set Aside requirements, in collaboration with the Scottish Government, NHS Ayrshire and Arran and other Ayrshire partnerships</p>	<p>The Set Aside resource was recognised as an area requiring further development as part of the review of the Integration Scheme carried out in 2017 and in the Strategic Planning, Commissioning and Delivery of Health and Social Care Services within the NHS Ayrshire & Arran report to the IJB on 13 June 2018. Following a hiatus due to the COVID-19 pandemic, the national pilot project on ‘fair share’ commissioning through the use of Directions has recommenced. This national pilot will seek to ensure that delegated hospital budgets and Set Aside budget requirements can be fully implemented.</p> <p>Responsible Person: Chief Officer</p> <p>Target Date: March 2022</p>	Medium	<p>Progress discussed further on page 14.</p> <p>Partially implemented Revised Target date: 31 March 2023</p>

Action Plan (continued)

Recommendation	Management Response	Priority	Management update 2021/22
<p>1.3 Medium Term Planning 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.</p>	<p>An update on the MTFP 2017/18 to 2021/22 was included in the approved Budget 2020/21 report to the IJB on 25 March 2020. A full update of the MTFP will be undertaken during 2021 and will take account of the Scottish Government Medium Term Financial Framework (aligned to the Strategic Plan 2021-30)</p> <p>Responsible Person: Chief Officer, Chief Finance Officer, Senior Manager – Finance/ Senior Manager – Planning and Performance</p> <p>Target Date: 31 March 2021 (revised to 30 October 2021)</p>	Medium	<p>The Annual Budget 2022/23 Report to the IJB on 23/3/22 contains a high level Medium Term Financial Plan (2022-30). The report highlights that a detailed MTFP will be produced once the Scottish Government Health and Social Care Medium Term Financial Strategy has been updated (anticipated in second half of 2022). This detailed plan will also include updates in respect of areas of uncertainty including National Care Service for Scotland proposals and potential impact associated with recovery from the pandemic.</p>
			<p>Partially implemented Revised Target date: 31 March 2023</p>

Action Plan (continued)

Recommendation	Management Response	Priority	Management update 2021/22
<p>1.4 Budget process 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>The Strategic Planning Group (SPG) met virtually during 2020/21 and input from stakeholders will be taken into account in the updated MTFP (closer alignment of priorities, activity, budgets and outcomes). This will require recognition that post COVID-19, services may not be delivered in the same way going forward.</p> <p>Although services were unable to be delivered on a "business as usual" basis during 2020/21, the continued focus on prevention, early intervention and hospital discharge initiatives is evidenced in positive outcomes in relation to continued management of increasing demand and delayed discharge performance. Further work will be undertaken as part of the update of the MTFP / Strategic Plan in 2021 to refine links between priorities, activity, budgets and outcomes.</p> <p>Responsible Person: Chief Officer/Chief Finance Officer/ Senior Manager- Finance/Senior Manager – Planning and Performance</p> <p>Target Date: 31 March 2021 (revised to 30 October 2021)</p>	Medium	<p>Progress discussed further on pages 8 and 9.</p> <p>Further work will be undertaken as part of the production of the detailed MTFP / Strategic Plan to refine links between priorities, activity, budgets and outcomes. Important to highlight that investment plans will continue to be driven by the vision and themes of the Strategic Plan. As highlighted previously on page 8 of the report, the development of the Systems Pressures Investment Plan (February 2022), aligned to the 2022/23 approved budget, represents a positive step towards improving the links between budgets and outcomes, with funding specifically targeted at key priorities.</p> <p>Partially implemented Revised Target date: 31 March 2023</p>

Action Plan (continued)

Recommendation	Management Response	Priority	Management update 2021/22
<p>2.1 Member training Scrutiny could be improved by providing more training to members of both the IJB and the Audit and Performance Committee on their respective roles and the clear distinction between informal and formal meetings</p>	<p>Scrutiny could be improved by providing more training to members of both the IJB and the Audit and Performance Committee on their respective roles and the clear distinction between informal and formal meetings</p> <p>Responsible Person: Chief Officer / Senior Management Team</p> <p>Target Date: March 2022</p>	Medium	<p>Progress discussed further on page 12.</p> <p>Fully implemented</p>
<p>2.2 Access to meetings The Board should progress its work to allow members of the public access to IJB meetings through webcasting, whether live or access to on demand recordings.</p>	<p>Webcasting and appropriate public access to IJB meetings remains under active consideration. We will work with Council and NHS colleagues to ensure any developments can also be implemented for relevant IJB meetings. This will require technical solutions to be put in place and increased training and awareness for meeting participants.</p> <p>Responsible Person: Chief Officer / IT colleagues in partner bodies</p> <p>Target Date: March 2022</p>	High	<p>At this stage only EAC full Council, Cabinet and Governance and Scrutiny Committee meetings are recorded. Any further roll out is likely to include the IJB and will be subject to discussion at a future meeting of the IJB following the appointment of voting members by East Ayrshire Council, further to the Local Government election on 5 May 2022</p> <p>Not implemented</p> <p>Revised Target date: 31 March 2023</p>



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