

South Lanarkshire Integration Joint Board

2021/22 Annual Audit Report



 AUDIT SCOTLAND

Prepared for South Lanarkshire Integration Joint Board and the Controller of Audit

October 2022

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Key messages

2021/22 annual report and accounts

- 1 Our audit opinions on the annual accounts of the South Lanarkshire Integration Joint Board are unmodified. The financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

Financial management

- 2 Joint Board's across Scotland were operating in a volatile and challenging environment in 2021/22. The South Lanarkshire Integration Joint Board had to prioritise its health and social care response to the Covid-19 pandemic against the backdrop of workforce and financial challenges that impacted on its capacity to progress its planned service developments.
- 3 Covid-19 had a significant impact on the 2021/22 year-end budget position. The Joint Board received £52.362 million of non-recurrent Covid-19 related funding in 2021/22. Of this, £36.708 million was received late in the financial year which meant the Joint Board was unable to spend much of this by the year-end. This unspent Covid-19 funding contributed to the overall underspend of £63.948 million for 2021/22.
- 4 The Joint Board generally has effective financial reporting and budget monitoring arrangements in place.
- 5 The Joint Board has taken steps to increase its Chief Financial Officer capacity. Instead of an officer shared with North Lanarkshire IJB, a full-time officer has been appointed.
- 6 Financial systems of internal control operated effectively. The Joint Board's key financial governance documents were reviewed in 2021/22.

Financial sustainability

- 7 The Joint Board's 2022/23 budget is balanced but it relies on £7.514 million of non-recurring savings.
- 8 Staff pay awards are expected to be higher than those currently included in the budget. This will add to the future pressures on the Joint Board's budgets.

- 9 The Joint Board has a medium to long-term financial plan. Work is now ongoing to update this to reflect the impact of Covid-19 and the wider challenges facing IJBs.
- 10 Covid-19 funding has significantly increased the Joint Board's reserves, with these totalling £85.278 million as at 31 March 2022. The Joint Board should prioritise developing a reserves plan to set out how and when these monies will be spent.
- 11 There remain significant workforce pressures within both partner organisations.

Governance and transparency

- 12 Effective governance and decision-making arrangements were in place during 2021/22.
- 13 The Joint Board has enhanced the openness and transparency of its activities and decision making through the introduction of live on-line streaming of the Integration Joint Board and the Performance and Audit Sub-Committee meetings.

Best value

- 14 Key indicators show that performance has returned to around pre-pandemic levels. Performance has declined compared to 2020/21 but this reflects reduced activity in the previous year due to the pandemic.
- 15 Performance reporting against the six Health and Social Care Delivery Plan and Ministerial Steering Group Indicators is well-embedded but enhanced reporting arrangements are planned, focussing on the strategic priorities of the IJB.
- 16 The Joint Board's effective planning and communication helped in managing the system-wide health and social care system pressures, including acute service pressures, experienced during December 2021 and January 2022. The IJB Chief Officer and their team, through both partners, created a prioritisation framework that was reflective of the challenges it faced, with a focus on its most vulnerable citizens. The Scottish Government circulated this framework to other Joint Board's noting it as a template for good practice.

Introduction

1. This report summarises the findings from our 2021/22 audit of South Lanarkshire Integration Joint Board (the Joint Board).
2. The scope of our audit was set out in our [Annual Audit Plan](#) presented to the Performance and Audit sub-committee meeting on 1 March 2022. This report comprises the findings from:
 - an audit of the South Lanarkshire Integration Joint Board's 2021/22 annual accounts
 - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#).

Adding value through the audit

3. We add value to the Joint Board, through audit, by:
 - identifying and providing insight on significant risks, and making clear and relevant recommendations
 - sharing intelligence and good practice through our national reports and good practice guides
 - providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Responsibilities and reporting

4. The Joint Board has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The Joint Board is also responsible for compliance with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.
5. Our responsibilities, as independent auditor appointed by the Accounts Commission, are established by the Local Government (Scotland) Act 1973, the Code of Audit Practice and supplementary guidance, and International Standards on Auditing in the UK. As public sector auditors, we give independent opinions on the annual accounts. Additionally, we conclude on the appropriateness and effectiveness of the performance management arrangements, the suitability and effectiveness of corporate governance arrangements, and the financial position and arrangements for securing financial sustainability. Further details of the respective responsibilities of

management and the auditor can be found in the Code of Audit Practice and supplementary guidance.

6. This report raises matters from our audit. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

7. Our annual audit report contains an agreed action plan at [appendix 1](#). It sets out specific recommendations, responsible officers, and dates for implementation. It also includes outstanding actions from last year and progress against these.

Appointment of external auditors 2022/23 to 2026/27

8. In March 2022, Audit Scotland wrote to the Joint Board noting that its external auditor would remain Audit Scotland for the period 2022/23 to 2026/27. A new audit team will carry out the audit and we will work closely with them to ensure a well-managed transition.

New Code of Audit Practice

9. A new [Code of Audit Practice](#) applies to public sector audits for financial years starting on or after 1 April 2022. It replaces the Code issued in May 2016.

10. The Code outlines the objectives and principles to be followed by all auditors. The audit of financial statements is covered by auditing standards, so the Code focuses more on the wider dimension objectives and responsibilities of public sector auditors. It is a condition of their appointment by the Auditor General for Scotland or the Accounts Commission that they follow it.

Auditor Independence

11. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the annual accounts, auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

12. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2021/22 audit fee of £27,960, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

13. This report is addressed to both the South Lanarkshire Integration Joint Board and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

14. We would like to thank all management and staff who have been involved in our work for their co-operation and assistance during the audit.

1. Audit of 2021/22 annual accounts

The principal means of accounting for the stewardship of the resources and performance.

Main judgements

Our audit opinions on the annual accounts of South Lanarkshire Integration Joint Board are unmodified.

Our audit opinions on the annual accounts are unmodified

15. The annual accounts for the year ended 31 March 2022 were approved by the Performance and Audit Sub-Committee on 12 October 2022. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report, management commentary, and annual governance statement were all consistent with the financial statements and properly prepared in accordance with proper accounting practices.

The unaudited annual accounts were submitted for audit in line with the agreed timetable

16. We received the unaudited annual accounts on 28 June 2022 in line with the agreed audit timetable. The annual accounts submitted for audit were of a reasonable standard as were supporting working papers. Finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

Our audit testing reflected the calculated materiality levels

17. We apply the concept of materiality in both planning and performing the audit and in evaluating the effect of any identified misstatements on the audit. We identify a benchmark on which to base overall materiality such as gross expenditure and apply what we judge to be the most appropriate percentage level for calculating materiality values.

18. The determination of materiality is based on professional judgement and is informed by our understanding of the entity and what users are likely to be most

concerned about in the annual accounts. In assessing performance materiality, we have considered factors such as our findings from previous audits, any changes in business processes and the entity's control environment including fraud risks.

19. Our initial assessment of materiality was carried out during the planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual accounts and is summarised in [exhibit 1](#).

Exhibit 1

Materiality levels

Materiality level	Amount
Overall materiality: This is the figure we use in assessing the overall impact of potential adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2022.	£6.185 million
Performance materiality: This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we calculated performance materiality at 60% of planning materiality.	£3.710 million
Reporting threshold: We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£0.185 million

Source: Audit Scotland

Our audit identified and addressed the significant risk of material misstatement in our 2021/22 Annual Audit Plan

20. The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit, we identified one significant risk of material misstatement which could impact on the annual accounts. [Exhibit 2](#) sets out this risk together with the work we undertook to address it and our conclusions from this work.

Exhibit 2

Significant risk of material misstatement reported in the 2021/22 Annual Audit Plan

Description of risk	Audit response to risk	Results and conclusion
<p>1. Risk of management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>Assurances will be obtained from the auditors of NHS Lanarkshire and South Lanarkshire Council over the completeness, accuracy and allocation of income and expenditure.</p>	<p>Results: Testing of income and expenditure transactions was carried out by the external auditors of the IJB's partner bodies.</p> <p>No issues were identified which would have an impact on the processing of IJB transactions or our audit approach.</p> <p>Conclusion: There was no evidence of management override of controls from the work performed.</p>

Source: Audit Scotland

We have significant findings to report on the annual accounts

21. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the IJB's accounting practices covering accounting policies, accounting estimates and financial statements disclosures. We have significant findings on the annual accounts, and these are summarised in [exhibit 3](#).

Exhibit 3

Significant findings from the audit of the annual accounts in line with ISA 260

Issue	Resolution
<p>1. Hospital acute services (set-aside)</p> <p>The "set-aside" budget is the Joint Board's share of the budget for delegated acute services provided by the large hospitals, on behalf of the Joint Board. Included within the total Joint Board expenditure of £597.069 million is £59.501 million of set-aside costs.</p> <p>The budget and actual expenditure reported for the "set-aside" are equal. The figure is based on</p>	<p>For information only</p> <p>Covid-19 had a significant impact on the acute services delivered in 2020/21 and is impacting on services in 2021/22. The Joint Board is working with its partners to agree how budget variances are to be funded in the future.</p>

Issue	Resolution
<p>2018/19 activity levels for hospital inpatient and day case activity, provided by NHS National Services Scotland's Information Services Division and adjusted to reflect 2020/21 costs.</p> <p>The historic nature of activity data used to determine actual costs means that the variance from budgeted costs is not known until two years later. Delegated acute service costs based on actual activity levels were greater than budget by:</p> <ul style="list-style-type: none"> • £0.752 million in 2016/17 • £2.510 million in 2017/18 • £1.328 million in 2018/19 <p>Greater volatility is expected for 2020/21 due to the impact of Covid-19 on services and activity levels.</p>	

2. Significant increase in reserves

The balance held in reserves for future spending amounted to £85.278 million at 31 March 2022, compared to £37.019 million 31 March 2021.

This significant increase is due to a combination of funding received from the Scottish Government late in the year which has been carried forward for use in 2022/23 and the release of funding previously withheld by the Scottish Government until reserve balances were used. This funding is included as an underspend against budget for the partner bodies in the annual accounts as the funding is paid to the Joint Board through the partners.

A formal review of reserves is currently underway, with the plan scheduled to be considered by the Joint Board in March 2023.

Further comment on the reserves position is detailed in [paragraphs 58 to 61](#).

Source: Audit Scotland

There were no misstatements identified in the annual accounts

22. There were no misstatements identified in the annual accounts. In accordance with normal audit practice, a number of presentational and disclosure amendments were discussed and agreed with management.

The management commentary complies with the applicable guidance but there remains scope to enhance the reader experience by using relevant infographics

23. The management commentary that accompanies the financial statements should clearly explain how the Joint Board has performed against budget and how this is reconciled to the financial statements. For 2021/22 the management commentary provides reasonable disclosure on the year under review including the impact of Covid-19 on the Joint Board.

24. In previous years we reported that the management commentary and annual governance statements suffered from excessive detail and that they should be made more accessible for the reader. Improvements have been made to the management commentary and annual governance statement (see below) to reduce superfluous information. Management should continue to seek opportunities to develop both areas further. For example, there remains scope to improve reader accessibility by using infographics rather than block text within the management commentary. This would enhance the reader experience and provide a more informative overview of the key messages for the Joint Board.

The annual governance statement provides a good level of disclosure on the Joint Board's governance arrangements during 2021/22

25. The Joint Board has a Local Code of Corporate Governance, and this is reviewed and updated annually. The local code follows the principles set out in the CIPFA /SOLACE Delivering good governance in local government: framework 2016. The Joint Board's annual governance statement complies with this guidance.

26. The statement presents a good explanation and assessment of the Joint Board's governance arrangements for the year under review. The impact that Covid-19 on these arrangements in 2021/22 has been detailed.

27. Towards the end of 2021 health and care services across South Lanarkshire were faced with escalating pressures. These were due to the emergence and impact of the Covid-19 omicron variant, high levels of demand for services, increasing complexity of health and social care needs and workforce challenges across all parts of the health and social care system. Emergency contingencies were activated by the IJB Chief Officer through delegated authorities to safeguard vital support for vulnerable people. This included the development of a prioritisation framework that ensured those vulnerable people still had access to essential services that need to be maintained whilst scaling back on more routine services that operate when staffing levels are at a more normal level. These actions were transparent and subsequently reported to the Joint Board for endorsement. The full range of services were gradually reintroduced by the end of January 2022.

Good practice

The Joint Board's effective planning and communication helped in managing the system-wide health and social care system pressures, including acute service pressures, experienced during December 2021 and January 2022. The IJB Chief Officer and their team, through both partners, created a prioritisation framework that was reflective of the challenges it faced, with a focus on its most vulnerable citizens. The Scottish Government circulated this framework to other Joint Board's noting it as a template for good practice.

The pandemic impacted on the Joint Board's planned review of its arrangements for accounting for hosted services. In 2021/22 the Joint Board concluded that it is satisfied with the current arrangements but that it would continue to monitor any wider developments in accounting for hosted services

28. The Integration Scheme sets out which healthcare services are provided by South Lanarkshire Integration Joint Board on behalf of North Lanarkshire Integration Joint Board.

29. The Joint Board have adopted the "principal" method of accounting for hosted services, whereby the full costs are reflected within the annual accounts for the services which the Joint Board hosts. Under current arrangements, the risk, and rewards for any over or underspends rests with the host body, with any overspend absorbed by the host or underspends retained by the host. All partners have agreed to this approach to date. However, the Joint Board had planned to review its approach to accounting for hosted services during 2020/21 to determine whether this practice was appropriate. Due to the pandemic, the timescale for review was subsequently revised to March 2022.

30. The future funding arrangements for hosted services are to be determined by the Joint Board and its partners. This has been an ongoing action point in recent financial years. The Joint Board has now concluded that it is satisfied with the arrangements currently in place. The Chief Financial Officer will continue to monitor further developments in respect of hosted services arrangements in respect of under and overspends and the approach to risk sharing.

Our audit work addressed the wider dimension risks identified in our 2021/22 Annual Audit Plan

31. The [Code of Audit Practice 2016](#) requires auditors to consider the wider dimensions of public sector audit (financial management, financial sustainability, governance and transparency and value for money). Within our 2021/22 Annual Audit Plan, under this responsibility, we identified wider dimension risks in relation to:

- Financial sustainability
- Service pressures arising from the pandemic
- Workforce pressures

32. [Appendix 2](#) summarises the audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed. Further details of our work in relation to the audit dimensions is included in sections 2 to 5 of this report.

Progress was made on most of the prior year recommendations

33. We reviewed progress against audit recommendations made in our [2020/21 annual audit report](#) which included actions brought forward from previous years. From the nine action points raised, seven have been suitably addressed and the timescales for the remaining two have been revised. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [appendix 1](#).

2. Financial management

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

Main judgements

Joint Board's across Scotland were operating in a volatile and challenging environment in 2021/22. The South Lanarkshire Integration Joint Board had to prioritise its health and social care response to the Covid-19 pandemic against the backdrop of workforce and financial challenges that impacted on its capacity to progress its planned service developments.

Covid-19 had a significant impact on the 2021/22 year-end budget position. The Joint Board received £52.362 million of non-recurrent Covid-19 related funding in 2021/22. Of this, £36.708 million was received late in the financial year which meant the Joint Board was unable to spend much of this by the year-end. This unspent Covid-19 funding contributed to the overall underspend of £63.948 million for 2021/22.

The Joint Board generally has effective financial reporting and budget monitoring arrangements in place.

The Joint Board has taken steps to increase its Chief Financial Officer capacity. Instead of an officer shared with North Lanarkshire IJB, a full-time officer has been appointed.

Financial systems of internal control operated effectively. The Joint Board's key financial governance documents were reviewed in 2021/22.

Covid-19 had a significant impact on the 2021/22 year-end budget position, with unspent funding in support of this contributing to an underspend of £63.948 million

34. The Joint Board does not have any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer and Chief Financial Officer. All funding and expenditure for the Joint Board is incurred by partner bodies and processed in their accounting records.

35. The ongoing Covid-19 pandemic had a significant impact on the Joint Board's 2021/22 budget. The Joint Board received £52.362 million of Covid-19

related funding in the year with £36.708 million of this received late in the financial year. The Joint Board utilised £19.139 million of this funding in 2021/22. The remaining £33.223 million was transferred to an earmarked ring-fenced reserve.

36. This underspent Covid-19 funding contributed to the Joint Board returning overall underspend of £63.948 million against a budgeted breakeven position, [exhibit 4](#). The Joint Board has earmarked £49.859 million of this underspend with the remaining £14.089 million being added to its contingency reserve.

Exhibit 4

Performance against budget

2021/22 budget summary	Budget £m	Actual £m	Variance £m
Gross Expenditure	683.603	618.673	64.930
Funded by:			
Contribution from NHS Lanarkshire	(476.900)	(461.485)	(15.415)
Contribution from South Lanarkshire Council	(146.134)	(142.740)	(3.394)
Service Income	(8.207)	(10.345)	2.138
Covid-19 funding	(52.362)	(52.362)	0
Total Income	(683.603)	(666.932)	(16.671)
Surplus of Income over Expenditure	0	(48.259)	(48.259)

Source: Audit Scotland

The Joint Board generally has effective financial reporting and budget monitoring arrangements in place

37. Detailed budget monitoring reports were submitted to meetings of the Joint Board and the Performance and Audit Sub-Committee throughout the year. These included the year to date and forecast year-end outturn position along with details of the financial impact of Covid-19. The reports also set out the level of required efficiency savings that had been achieved to date.

38. In previous years, the Chief Financial Officer has presented a detailed year-end outturn report to members along with the unaudited annual accounts. This is a significant report which gave members a comprehensive overview of the financial position along with explanations for variances against budget and detail on the efficiency savings achieved. The report for 2021/22 was not prepared as part of the year-end processes however we understand that the

final outturn report will be taken to the October 2022 meeting of the Performance and Audit Sub-Committee.

39. The Joint Board generally has detailed and timeous budget reporting that allows members and the management team to carry out effective scrutiny of its finances. The IJB Chief Officer and their team, through both partners, are committed to ensuring these arrangements are maintained to ensure the high standard of financial reporting continues to be further developed and strengthened, particularly in response to additional reporting demands and unforeseen circumstances.

The Joint Board has taken steps to increase its Chief Financial Officer capacity. Instead of an officer shared with North Lanarkshire IJB, a full-time officer has been appointed

40. In previous years we reported that there was a risk of disruption to financial services and processes if the Chief Financial Officer (CFO) was unable to fulfil her role, due to her workload and reliance on one individual. We were advised that discussions were underway between the Joint Board and the partner bodies to identify suitable options to support the CFO role. In January 2022, the partner bodies agreed that the existing arrangement of a shared CFO with North Lanarkshire IJB was no longer sustainable. A recruitment process was enacted to allow each of the North and South IJBs to have a full-time CFO. That process is now complete with both IJBs having a full-time CFO appointed, effective from September 2022. We welcome this appointment and recognise that partner bodies are committed to supporting the CFO with effective financial support, absence cover and succession planning.

41. During the 2021/22 audit the CFO had a period of long-term absence, which resulted in the Joint Board invoking back up arrangements to fulfil the remit of the CFO. This involved assigning the Accountable Officer role to the Chief Officer for a period of time and working with partner bodies to establish alternative arrangements for the preparation and audit of the 2021/22 annual accounts. Overall, arrangements have worked well and there was no significant impact on our audit.

42. The absence of the CFO has highlighted the risk of relying solely on an individual to deliver a key function. It is essential that the Joint Board has appropriate arrangements in place to support the full-time CFO and to ensure continuity of service in periods of absence.

Financial systems of internal control operated effectively. The Joint Board's key financial governance documents were reviewed in 2021/22

43. The Joint Board does not have its own financial systems and instead relies on partner bodies' financial systems. All financial transactions are therefore processed under the partner bodies' internal controls.

44. As part of our audit approach, we sought assurances from the external auditor of NHS Lanarkshire and South Lanarkshire Council. Neither the health

board nor council auditors reported any significant weaknesses that could result in a risk to the annual accounts of the Joint Board.

45. As auditors, we need to consider whether audited bodies have established adequate financial management arrangements. In previous year's we recommended that the Joint Board should review its standing financial instructions and standing orders as these had not been revisited since they were implemented in 2016. We are pleased to note that these documents were reviewed in 2021/22 and the updated versions presented to members of the Joint Board for their consideration and approval.

Internal audit provided a reasonable level of assurance over the adequacy and effectiveness of the partnership's framework of governance, risk management and control arrangements for the year ending 31 March 2022

46. Internal audit provides the Joint Board with independent assurance on risk management, internal control, and corporate governance processes. For the South Lanarkshire Integration Joint Board, internal audit is delivered on a joint basis by the Chief Auditors of NHS Lanarkshire and South Lanarkshire Council.

47. We found the internal audit functions to be operating effectively, and in line with the Public Sector Internal Audit Standards (PSIAS) requirements.

48. PSIAS require the provision of an annual internal audit opinion, to inform the Joint Board's annual governance statement. Internal audit issued its Annual Assurance Report to the Joint Board in June 2022 which included the opinion that: overall, reasonable assurance can be placed on the adequacy and effectiveness of the partnership's framework of governance, risk management and control arrangements for the year ending 31 March 2022.

3. Financial sustainability

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

Main judgements

The Joint Board's 2022/23 budget is balanced but it relies on £7.514 million of non-recurring savings.

Staff pay awards are expected to be higher than those currently included in the budget. This will add to the future pressures on the Joint Board's budgets.

The Joint Board has a medium to long-term financial plan. Work is now ongoing to update this to reflect the impact of Covid-19 and the wider challenges facing IJBs.

Covid-19 funding has significantly increased the Joint Board's reserves, with these totalling £85.278 million as at 31 March 2022. The Joint Board should prioritise developing a reserves plan to set out how and when these monies will be spent.

There remain significant workforce pressures within both partner organisations.

Given the challenging environment in which the Joint Board is operating in, it is important that it has plans in place to deliver recurring savings alongside the transformational change needed to deliver its services

49. In its June 2022 [Integration Joint Boards: financial analysis 2020/21](#) report, the Accounts Commission recognised the challenges that all Joint Boards face as they seek to balance the impact of Covid-19 together with the remobilisation and rising demand of services. Joint Boards are having to do this whilst working in an environment of financial and workforce pressures, uncertainty over future financial settlements and social care reform.

50. Individually, these factors present complexities for IJBs, but collectively, they mean that services require transformational change if they are to remain financially sustainable.

The Joint Board has plans in place to secure the savings required to address its funding gap of £8.499 million for 2022/23 although £7.514 million of these savings are non-recurring

51. The 2022/23 budget was approved by the Joint Board at its meeting in March 2022. The budget identified a funding gap of £8.499 million which was to be addressed through a combination of funding not utilised in 2021/22, efficiency savings, use of reserves, and a reliance on savings from employee turnover. However, £7.514 million of the savings are non-recurring. We are advised that management are working with partners to identify recurring savings to address the gap.

52. Staff pay awards are expected to be higher than those currently included in the budget. This will add to the future pressures on the Joint Board's budget.

53. The Joint Board should continue to explore and progress transformational change with its partners. This should identify where recurring savings, rather than temporary solutions, can be made. In particular, the lessons learned from delivering services during the pandemic should be used to advance new ways of working to improve the user experience. This, combined with robust longer-term financial plans, will be key to maintaining financial sustainability.

Recommendation 1

The Joint Board should continue to explore and progress transformational change with its partners. Without this, there is a risk that temporary solutions are relied upon to bridge funding gaps which do not address the longer-term financial pressures of the Joint Board.

The Joint Board has a medium to long-term financial plan. Work is now ongoing to update this to reflect the impact of Covid-19 and the wider challenges facing IJBs

54. 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. The Joint Board acknowledged that medium to longer-term planning represents good practice. However, it is also mindful that the impact of the proposed introduction of the National Care Service, as set out in [paragraphs 64 and 65](#), is not yet known and may impact on meaningful longer-term planning.

55. We previously reported that, in June 2020, the Joint Board approved the outline of its first medium to long-term financial plan, spanning the period 2020/21 to 2029/30. The plan covers most of the expected key areas, but at the time the plan was approved, it was acknowledged that the assumptions on which it was based would require to be revised to reflect the impact of Covid-19 and the significant emerging pressures in the medium-term. In order to prioritise the response to the Covid-19 pandemic and in recognition of the financial uncertainty nationally across health and social care services, the IJB Chief

Financial Officer rescheduled the original timeline of October 2021 to review the medium-term aspect of this financial plan.

56. It is acknowledged that medium-term planning is difficult during the pandemic and during the period of uncertainty such as we are in now. The Scottish Government's proposals for a new National Care Service add to the uncertainty. One-year funding settlements exacerbate this also. The immediate priority continues to be responding to the current and emerging service challenges, in particular workforce capacity.

57. The IJB Chief Officer, Chief Financial Officer, and both partners are committed to ensuring the Joint Board has a clear financial and operational strategy underpinning its service priorities. The implementation of the Strategic Commissioning Plan 2022-2025 and the alignment of the Joint Board resources to the agreed priorities and necessary transformational service changes is being progressed. The extent of the challenges means that services will need to change if they are to be sustainable in the future. The level of reserves accumulated in recent years should give the Joint Board the opportunity to re-shape services to support sustainability going forward.

Recommendation 2

The Joint Board should seek to develop a meaningful medium-term financial plan to ensure service priorities are adequately resourced.

Covid-19 funding has significantly increased the Joint Board's reserves, with these totalling £85.278 million as at 31 March 2022. The Joint Board should prioritise developing a reserves strategy to set out how and when these monies will be spent

58. The Joint Board holds a general fund reserve, which is used to smooth financial variations over the years. At 31 March 2022, the general fund balance amounted to £85.278 million compared to £37.019 million at 31 March 2021. This year's balance is significantly higher than it has been at any other point in the IJB's history. The substantial increase in 2021/22 is primarily due to an underspend with Covid-19 funding received by the Scottish Government, to be spent in future years. The non-recurring nature of these funds, and the reserves, presents a significant challenge to IJBs. [Exhibit 5](#) below sets out the reserve balances of the IJB between 2017/18 to 2021/22.

Exhibit 5

Reserves 2017/18 to 2021/22

	2017/18	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m	£m
Total Ring-Fenced Reserves	4.404	5.266	1.825	27.139	55.726
Total Earmarked Reserves	3.323	3.949	2.428	7.945	13.528
Contingency	0.551	1.808	1.920	1.935	16.024
Total Reserves	8.278	11.023	6.173	37.019	85.278

Source: South Lanarkshire Joint Board annual accounts 2017/18 to 2021/22

59. Given the level of funds held in reserve, it is essential that the Joint Board has a clear plan on how and when monies will be spent. Management have advised that work is currently ongoing to prepare a reserves plan, with this scheduled to be considered by the Joint Board in March 2023. Members should ensure they are satisfied with management's proposals and rational for the planned use of reserves, including those held as contingency.

60. In September 2022, the Scottish Government commenced discussions with IJBs regarding the possible clawback of reserves to meet future funding pressures. These discussions are at an early stage so further information will be required to support the Joint Board in making informed decisions on the use of reserves.

61. There are ongoing sustainability challenges of using reserves to fund recurring expenditure, particularly as recovery and renewal from the pandemic is progressed. In this regard, members will need to take difficult decisions in the future, recognising that a clear plan and effective management of the Joint Board's reserves will be key to maintaining financial sustainability.

Recommendation 3

The significant level of reserves held at 31 March 2022 offers the Joint Board a unique opportunity to shape services going forward to help meet the future sustainability challenge. The Joint Board should prioritise developing a reserves strategy which sets out how and when monies will be spent, when any clawback arrangements are clarified.

There remain significant workforce pressures within both partner organisations

62. There are significant workforce pressures in the NHS and social care systems. In its February 2022 [NHS in Scotland 2021](#) report, in the context of the scale and pace of remobilisation, Audit Scotland noted the risk of workforce issues in the NHS. This included concerns about staff wellbeing, sustainability because of retirements, recruitment challenges, and the need to ensure the appropriate skills mix. From a social care perspective, Audit Scotland's 2022 [Social Care](#) briefing highlighted that the social care workforce has high vacancy rates with many services facing recruitment problems. Together with the increasing demand for social care, this presents a risk to the capacity and quality of social care services.

63. The workforce issues being experienced nationally are replicated within both the partner organisations of the South Lanarkshire Health and Social Care Partnership. These issues have the potential to impact on the Joint Board's Strategic Commissioning Plan. The Joint Board recognises the workforce issues experienced by its partner organisations, with recruitment and retention identified as one of its improvement actions in its 2021/22 annual governance statement. Both partners are taking forward several actions to help address this risk, with regular updates provided to the Joint Board's Performance and Audit Sub-Committee.

The Scottish Government's proposals for a new National Care Service have the potential to significantly change the way that Joint Boards are structured and operate

64. Following the publication of the [Independent Review of Adult Social Care](#) in February 2021, work is currently under way nationally to develop and implement a new National Care Service (NCS). The Scottish Government expects the new NCS to be operational by 2026. These proposals have the potential to significantly change the way that IJBs are structured and operate.

65. In its January 2022 [Social Care](#) briefing Audit Scotland noted stakeholders concerns about the extent of the proposals for reform and the time it will take to implement them. Many of the current issues experienced by the social care sector, for example the workforce pressures, cannot wait for the Scottish Government to implement a new NCS. In its formal response to the national consultation on the new NCS proposals, the Joint Board highlighted similar points to those identified in the Audit Scotland national report. Whilst supportive of opportunity to discuss improvements to users experience of social care services, the Joint Board emphasised the importance of ongoing discussions on the short-, medium- and long-term challenges relating to funding, staffing, and service redesign.

4. Governance and transparency

The effectiveness of scrutiny and oversight and transparent reporting of information. Using resources effectively and continually improving services.

Main judgements

Effective governance and decision-making arrangements were in place during 2021/22.

The Joint Board has enhanced the openness and transparency of its activities and decision making through the introduction of live on-line streaming of the Integration Joint Board and the Performance and Audit Sub-Committee meetings.

Effective governance and decision-making arrangements were in place during 2021/22

66. The Joint Board made some changes to its governance arrangements in response to the pandemic. These have been set out in the annual governance statement in the annual accounts. The adequacy of the governance arrangements has been discussed further in [paragraphs 25 to 27](#).

67. Overall, we consider that the Joint Board's governance arrangements are appropriate and support effective scrutiny, challenge and decision making.

The Joint Board has enhanced the openness and transparency of its activities and decision making through the introduction of live on-line streaming of the Integration Joint Board and the Performance and Audit Sub-Committee meetings

68. There continues to be an increasing focus on demonstrating the best use of public money. Openness and transparency in how a body operates and makes decisions and is key to supporting understanding and scrutiny. Transparency means that the public has access to understandable, relevant, and timely information about how the body is taking decisions and using resources.

69. The Joint Board has its own website which includes the schedule of meetings and the agendas, reports, and minutes for each meeting of the Integration Joint Board and the Performance and Audit Sub-Committee.

Agendas are posted in advance of meetings to allow members of the public access to these.

70. Typically, meetings of the IJB are open to the public however, this was suspended due to Covid-19. Following our recommendation in last year's Annual Audit Report, management explored options to improve the accessibility of meetings. The March 2022 meeting of the IJB was the first to be live streamed. All future meetings of the IJB and the Performance and Audit Sub-Committee will be live streamed, with a recording made available on South Lanarkshire Council's YouTube channel. This change helps enhance the overall openness and transparency of the Joint Board.

Relevant national performance reports are considered by the Joint Board

71. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Reports published in 2021/22 can be found on Audit Scotland's [website](#).

72. During 2021/22 we noted that relevant national reports, including the [Social Care](#) briefing and the report on [NHS in Scotland 2021](#), were considered by members. The Chief Officer provided a briefing to members that explained how the findings and recommendations related to the specific circumstances of the Joint Board. We welcome this positive response to the national reports.

5. Best Value

Using resources effectively and continually improving services.

Main judgements

Key indicators show that performance has returned to around pre-pandemic levels. Performance has declined compared to 2020/21 but this reflects reduced activity in the previous year due to the pandemic

Performance reporting against the six Health and Social Care Delivery Plan and Ministerial Steering Group Indicators is well-embedded but enhanced reporting arrangements are planned, focussing on the strategic priorities of the IJB.

The Joint Board approved a new Strategic Commissioning Plan 2022-2025

73. The Public Bodies (Joint Working) (Scotland) Act 2014 requires IJBs to prepare three-year Strategic Commissioning Plans (SCP) that set out how resources will be directed to secure better health and wellbeing outcomes.

74. During 2021/22 the Joint Board undertook a consultation exercise to shape the new Strategic Commissioning Plan for 2022-2025. The consultation took the form of a series of engagement sessions with stakeholders and an online survey which was open to the public from 19 August 2021 to 18 December 2021. These measures attracted input from around 430 stakeholders across 29 engagement sessions and 207 survey responses. This provided a breadth of opinion to inform the plan.

75. The Joint Board approved the Strategic Commissioning Plan 2022-2025 at its meeting on 29 March 2022. The plan sets out 12 agreed strategic priorities for health and care delivery in South Lanarkshire as:

- Sustaining statutory social care and core health care functions
- Greater emphasis on early intervention, prevention, and inequalities
- Addressing mental health and addictions
- Improving unscheduled care and optimising intermediate care
- Supporting carers
- Promoting self-care and self-management including technology enabled care

- Improving transitional arrangements
- Facilitating single point of access and increasing access to seven-day services
- Investing in enablers to support integration
- Promoting suitable and sustainable housing
- Contributing to homelessness prevention and reduction
- Responding to the impact of the Covid-19 pandemic

76. Internal Audit conducted a review of the arrangements for the preparation of the Strategic Commissioning Plan and the extent to which the IJB was able to understand and influence strategic elements of the plan. The report was very complimentary of the process and plan, finding that:

- The approach to developing the plan was well planned and transparent with regular reporting on delivery and progress
- The plan is well constructed and provides a sound basis for the future development of future strategic intentions and commissioning
- An appropriate project methodology and project plan was produced with timescales for the monitoring and development of the plan
- A comprehensive communication and engagement plan was developed and applied
- The strategic risks of the IJB are regularly reported to the Performance and Audit Sub-Committee
- The plan reflects on the complex and challenging environment the IJB operates in

77. Our view of the 2022-25 Strategic Commissioning Plan is consistent with Internal Audit's comments.

Arrangements are in place to secure Best Value

78. Integration Joint Boards have a statutory duty to have arrangements to secure Best Value. To achieve this, Joint Boards should have effective processes for scrutinising performance, monitoring progress towards their strategic objectives, and holding partners to account.

79. A formal review of the Joint Board's systems and processes was undertaken in 2019 across the seven best value themes set out in [exhibit 6](#) below.

Exhibit 6

Best Value themes

• Vision and leadership	• Performance management
• Effective partnerships	• Sustainability
• Governance and accountability	• Equality
• Use of resources	

Source: Audit Scotland

80. The findings of the assessment were generally positive however, it is important that this is a dynamic process. There should be planned periodic reviews together with responses to any known changes across the best value themes. The IJB Chief Financial Officer, in consultation with the Head of Commissioning and Performance, is preparing a Best Value Review Programme which will complement and support the implementation of the Strategic Commissioning Plan 2022-2025. The progress in respect of this will be reported to the Joint Board in March 2023.

Key indicators show that performance has returned to around pre-pandemic levels. Performance has declined compared to 2020/21 but this reflects reduced activity in the previous year due to the pandemic

81. The Board has continued to monitor key performance targets throughout the year, with performance monitoring reports taken to all meetings of the Performance and Audit sub-committee and the Integration Joint Board. The full year position was reported to the Joint Board 28 June 2022. This provides a year-on-year comparison on the six prescribed Health and Social Care Delivery Plan and Ministerial Steering Group indicators, as set out in [exhibit 7](#) below. It is important to consider these movements in the context that many services were suspended in 2020/21 and while the NHS conveyed the message that it was open for business, the performance information for the period pre-pandemic to date shows that many people did not access NHS services during the early months of the pandemic.

Exhibit 7

National performance indicators

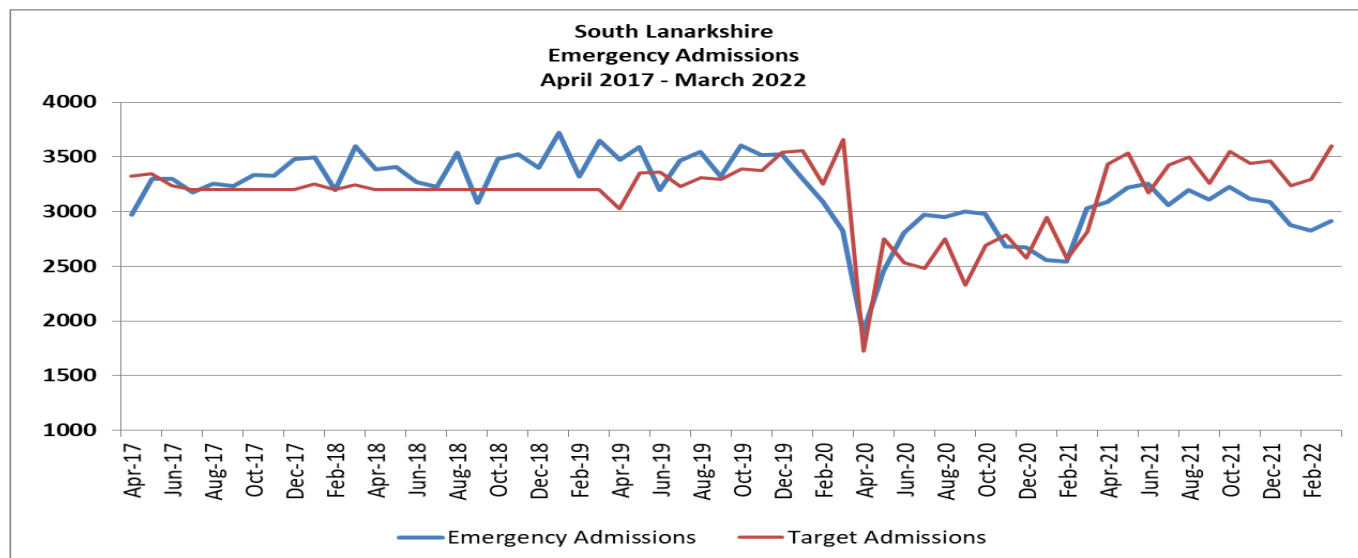
Indicator	Performance in 2021/22 compared to 2020/21
Unplanned admissions	Emergency admissions increased by 14%
Occupied bed days for unscheduled care	Bed days occupied by unscheduled care increased by 13%
Accident and emergency attendance	Accident and emergency attendance increased by 25%
Delayed discharges	Bed days lost due to non-Code 9 delayed discharges increased by 60%
End of life care	The number of people spending the last six months of life in the community has increased from 84.2% in 2013/14 to 89.6% in 2020/21
The balance of spend across institutional and community services	The number of people aged 75+ living unsupported at home has generally increased steadily from 81.6% in 2013/14 to 84.7% in 2020/21.

Source: South Lanarkshire Health and Social Care Partnership – 2021/22 Annual Performance Report

82. The information reported above, taken in isolation, provides a picture of increasing demand in key areas including Accident and & Emergency attendances, unscheduled care, and delayed discharges. Taking a wider view of performance since April 2018 shows that while demand has increased in 2021/22, particularly in comparison to 2020/21, overall, demand for services is around, or in some cases, below pre-pandemic levels.

83. Unplanned admissions are shown in [exhibit 8](#) below. This shows emergency admissions sitting below pre-pandemic levels. The approach taken to calculating this indicator means that the numbers will increase as care episodes are completed.

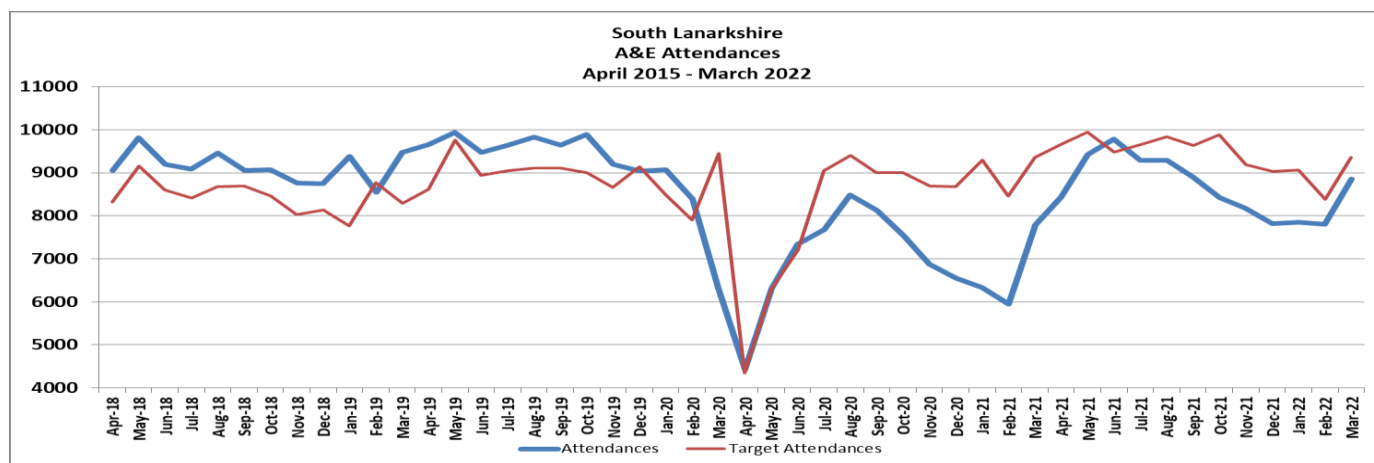
Exhibit 8 Unplanned / Emergency Admissions



Source: South Lanarkshire IJB Performance Monitoring Report Full Year Position 2021/2022

84. Accident and Emergency Attendances are shown in [exhibit 9](#) below. This shows peaks and troughs in A&E attendances since the start of the pandemic. However, the trajectory is that attendances are approaching pre-pandemic levels. The Joint Board does not report A&E waiting times although these have received extensive media attention, both at a national level and locally, as the pressures on the system continue.

Exhibit 9 A&E Attendances

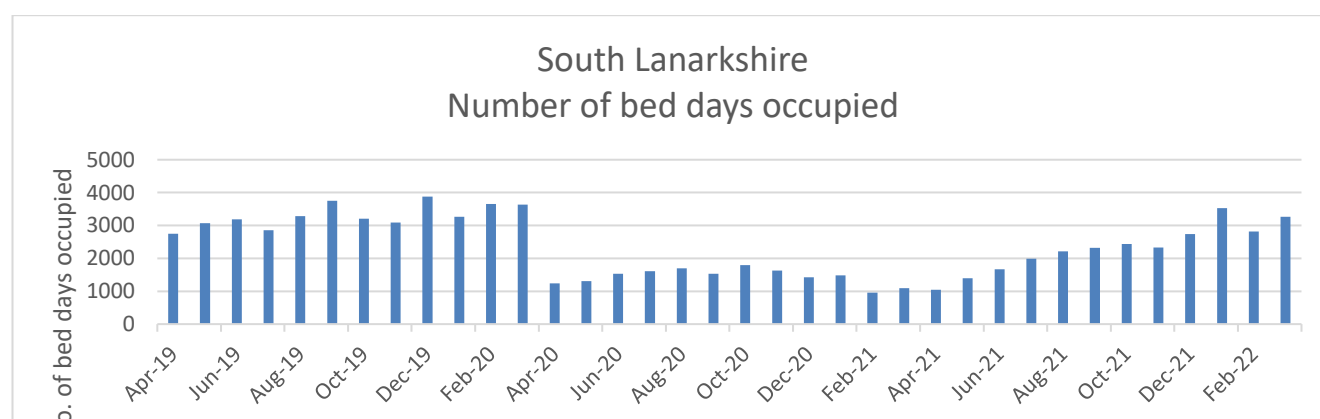


Source: South Lanarkshire IJB Performance Monitoring Report Full Year Position 2021/2022

85. Non-Code 9 delays are those arising for health and social care or patient and family reasons. In 2020/21 we reported that the Joint Board had made good progress in reducing non-Code 9 delayed discharges. This was attributed to both the impact of Covid-19 in terms of the reduction in services provided, and the implementation of a whole-system approach to avoiding delays. [Exhibit 10](#) below shows that following the significant decrease from April 2020, the number of bed days occupied by delayed discharges (non-code 9 reasons) has been increasing steadily since around April 2021 and is approaching pre-pandemic levels. It is acknowledged that the increase in the demand for services and the need to incubate during the pandemic have contributed to sustained pressure across the health and social care workforce, both nationally and locally.

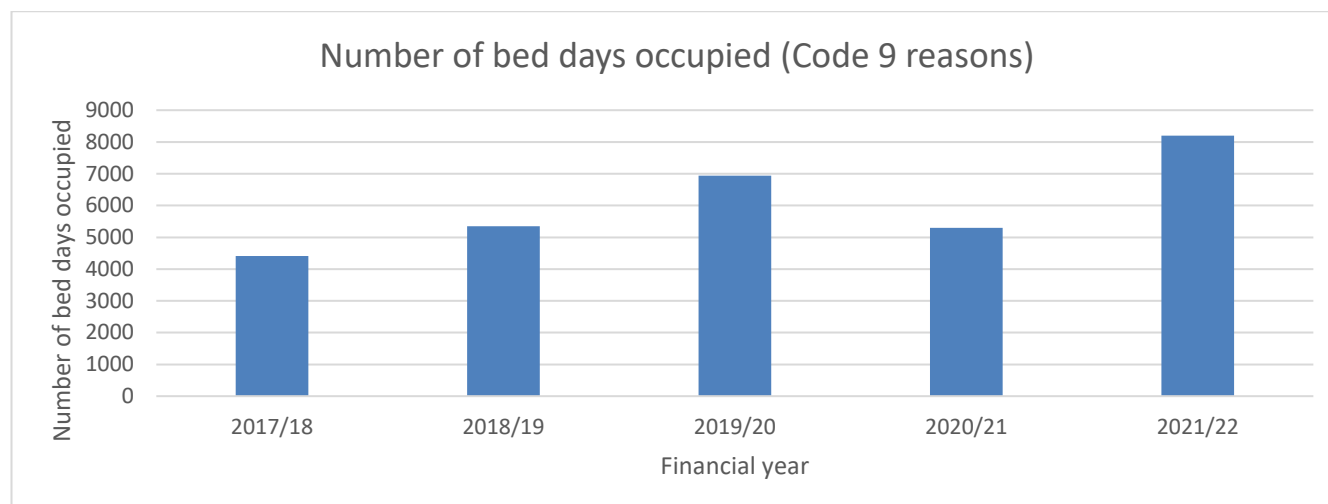
Exhibit 10

Number of bed days occupied by delayed discharges (non-code 9 reasons)



Source: Audit Scotland

86. Code 9 is applied where the patient lacks capacity and is going through a Guardianship process or where an interim move is not possible or reasonable, possibly due to the requirement for specialist care facilities. By their very nature, these delays can be more difficult to address as they are influenced by external factors, including progressing Guardianship orders through the courts. In 2020/21 we reported that there has been limited progress in reducing delays due to Code 9 reasons. The table at [exhibit 11](#) below shows that Code 9 delays have increased beyond pre-pandemic levels in 2021/22.

Exhibit 11**Number of bed days occupied by delayed discharges (Code 9 reasons)**

Source: Audit Scotland

87. Overall, there has been extensive messaging around the pressures in the NHS and social care system, both nationally and locally. The Joint Board has progressed measures to reduce pressure on the system through the initiatives such as Home First, Discharge without Delay and Hospital at Home. These have shown some early progress however further work is required to identify and address the pressure points in the system and how they can be mitigated to support the IJB in shifting the balance of care. This is a complex issue, particularly against the backdrop of increasing demand for services, the ongoing impact of Covid-19 and staffing pressures, but it is essential that there is a clear focus on shaping services that support the IJB and its partner bodies in meeting the needs of the people of South Lanarkshire.

Performance reporting against the six Health and Social Care Delivery Plan and Ministerial Steering Group Indicators is well-embedded but enhanced reporting arrangements are planned, focussing on the strategic priorities of the IJB

88. We previously reported that a comprehensive suite of indicators by locality are monitored on an ongoing basis by management. These reports provide useful information on the national health and wellbeing outcomes including child health surveillance, breast feeding, cervical screening uptake, drug and alcohol waiting times, homecare hours and staff sickness absence rates.

89. We were advised in 2020/21 that performance reporting arrangements were to be reviewed. Work has progressed on developing the performance reporting arrangements to support effective scrutiny and decision making of the Joint Board going forward. A report was presented to the Performance and Audit sub-committee in August 2022 which set out the revised arrangements. These will focus on the strategic priorities of the IJB and any risks which may impact delivery of these. Operational performance will continue to be monitored

through existing locality arrangements and partner bodies with any areas of concern escalated to the Joint Board as required.

90. These revised arrangements will take time to bed in. Ongoing monitoring will be required to establish how effective they are in enhancing scrutiny over performance and for shaping the priorities of the IJB going forward.

Appendix 1: Action Plan

2021/22 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Reliance on non-recurring savings</p> <p>The Joint Board's 2022/23 budget is balanced but it relies on £7.514 million of non-recurring savings.</p> <p>Risk: Temporary solutions are relied upon to bridge funding gaps which do not address the longer-term financial pressures of the Joint Board.</p>	<p>The Joint Board should continue to explore and progress transformational change with its partners.</p> <p>Paragraph 53</p>	<p>Agreed</p> <p>The transformational changes required by the Joint Board to achieve financial sustainability are being developed.</p> <p>Responsible Officer</p> <p>Chief Officer</p> <p>Timing</p> <p>March 2023</p>
<p>2. Medium to longer-term financial planning</p> <p>As services remobilise following the pandemic, and the implications for public services and funding become clearer, the Joint Board should seek to ensure it has a clear financial strategy underpinning its service priorities. Medium term planning has not progressed during the pandemic.</p> <p>Risk: The financial strategy is out of date as it does not consider the impact of Covid-19.</p>	<p>The Joint Board should seek to develop a meaningful and realistic medium term financial plan to ensure service priorities are adequately resourced.</p> <p>Paragraph 57</p>	<p>Agreed</p> <p>The current environment all HSCPs are operating within nationally is volatile and there is significant financial uncertainty. This is a national and local risk.</p> <p>The IJB Financial Plan 2022/2023 was approved by the Joint Board in March 2022 however, in order to prioritise the response to the Covid-19 pandemic and in recognition of the financial uncertainty nationally across health and social care services, original timeline for the review the medium to long-term financial plan was rescheduled.</p> <p>The medium-term financial plan is being reviewed to ensure available resources are effectively directed to</p>

Issue/risk	Recommendation	Agreed management action/timing
		<p>implement the Strategic Commissioning Plan 2022-2025.</p> <p>Responsible Officer Chief Financial Officer</p> <p>Timing March 2023</p>
<p>3. Reserves Plan</p> <p>The significant level of reserves held at 31 March 2022 offers the Joint Board a unique opportunity to shape services going forward to help meet the future sustainability challenge. The Joint Board should prioritise developing a reserves plan which sets out how and when monies will be spent, when clawback arrangements are confirmed.</p> <p>Risk: Reserves are not spent in a planned way which maximises the benefit for the residents of South Lanarkshire.</p>	<p>The Joint Board should undertake a comprehensive review of the reserves and develop plans on when and how these will be spent to enhance sustainability of services.</p> <p>Paragraph 61</p>	<p>Agreed</p> <p>The IJB Reserves Plan is being reviewed to ensure available resources are effectively directed to implement the Strategic Commissioning Plan 2022-2025.</p> <p>Responsible Officer Chief Financial Officer</p> <p>Timing March 2023</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>PY1. Review of governance documents</p> <p>The Joint Board has governance documents including standing financial instructions and standing orders in place; however, these have not been reviewed since the inception of the IJB.</p>	<p>The Joint Board should ensure that governance documents including the standing financial instructions and the standing orders are periodically reviewed to ensure they remain fit for purpose to the operation of the Joint Board.</p>	<p>Closed</p> <p>These documents were reviewed in 2021/22 and the updated versions presented to members of the Joint Board for their consideration and approval.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>Risk: These key documents, which govern the operational practices of the IJB, are no longer fit for purpose.</p>		
<p>PY2. Savings proposals still to be identified</p> <p>The financial update in August 2021 noted that £0.465 million of savings have still to be identified to bridge the 2021/22 funding gap.</p> <p>Risk: There is a risk that the Joint Board overspends against budget if savings measures are not identified and implemented.</p>	<p>The Joint Board should identify further savings measures as a matter of priority.</p>	<p>Closed</p> <p>The Joint Board relied on non-recurring Lanarkshire Mobilisation Plan Funding from the Scottish Government to meet the costs of unrealised savings in 2021/22. This funding stream was agreed with the Scottish Government in recognition that the interruption to “business as usual” made it difficult for public bodies to achieve savings.</p> <p>Identification of savings measures required for 2022/23 will be considered and reported separately.</p>
<p>PY3. Public access to meetings of the Integration Joint Board</p> <p>During the Covid-19 disruption, meetings of the Integration Joint Board have been held virtually. Initially access was restricted to voting members only however this has now been extended to all members.</p> <p>The IJB meetings are still not accessible to the public, over a year into the pandemic. As the Covid-19 situation emerges, public bodies are increasingly using technology to ensure the public are able to observe meetings.</p>	<p>The Joint Board should explore ways to enhance openness and transparency to meetings while public access is restricted.</p>	<p>Closed</p> <p>Management explored options to improve the accessibility of meetings. The March 2022 meeting of the IJB was the first to be live streamed. All future meetings of the IJB and the Performance and Audit Sub-Committee will be live streamed, with a recording made available on South Lanarkshire Council’s YouTube channel. This change helps enhance the overall openness and transparency of the Joint Board.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>Risk: The Joint Board is not meeting the requirements of openness and transparency.</p>		
<p>PY4. Accounting for hosted services</p> <p>South Lanarkshire Joint Board has adopted the “principal” method of accounting for hosted services, whereby the full costs are reflected within the annual accounts for the services which the Joint Board hosts. The Joint Board formally agreed its approach for managing 2019/20 underspends / overspends on hosted services at its meeting in December 2019 however there is currently no formal agreement in place for subsequent years.</p> <p>Risk: That the treatment of underspends / overspends becomes an area of dispute.</p>	<p>The Joint Board should undertake a review of its arrangements for accounting for underspends / overspends on hosted services as part of the planned revision of the Integration Scheme.</p>	<p>Closed</p> <p>The IJB Financial Plans 2022/2023 for both the South Lanarkshire IJB and the North Lanarkshire IJB have been prepared on the basis of the “principal” method of accounting for hosted services and on the understanding that the lead partner for the hosted services will continue to retain underspends and will manage overspends.</p> <p>The Chief Financial Officer will continue to monitor developments in respect of arrangements for under and overspends in hosted services arrangements for underspends and the approach to risk sharing.</p>
<p>PY5. Budget setting</p> <p>Progress in achieving planned savings is not routinely reported to the Joint Board.</p> <p>Risk: Members are unaware of potential budget overspends.</p>	<p>Achievement of planned savings should be reported to the Joint Board as part of regular budget monitoring and also in the year end outturn report.</p>	<p>Closed</p> <p>The achievement of efficiency savings against target is now disclosed in budget monitoring reports.</p>
<p>PY6. Sustainability of financial management capacity</p> <p>Time and resource pressures on the CFO have the potential to impact on reporting arrangements and</p>	<p>The Chief Officer and Joint Board should satisfy themselves that the structure of financial support arrangements for the IJB are appropriate to meet the needs of all parties, while ensuring that absence cover</p>	<p>Closed</p> <p>The Joint Board has moved to a full-time CFO for South Lanarkshire. The revised arrangements were effective from September 2022.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>the ability to respond to emerging issues and risks.</p> <p>Risk: There is interruption to services and processes if key officers are unable to fulfil their role.</p>	<p>is available, and that appropriate succession planning is in place.</p>	
<p>PY7. Narrative reports</p> <p>The management commentary and annual governance statement submitted for audit suffered from an excess of detail which tended to obscure the key messages.</p> <p>Risk: Reports are not readily accessible to users.</p>	<p>Management should, review the format and content of the narrative reports.</p>	<p>Closed</p> <p>Steps have been taken to improve narrative reports throughout our audit appointment. The Joint Board responds positively to audit recommendations and seeks to action these where possible. This action will be ongoing as reporting develops but it is appropriate to close this action point.</p>
<p>PY8. Efficiency savings</p> <p>Efficiency savings should be delivered in a planned way, to ensure that agreed levels of service provision are not compromised.</p> <p>Risk: Members are unaware of the impact on service delivery.</p>	<p>Management should ensure that members and stakeholders are provided with sufficient information to allow them to assess the impact of cumulative savings on service provision.</p>	<p>Ongoing – new recommendation raised</p> <p>There is still a reliance on non-recurring savings to address the 2022/23 budget gap.</p> <p>This recommendation has now been superseded by recommendation 1 above.</p>
<p>PY9. Reserves</p> <p>The Joint Board held reserves amounting to £8.278 million at 31 March 2018, £5.998 million of which was brought forward from 2016/17 for “earmarked” purposes.</p>	<p>As part of the annual budget setting process, a review of reserves, including earmarked balances, should be undertaken, and reported to the Joint Board. The Joint Board should ensure that where funds are earmarked these are used as planned to deliver the intended service benefits.</p>	<p>Ongoing – new recommendation raised</p> <p>The reserves plan was scheduled to be taken to September 2022 Joint Board meeting. This has now been revised to March 2023. Given the significant reserves balance held at 31 March 2022, it is essential that a clear reserves plan is in place.</p> <p>This recommendation has now been superseded by recommendation 3 above.</p>

Appendix 2: Audit dimension risks

The table below sets out the audit dimension risks that we identified in our 2021/22 annual audit plan together with a summary of the audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Audit dimension risks

Description of risk	Audit response to risk	Results and conclusions
<p>1. Financial sustainability</p> <p>There remains uncertainty around financial sustainability as the wider impact of Covid-19 is not yet known. Efficiency savings agreed between the Joint Board and each partner are being realised in 2020/21. However, these are generally on a non-recurring basis (i.e., through unfilled staffing vacancies) rather than on a sustainable recurring basis.</p> <p>Risk: Added financial pressure in subsequent years as budgets become increasingly constrained.</p>	<p>Review financial monitoring reports to assess the financial position, including progress in realising efficiency savings by each partner.</p> <p>Consider progress made in reviewing services to reflect the learning from the pandemic and to the balance of care.</p>	<p>Results: The Joint Board's 2022/23 budget is balanced but it relies on £7.514 million of non-recurring savings.</p> <p>The Joint Board has a medium to long-term financial plan. Work is now ongoing to update the medium-term aspect of this to reflect the impact of Covid-19 and the wider challenges facing IJBs.</p> <p>Covid-19 funding has significantly increased the Joint Board's reserves, with these totalling £85.278 million as at 31 March 2022. The Joint Board should prioritise developing a reserves strategy to set out how and when these monies will be spent.</p> <p>Conclusion: The financial pressures faced by the Joint Board have been reflected in recommendations 1, 2 and 3 raised in appendix 1.</p>

Description of risk	Audit response to risk	Results and conclusions
<p>2. Service pressures arising from the pandemic</p> <p>The Covid-19 pandemic continues to place significant pressure on health and social care services commissioned by the Joint Board and delivered by each partner.</p> <p>The unprecedented demand reflects the significant backlog of service users and patients seeking health and social care services. Health concerns, in particular, have been exacerbated by the pandemic.</p> <p>Risk: Covid-19 pressures may exceed the Joint Board's commissioning ability and each partner's ability to meet the levels of service user and patient demand in South Lanarkshire.</p>	<p>Review the board's performance monitoring reports to assess the extent to which each partner is meeting service performance targets and the demand for services in South Lanarkshire.</p>	<p>Results: Performance has been covered in detail at paragraphs 81 to 90 of this report.</p> <p>Conclusion: Performance across key indicators shows a decline compared to 2020/21, however reflecting longer-term, performance has returned to around pre-pandemic levels.</p>
<p>3. Workforce pressures</p> <p>In common with other health and social care bodies, each partner is facing significant workforce pressures. This is due to a combination of unfilled vacancies in both health and social care, but also high levels of staff absence due to the direct impact of Covid-19, or increasingly, wellbeing issues and individual health concerns that may have been exacerbated during the pandemic.</p> <p>Risk: As a result of significant workforce pressures, each partner may be unable to achieve the Joint Board's commissioning intentions to sustain services.</p>	<p>Monitor reports taken to the Joint Board and the Performance and Audit Sub-Committee in respect of workforce pressures experienced by each partner.</p> <p>Review financial monitoring and performance reports to identify issues arising due to workforce pressures experienced by each partner.</p>	<p>Results: See paragraphs 62 and 63.</p> <p>Conclusion: The Joint Board recognises the workforce issues experienced by its partner organisations, with recruitment and retention identified as one of its 2022/23 improvement actions in its 2021/22 annual governance statement.</p>

South Lanarkshire Integration Joint Board

2021/22 Annual Audit Report

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