

East Ayrshire Integration Joint Board

2023/24 Annual Audit Report



 AUDIT SCOTLAND

Prepared for East Ayrshire Integration Joint Board and the Controller of Audit
September 2024

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Key messages

2023/24 annual accounts

- 1 Audit opinions on the annual accounts of the East Ayrshire Integration Joint Board (the IJB) are unmodified. The financial statements give a true and fair view of the financial position of the IJB.
- 2 An adjustment was required to be processed within the CIES as part of the audit, due to expenditure on core services being overstated. This adjustment had no impact on the reserve position.

Financial management and sustainability

- 3 Financial management and reporting arrangements are appropriate and allow members and officers to scrutinise the budget.
- 4 The IJB has reported a year end overspend of £5.442 million, which has been funded from reserves. A financial recovery plan was approved in December 2023 as a year-end overspend position was projected. Planned savings from the budget and financial recovery plan of £4.336 million were not fully achieved with savings of £2.283 million achieved in year.
- 5 IJB reserves reduced significantly in 2023/24 by £10.9 million, to only £9.3 million with uncommitted balances sitting at £1.3 million. This limits the IJB's ability to respond to emerging or unexpected financial pressures or challenges.
- 6 The IJB set a balanced budget for 2024/25 however the month two financial monitoring report projected a year-end overspend largely attributable to planned savings not progressing or being achieved. A financial recovery plan has been developed and presented to the Joint Board in August 2024.
- 7 Budget gaps from 2025/26 to 2029/30 range from £4.061 million to £15.090 million. Future savings must be made through the transformation of services to bridge this gap. The medium-term financial plan needs to show how this will be achieved.

Vision, leadership and governance

- 8 The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the Board. The IJB has introduced an option for members of the public to view a live streaming of Board meetings.

- 9 The review of the Integration Scheme is now due to be approved by the Board by December 2024.
- 10 The Strategic Plan 2024-27 was approved in year. It outlines the IJB's vision and aligns with East Ayrshire Community Plan and has linkages to the financial plans and projections.

Use of resources to improve outcome

- 11 Performance management arrangements are appropriate and operate effectively.
- 12 The 2023/24 Annual Performance report shows that performance has declined in four of the six Ministerial Steering Group indicators when compared to the previous year.
- 13 The Strategic Commissioning Board oversee transformational activity and continue to monitor progress against the best value service review programme. Transformational activities continue and examples of service redesign is evident, however it is not clear what financial savings are being realised to ensure services remains financially sustainable.

Introduction

1. This report summarises the findings from the 2023/24 annual audit of East Ayrshire Integration Joint Board (the IJB). The scope of the audit was set out in our annual audit plan presented to the 5 March 2024 meeting of the Audit and Performance Committee. This Annual Audit Report comprises:

- significant matters arising from an audit of IJB's annual accounts
- conclusions on the following wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#):
 - Financial Management
 - Financial Sustainability
 - Vision, Leadership, and Governance
 - Use of Resources to Improve Outcomes
- conclusions on the IJB's arrangements for meeting its Best Value duties.

2. This report is addressed to the board of the IJB and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Audit appointment

3. I, Fiona Mitchell Knight, have been appointed by the Accounts Commission as auditor of the IJB for the period from 2022/23 until 2026/27. The 2023/24 financial year is the second year of my five-year appointment. My appointment coincides with the new [Code of Audit Practice](#) which was introduced for financial years commencing on or after 1 April 2022.

4. My team and I would like to thank Audit and Performance Committee members, Joint Board members, senior management, and other staff, particularly those in finance, for their cooperation and assistance in this year and we look forward to working together constructively over the course of the five-year appointment.

Responsibilities and reporting

5. The IJB 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 IJB is also responsible for compliance with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

6. The responsibilities of the independent auditor are established by the Local Government (Scotland) Act 1973 and the [Code of Audit Practice 2021](#), and supplementary guidance and International Standards on Auditing in the UK.

7. 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 of the IJB from its responsibility to address the issues we raise and to maintain adequate systems of control.

8. This report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation.

Communication of fraud or suspected fraud

9. In line with ISA (UK) 240 (*The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*), in presenting this report to the Audit and Performance Committee we seek confirmation from those charged with governance of any instances of actual, suspected, or alleged fraud that should be brought to our attention. Should members have any such knowledge or concerns relating to the risk of fraud within the IJB, we invite them to communicate this to the appointed auditor for consideration prior to the Annual Accounts being certified.

Auditor Independence

10. 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 2023/24 audit fee of £33,360 as set out in our 2023/24 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

11. We add value to the IJB by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability.
- sharing intelligence and good practice identified.

1. Audit of 2023/24 annual accounts

Public bodies are required to prepare annual accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

Main judgements

Audit opinions on the annual accounts of the East Ayrshire Integration Joint Board (IJB) are unmodified. The financial statements give a true and fair view of the financial position of the IJB.

An adjustment was required to be processed within the CIES as part of the audit, due to expenditure on core services being overstated. This adjustment had no impact on the reserve position.

Audit opinions on the annual accounts are unmodified

12. The board approved the annual accounts for the IJB for the year ended 31 March 2024 on 25 September 2024. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- 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 was prepared in accordance with the financial reporting framework
- the management commentary and annual governance statement were consistent with the financial statements and properly prepared in accordance with the applicable requirements.

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

13. The unaudited annual accounts and underlying working papers were received on 27 June 2024 in line with our agreed audit timetable.

Overall audit materiality was assessed as £6.506 million

14. Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

15. Our initial assessment of materiality was carried out during the risk assessment and 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 values

Materiality level	Amount
Overall materiality	£6.05 million
Performance materiality	£4.879 million
Reporting threshold	£0.325 million

Source: Audit Scotland

16. The overall materiality threshold for the audit of the annual accounts of the IJB was set with reference to gross expenditure, which we judged as the figure most relevant to the users of the financial statements.

17. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 75% of overall materiality, reflecting the fact that there were no significant issues identified in the prior year audit impacting on our audit approach. The IJB has no history of significant errors being identified through the annual accounts audit.

18. It is our responsibility to request that all misstatements, other than those below our reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance.

Significant findings and key audit matters

19. Under International Standard on Auditing (UK) 260 we communicate significant findings from the audit to the board, including our view about the qualitative aspects of the body's accounting practices.

20. The Code of Audit Practice also requires all audits to communicate key audit matters within the annual audit report under International Standard on Auditing (UK) 701. These are matters that we judged to be of most significance in our audit of the financial statements.

21. The significant findings from the audit are summarised in [Exhibit 2](#).

Exhibit 2

Significant findings and key audit matter from the audit of the annual accounts

Issue	Resolution
<p>1. Expenditure on core services overstated</p> <p>The unaudited CIES showed a deficit on the provision of service of £17.474 million and the movement in reserves showed a decrease of £10.851m which agreed to the analysis of transfers out of reserve. Following discussions with the Chief Finance Officer regarding the reserve movements in year and the outturn position it was noted that the core services expenditure had been overstated by £6.623 million.</p>	<p>The accounts have been adjusted to remove the overstatement on core services expenditure.</p>

Source: Audit Scotland

Our audit work responded to the risks of material misstatement we identified in the annual accounts

22. We have obtained audit assurances over the identified significant risks of material misstatement in the annual accounts. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2023/24 Annual Audit Plan. It also summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3

Significant risks of material misstatement in the annual accounts

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by the management override of controls</p> <p>As stated in ISA (UK) 240 (<i>The Auditor's Responsibilities Relating to Fraud in an Audit of</i></p>	<ul style="list-style-type: none"> Assurances will be obtained from the auditors of NHS Ayrshire and Arran and East Ayrshire Council over the completeness, accuracy and allocation of income and expenditure. 	<p>Results: We obtained assurances from the auditors of NHS Ayrshire and Arran and East Ayrshire Council over the completeness, accuracy and allocation of income and expenditure.</p>

Audit risk	Assurance procedure	Results and conclusions
<p><i>Financial Statements</i>), 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>	<ul style="list-style-type: none"> Evaluate any significant unusual transactions outside the normal course of business. 	<p>We evaluated any significant unusual transactions outside the normal course of business.</p> <p>Conclusion: We did not identify any incidents of management override of controls through our audit testing.</p>

Source: Audit Scotland

There were no non-material misstatements identified within the financial statements

23. Other than the corrected material misstatement detailed as a significant finding in [Exhibit 3](#), our audit identified no misstatements above our reporting threshold.

Good progress was made on prior year recommendations

24. The IJB has made some progress in implementing the audit recommendations identified in previous years. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

2. Financial management and sustainability

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively. Financial Sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Conclusion

Financial management and reporting arrangements are appropriate and allow members and officers to scrutinise the budget.

The IJB has reported a year end overspend of £5.442 million, which has been funded from reserves. A financial recovery plan was approved in December 2023 as a year-end overspend was projected. Planned savings agreed in the budget and financial recovery plan of £4.336 million were not fully achieved with savings of £2.283 million achieved in year.

IJB reserves reduced significantly by £10.9 million to £9.3 million with uncommitted reserves at £1.3 million. This limits the IJB's ability to respond to emerging or unexpected financial pressures or challenges.

The IJB set a balanced budget for 2024/25 however the month two financial monitoring report projected a year-end overspend largely attributable to planned savings not progressing or being achieved. A financial recovery plan has been developed and presented to the Joint Board in August 2024.

Budget gaps from 2025/26 to 2029/30 range from £4.061 million to £15.090 million. Future savings must be made through the transformation of services to bridge this gap. The medium-term financial plan needs to show how this will be achieved.

Financial management and reporting arrangements are appropriate and allow members and officers to scrutinise the budget.

25. Detailed financial management reports are presented to the IJB Board. These contain details of the current financial position, projected outturn for the year, update on financial risks and specific key actions on significant variances from budget. The reports also outline the current reserve position and progress on the delivery of savings.

26. Detailed financial performance updates were presented to the IJB Board meetings in December 2023, February and June 2024. The IJB development session in September 2023 reviewed the month four financial position.

27. We conclude that senior management and members receive regular and accurate financial information on the IJB's financial position and have concluded the IJB has appropriate budget monitoring arrangements.

The 2023/24 budget included planned savings and contributions from reserves to address the funding gap

28. In our 2023/24 annual audit plan we identified the IJB's financial sustainability as a wider scope audit risk for focus.

29. The IJB established a Budget Working Group to support the preparation of a balanced budget for 2023/24. The group was chaired by the Interim Chief Finance Officer, with representation from Heads of Service, Senior Managers and Council and NHS Finance officers. In recognition of the challenging financial environment, the budget working group continued to meet throughout the course of 2023/24.

30. The IJB approved its 2023/24 budget in March 2023. The budget was set at total net expenditure of £332.452 million consisting of £303.754 million of directly managed services and £28.698 million set aside. A funding gap of £3.949 million was identified with savings of £3.056 million required on council commissioned services and £0.893 million savings in NHS services. Savings proposals totalling £3.949m were identified and progress on the achievement of the savings was reported through the Financial Management Reports.

A financial recovery plan was approved in December 2023 as a year-end overspend position was projected. The IJB reported a year end overspend of £5.442 million.

31. At month six, the IJB was projecting a year end overspend position of £3.381 million on directly managed services. When hosted services managed across the Ayrshire lead partnership arrangements were factored in, it was acknowledged that if the mid-year position was maintained until the year end the overspend would increase to £4.059 million.

32. A financial recovery plan was developed and presented to the Joint Board in December 2023 alongside the month five financial management report. This was in line with the requirements of the Integration Scheme which intends for

services to be delivered within budget and when this is not possible for a recovery plan to be developed.

33. To achieve overall balance in 2023/24, the recovery plan outlined that work would continue to reduce non-essential expenditure. Proposed savings totalling £1.280 million and the planned use of £2.779 million of uncommitted reserves was also noted. Savings were to be achieved through a variety of cost reduction measures including delaying recruitment, project slippage and demand management were outlined. The proposed savings from the 2023/24 annual budget and the financial recovery plan totalled £5.229 million. As reported in the Financial Management Report for the year to 31 March 2024, £2.053 million of planned savings were not achieved with the balance funded from reserves.

The IJB's reserves decreased £10.9 million this year, leaving a balance of only £9.3 million

34. One of the key measures of the financial health of a body is the level of reserves held. The IJB has a general fund reserve, split between earmarked balances for future commitments or uncommitted balances.

35. The IJB reserves decreased by £10.9 million (over 50%) in 2023/24 to £9.3 million with uncommitted reserves at £1.3 million. The use of earmarked reserves of £5.429 million was planned and a further £5.422 million of uncommitted reserves were used to fund the deficit on the provision of services.

36. The IJB's reserve strategy was approved by the Joint Board in March 2024. The strategy outlines that no defined level of reserves is required, however, an aspirational level would be 2% of annual budgeted expenditure. Currently the IJB's level of reserves is below this target at only £1.3 million. The low level of reserves seriously limits the IJB's ability to manage and mitigate future financial pressures.

The IJB set a balanced budget for 2024/25 however the month two financial monitoring report reported a projected year-end overspend. A financial recovery plan has been developed and presented to the Joint Board in August 2024.

37. The IJB financial plan was approved by the IJB Board on 20 March 2024. The financial plan outlines a total budget of £353.913 million which consists of:

- £109.634 million delegated budget from East Ayrshire Council
- £2.121 million delegated resources from East Ayrshire Council for services managed out with the health and social care partnership
- £213.460 million from NHS Ayrshire and Arran
- Set aside budget of £28.698 million.

38. The budget outlined financial challenges including pay and inflationary pressures for the national care home contract, commissioned care at home services and children's out with authority placements. The financial plan sets

out that to achieve a balanced budget position £1.408 million of reserves will be utilised and savings of £4.194 million will be required. Savings proposals have been identified to meet this funding gap and progress on the achievement of savings will be reported regularly to the IJB Board through the Financial Management Reports.

39. The month two financial monitoring report was presented to the June 2024 Joint Board. This reported a projected overspend of £9.541 million on directly managed services for 2024/25. This is due to savings targets not being achieved. An initial financial recovery plan was presented to the August 2024 Joint Board alongside the month four financial monitoring report. Further work will be undertaken to place a value on the level of achievable savings. The Budget Working Group and Strategic Commissioning Board will take forward the financial recovery plan with oversight from the Audit and Performance Committee.

40. Budget holders have been tasked with completing monthly savings trackers to monitor the achievement of the savings plans for 2024/25. This will be monitored through the Budget Monitoring Group.

The Fair Share project on the set aside budget continues to progress

41. The pilot project “Fair share” commissioning through use of Directions has recommenced on a pan-Ayrshire basis following a pause due to covid-19. The project aims to ensure the full implementation of delegated hospital budgets and set aside budget requirements going forward.

42. The Ayrshire Finance Leads group has undertaken work to establish baseline resources for each IJB and how this compares to the NRAC share of resources. The information will be used to map activity data to costs for bed days, admissions and discharges across six specialties at various acute service locations.

43. The Strategic Commissioning Board will review the impact on set aside resources as part of their service redesign configurations. The 2024/25 budget does not include any specific identified set aside resource, instead the 2018/19 baseline allocation has been uplifted by two per cent to £28.698 million.

The IJB has updated its medium-term financial plan

44. 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.

45. The original medium term financial plan 2017/18 – 2021/22 was approved by the IJB on 30 November 2017. An update to the original plan was presented to the IJB on 25 March 2020, with a further high-level update included within the Annual Budget report for 2022/23 presented to the IJB Board on 23 March 2022.

46. The Scottish Government Health and Social Care Medium Term Financial Framework (MTFF) was approved in 2018. The IJBs Chief Finance Officers

network has been advised that, due to ongoing uncertainties, including the National Care Service legislative process, it is anticipated that the Health and Social Care MTFP will now be updated during 2024.

47. The IJB's updated medium term financial plan (MTFP) notes that the delayed publication of the national framework, alongside single year budget settlements, are key limiting factors in respect of the IJB being able to produce a meaningful and robust updated MTFP, as the Framework will be intrinsically linked to national health and wellbeing outcomes.

48. The IJB have delayed the preparation of an updated medium term financial plan for the period to 2030 until after the publication of the Scottish Government framework. In the meantime, the Board approved an update to the previous medium-term financial plan in March 2024 for the period 2024-2030.

Budget gaps from 2025/26 to 2029/30 range from £4.061 million to £15.090 million. Future savings must be made through the transformation of services to bridge this gap.

49. The medium-term financial plan identifies indicative funding gaps each year from 2025/26 to 2029/30 ranging from £4.061 million to £15.090 million.

50. In the prior year, our annual audit report included a recommendation around linkages between budgeted spend and the IJB's priorities as set out in the Strategic Commissioning Plan. Officers previously outlined that this will be reviewed as part of the development of the medium-term financial plan.

Recommendation 1

The IJB should prepare an updated medium term financial plan which shows how its future services will be delivered, within the available financial resources. Clear linkages to the IJBs strategic priorities should be included.

The IJB finance service has increased its capacity, however the Chief Finance Officer remains in a long-term interim post

51. The public sector continues to face increasing financial challenges and it is important for organisations to ensure they have sufficient financial capacity. Towards the financial year end recruitment to two finance posts took place. This will provide additional capacity to the IJB finance service. A detailed review of commitments from the Transformational Change Fund will be undertaken by one of the finance officers during 2024/25 to determine if funding previously allocated has been fully utilised.

52. The role of the chief finance officer is increasingly important both financially and strategically. The chief finance officer leads the development of the annual budget, medium term financial plans and financial recovery plans. At a strategic level, they chair various groups including the Strategic Commissioning Board and lead the pharmacy working group within the integration scheme work

programme, as well as representing, the IJB's interests on other groups and being involved on the Chief Finance Officer network group.

53. Furthermore, we note that the chief finance officer remains in a long-term interim post. Given the challenges across the public sector in senior officer recruitment, the IJB should put arrangements in place to recruit to the position on a permanent basis.

Recommendation 2

The IJB should put arrangements in place to recruit to the chief finance officer post on a permanent basis.

Financial systems of internal control operated effectively.

54. The IJB is reliant on the systems of its partner bodies. NHS Ayrshire and Arran and East Ayrshire Council, for its key financial systems, including ledger and payroll. All IJB transactions are processed through the respective partners' system and all controls over those systems are within the partner bodies rather than the IJB.

55. As part of our audit approach, we sought assurances from the external auditors of NHS Ayrshire and Arran and East Ayrshire Council (in accordance with ISA 402) and confirmed there were no weaknesses in the systems of internal control for either the health board or the council.

Internal audit

56. The internal audit service provides members and management with independent assurance on risk management, internal control and corporate governance processes as well as providing a deterrent effect to potential fraud. The internal audit function is carried out by East Ayrshire Councils Internal Audit team. Internal audit's work for 2023/24 is complete and their Annual Audit Report was presented to the Audit and Performance Committee in August 2024.

57. Internal Audit's overall opinion continues to be that reasonable assurance can be placed upon the IJB's overall adequacy and effectiveness of the organisation's framework of governance, risk management and control in the year to 31 March 2024. This overall opinion takes into consideration the complexity of governance arrangements, to include the two parent bodies and, at times, other Integration Joint Boards operating in the same National Health Service area.

58. The IJB Chief Internal Auditor's annual opinion is also reflected in the IJB Annual Governance Statement included in the IJB Annual Accounts for 2023/24.

Standards of conduct and arrangements for the prevention and detection of fraud and error were appropriate

59. The IJB does not maintain its own policies relating to the prevention and detection of fraud and error but instead depends on those in place at its partner bodies. We reviewed the arrangements in place at NHS Ayrshire and Arran and East Ayrshire Council through consideration of the work by partner body auditors and found them to be adequate.

60. Appropriate arrangements are in place for the prevention and detection of fraud and error. We are not aware of any specific issues we require to bring to your attention.

3. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

Conclusion

The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the Board. The IJB has introduced an option for members of the public to view a live streaming of Board meetings.

The review of the Integration Scheme is now due to be approved by the Board by December 2024.

The Strategic Plan 2024-27 was approved in year. It outlines the IJB's vision and aligns with East Ayrshire Community Plan and has linkages to the financial plans and projections.

Governance arrangements are appropriate and operate effectively

61. The IJB have established arrangements around committee reports and pre-agenda meetings and timetables. Democratic Services receive reports for committee in line with established lodgement dates outlined in the committee meeting calendar. The agenda and papers are then issued approximately a week before the committee date.

62. Pre-agenda meetings involving the IJB Chair, Chief Officers and Governance and Communications Managers take place prior to the issue of the formal agenda. Issues arising from the meeting are followed-up with officers who have reports to be presented to the IJB prior to issue.

63. All IJB meetings take place in a hybrid format with members and officers attendance either in-person in the Council chambers or remotely via Microsoft Teams. Members of the public can attend IJB Board meetings for open items of business.

64. Meeting papers are available on the website in advance of meetings and minutes are available following approval. Following prior year audit

recommendations consideration has been given as to how the IJB can promote openness. The IJB have introduced a facility for members of the public to request a link to view a live streaming of the Board meetings. A decision has been made for the Audit and Performance committee to remain a closed committee in line with its approved terms of reference, however the papers and minutes from the committee are available on the East Ayrshire Council website.

65. From attendance at meetings, we have observed the committee business. We have noted that members are prepared for meetings and scrutinise the information presented. We have observed the interactions between officers and members and have noted their shared aims and vision for the IJB.

66. We consider that governance arrangements are appropriate and support effective scrutiny, challenge and decision making and that members and officers work together to achieve the aims of the IJB. We conclude that the IJB has demonstrated a commitment to openness and transparency.

The Strategic Plan 2024-27 outlines the IJB's vision and aligns with East Ayrshire Community Plan and the IJB's financial projections

67. The Public Bodies (Joint Working)(Scotland) Act 2014 places a duty on the IJB to develop a Strategic Plan for the integrated functions and budgets under its control. The current strategic plan was approved in 2021 and covers the period to 2030 in line with the East Ayrshire Community Plan. The 2014 Act requires a review of the plan every three years.

68. The Strategic Plan was reviewed and refreshed as part of the three-year cycle during 2023/24. The June Board approved the plan for 2024-27 and it has since been presented to East Ayrshire Council and NHS Ayrshire and Arran. The plan outlines each priority and includes details of planned activities and long-term ambitions. The key priorities of the Strategic Plan are:

- Starting well, living well and dying well
- Caring for East Ayrshire
- People at the heart of what we do
- Caring for our workforce
- Safe and protected
- Digital connections

69. The Strategic Plan incorporates high-level financial information to provide context of the strategic commissioning priorities and service delivery. This includes details of the 2024/25 budget and the indicative budgets up to 2029/30.

70. The Strategic Plan also incorporates considerations around workforce, performance, property and assets and engagement with the public and service users. The IJB's Participation and Engagement Strategy 2023-26 sets out

principles for participation and engagement with people and communities. The strategy aims to ensure people have opportunities to be involved, consulted and engaged in the design and delivery of services.

71. We consider that the strategic plan provides clarity on how the IJB intend to implement their visions and priorities.

The review of the Integration Scheme continues and is due to conclude later in 2024

72. The Public Bodies (Joint Working) (Scotland) 2014, places a legal duty on Councils and Health Boards to review the Integration Schemes at least once every five years to consider whether any changes are necessary or desirable. The Integration Scheme for the IJB was last updated in 2018. Following agreement with Scottish Government the Integration Schemes were extended for a further year.

73. A Programme Board was established to oversee the work, provide strategic direction and ensure consistency of approach for the Integration Schemes across the NHS Ayrshire and Arran board area.

74. The programme board has continued to meet during the year and the updated Scheme of Integration is planned to be reviewed and approved by the council and health board by December 2024. It would thereafter be submitted to Scottish Ministers.

4. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

Conclusion

Performance management arrangements are appropriate and operate effectively.

The 2023/24 Annual Performance report shows that performance has declined in four of the six Ministerial Steering Group indicators when compared to the previous year.

The Strategic Commissioning Board oversee transformational activity and continue to monitor progress against the best value service review programme. Transformational activities continue and examples of service redesign is evident, however it is not unclear what financial savings are being realised to ensure services remains financially sustainable.

Performance management arrangements are effective

75. The Audit and Performance Committee has oversight of performance reporting against the strategic plan. Twelve month rolling performance reports are presented to each of the committee. The purpose of the performance reports is to report key information relating to service performance, human resources, learning and development and risk management to provide assurance to the IJB of overall performance.

76. The Audit and Performance Committee received an update in March 2024 on progress against the Service Improvement Plan 2021-24. The update included exception reports which provided details of improvement actions and their progress. Furthermore, the report outlined completed actions, actions that are underway and those actions underway that are past their completion due date.

The 2023/24 Annual Performance report is published. Performance has declined in four of the six Ministerial Steering Group indicators when compared to the previous year

77. Integration authorities are required to publish an Annual Performance Report by the end of July each year. The Annual Performance Report for 2023/24 has been published and is available to view on the Partnership's 'Our Performance' website.

78. Since 2018 Health and Social Care Partnerships have been working to improve performance against the six local objectives and trajectories set out by the Ministerial Strategic Group for Health and Community Care (MSG).

79. The full year position was reported to the Joint Board on 28 August 2024. The report includes year-on-year comparison on the six prescribed Health and Social Care Delivery Plan and Ministerial Steering Group indicators as shown in [Exhibit 4](#).

Exhibit 4 Ministerial Steering Group indicators

Table 2. East Ayrshire Performance Against MSG Indicators: 2022/23 – 2023/24 Financial Years

MSG Indicator	East Ayrshire 2022/23	East Ayrshire 2023/24	Variance	
MSG01 - Unscheduled Admissions (all ages) (rate per 1,000 total population) *	126.3	136.5	8.1%	▲
MSG02 - Occupied Bed Days Unscheduled Care (all ages, acute specialities) (rate per 1,000 total population) *	893.9	903.1	1.0%	▲
MSG03 - Emergency Department: compliance with the four-hour standard (all ages)	67.0%	67.8%	0.8pp	▲
MSG04 - Delayed Discharge Bed Days (including code 9s) (rate per 1,000 18+ population)	100.8	110.5	9.6%	▲
MSG05 - End of Life Care – proportion of the last 6 months of life spent in community setting *	89.6%	89.1%	0.5pp	▼
MSG06 - Balance of care: Percentage of population in community or institutional settings - Proportion of 65+ population living at home (supported and unsupported) **	96.4%	96.4%	0pp	

Source: East Ayrshire Health and Social Care Annual Performance Report 2023/24

80. Performance has remained challenging in 2023/24, with all but two of the core MSG indicators showing a decline in performance when compared to the previous year. There has been no change in the percentage of people aged over 65 living supported or unsupported at home with 96.4% of the East

Ayrshire population continuing to be at home. The only indicator where performance improved slightly was compliance with the four-hour emergency department target. Whilst the rate of delayed discharge bed days increased by 9.6% in 2023/24, this continues to represent an area of strength in comparison to the national position.

81. We conclude that the IJB has established appropriate arrangements for reporting performance against national outcomes through the Annual Performance report.

The Strategic Commission Board has oversight of transformational activity and has continued to monitor progress against the best value service review programme

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

83. The IJB established the Strategic Commissioning Board (SCB) in 2017. The SCB has delegated responsibility to oversee the Transformation Fund and Workforce Development Fund and is responsible for overseeing workstreams on behalf of the Audit and Performance Committee including:

- Medium Term Financial Plan
- Cash Releasing Savings Proposals
- Service Redesign Proposals
- Transformational Fund Proposals

84. The SCB met nine times during 2023/24. A schedule of reporting on existing transformational programmes took place and updates were provided on redesign activity and proposals were put forward for efficiency savings. From a review of the SCB papers and minutes it is not evident that savings are being realised yet from transformational activity, however there are indications of planned actions that should realise savings. There are examples of activities that have increased capacity or redesigned activities. We note that during 2023/24 changes were made to the reporting form used for the transformational fund log and now requires planned savings from any proposals to be specified.

85. The IJB Best Value service review 2019-22 programme was endorsed by the Strategic Commissioning Board in September 2019. The programme set out the approach to service reviews through a three-year programme. It aimed to support reductions in existing demand through prevention, early intervention, new ways of working through the benefits of integration.

86. During 2023/24 the SCB received reports on a number of best value service reviews including implementation updates on children's

houses/fostering and adoption and the finance inclusion team and a service improvement plan update for older persons day services.

87. In November 2023, the SCB received an update on progress made on the three Best Value Service Reviews which sit under the umbrella of Corporate Parenting and includes: Children's Houses; Kinship Care and Fostering and Adoption. At the time of reporting, a significant number of actions have been actioned or are near completion.

88. As part of the Children's Homes review staffing models were reviewed and alternative staffing models were devised and analysed. It is intended that revisions to the staffing model could support a significant reduction in overtime costs.

89. With regard to the financial inclusion team, the Improvement Service provided additional funding of £0.088 million to continue the work of financial inclusion services in GP surgeries for 2023/24 and 2024/25 following the completion of the Welfare Advice in health Partnerships pathfinder. This service supports financial inclusion for low-income families and households and financial vulnerable individuals. This supports wider outcomes relating to health, wellbeing and equalities.

90. Financial Inclusion Assistants were recruited and provide the service within three GP Practices following referrals from medical practices. The advisor also undertakes follow up actions through a home visit if necessary. Where a case is more complex and requires an additional specialism, such as an appeal, the case is referred to a Financial Inclusion Officer within the wider team.

91. At the last reporting period, to the end of December 2023, the financial benefit to individuals and families for the original project within GP practices was £0.986 million and £0.069 million for those served by the rural practices, which launched in August 2023. Overall, as of the last reporting period, the pathfinder has assisted 533 people with welfare benefit and debt related matters accumulating to a combined financial gain of £1,056 million.

92. The Older People's Day Services supports in excess of 250 people each week some with complex needs at a total cost of £0.936 million. The best value service review was about service delivery and consultation took place with service users and carers to enable them to influence the outcome. Following the review an improvement action plan was developed. A number of actions have been completed including improving services users choices around activities, schedules and meals; enhancing visibility of the service on the East Ayrshire Council website and improving efficiency of the referral process and paperwork.

93. The SCB are reviewing the process for carrying out best value service reviews prior to the agreement of the next programme of reviews. The best value service reviews underway or completed have demonstrated a commitment to improving services.

The Accounts Commission's national report on IJBs' finance and performance was published in July 2024

94. In [2022](#) and in [2023](#), the Accounts Commission published bulletins setting out the financial performance of IJBs. At its August 2023 meeting, the Accounts Commission agreed to develop this report to reflect the known challenges facing social care in Scotland and report on wider service performance and outcomes alongside continued reporting on the financial health and financial challenges facing IJBs.

95. The Commission's Performance Audit Committee agreed the scope for the first IJB Finance and Performance report at its November 2023 meeting. The scope reflected the Commission's decision that the report will be its primary vehicle to comment annually on IJBs' financial and wider performance. The scope also included a 'spotlight' on social care commissioning and procurement.

96. The Accounts Commission's report [Integration Joint Boards' Finance and Performance 2024](#) was published in July 2024 and recommended that IJBs should:

- ensure that their Medium-Term Financial Plans are up to date and reflect all current known and foreseeable costs to reflect short and longer-term financial sustainability challenges.
- ensure that the annual budgets and proposed savings are achievable and sustainable. The budget process should involve collaboration and clear conversations with IJB partners, workforce, people who use services and other stakeholders around the difficult choices required to achieve financial sustainability while addressing the needs of individuals.
- work collaboratively with other IJBs and partners to systematically share learning to identify and develop service redesign focused on early intervention and prevention.
- work collaboratively with other IJBs and partners to understand what data is available and how it can be developed and used to fully understand and improve outcomes for those using IJB commissioned services. This should include a consideration of gaps in data.
- evaluate whether the local commissioning of care and support services, and the contracting of these services, adheres to the ethical commissioning and procurement principles, improving outcomes for people.

97. The report was considered by the Joint Board in August 2024. Further work would be required to take forward the recommendations made within the report.

Recommendation 3

The IJB should ensure that the findings of the Accounts Commission's 2024 national report on the finance and performance of IJBs are considered by the IJB Board and action taken to address the recommendations within the report.

Appendix 1. Action plan 2023/24

2023/24 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Financial sustainability</p> <p>The IJB is projecting an overspend for 2024/25 and a recovery plan is now in place.</p> <p>The medium-term financial plan shows budget gaps and the IJB is now holding only uncommitted funds of £1.3 million.</p> <p>There is a risk that the IJB is unable to secure the financial sustainability of its services.</p>	<p>The IJB should prepare an updated medium term financial plan which shows how its future services will be delivered, within the available financial resources. Clear linkages to the IJBs strategic priorities should be included.</p> <p>Paragraph 50</p>	<p>As part of the IJB fiscal framework, following publication of the Scottish Government Health and Social Care Medium Term Financial Framework, an updated MTFP, aligned to the Strategic Plan will be prepared and will inform future budget-setting exercises.</p> <p>Chief Officer, Interim Chief Finance Officer, Senior Manager – Wellbeing Planning and Performance.</p> <p>31 March 2025</p>
<p>2. Chief Finance Officer post</p> <p>The chief finance officer remains in a long-term interim post.</p> <p>There is a risk that to the financial management and reporting in the IJB if the chief finance officer were to leave.</p>	<p>The IJB should put arrangements in place to recruit to the chief finance officer on a permanent basis.</p> <p>Paragraph 53</p>	<p>Recognising the risk around temporary staffing arrangements, work has commenced to resolve this and recruit to the post on a permanent basis</p> <p>Chief Officer</p> <p>31 March 2025</p>
<p>3. National reports</p> <p>The Accounts Commission's report, Integration Joint Boards' Finance and Performance 2024, was</p>	<p>The IJB should ensure that the findings of the Accounts Commission's 2024 national report on the finance and performance of IJBs are considered by the IJB Board</p>	<p>Recognising the key messages set out in the- Accounts Commission report, an initial Financial Recovery Plan has been approved by the IJB on 28 August 2024.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>published in July 2024 and made a number of recommendations for IJBs.</p>	<p>and action taken to address the recommendations within the report.</p> <p>Paragraph 97</p>	<p>Going-forward, this plan will be refined and will align with the Annual Budget 2025/26 and the updated Medium Term Financial Plan, aligned to the Strategic Plan.</p> <p>Chief Officer, Interim Chief Finance Officer, Senior Manager – Wellbeing Planning and Performance.</p> <p>31 March 2025 and going-forward.</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>b/f 1. Financial sustainability</p> <p>The IJB has undertaken high level annual updates of its medium-term financial plan produced in 2017/18 to cover the period to 2021/22.</p> <p>Management have confirmed that the development of a new medium-term financial plan is planned following publication of the Scottish Government Health and Social Care Medium Term Financial Framework.</p>	<p>The IJB should prepare an updated medium term financial plan and include linkages to strategic priorities and how these will be delivered within delegated budgets.</p> <p>Recommendation 1</p>	<p>Refer to recommendation at Action Plan Point 1.</p>
<p>b/f 2. Access to meetings</p> <p>Members of the public are not able to access live or on demand recordings of the IJB meetings.</p>	<p>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>Members of the public are able to request access to a link to observe the IJB meetings.</p> <p>Action closed.</p>
<p>b/f 3. Set aside</p> <p>The IJB has not identified set aside resource and instead</p>	<p>The IJB should progress with implementing delegated hospital budgets and set aside requirements, in</p>	<p>The pilot project on “fair share” commissioning through use of Directions is ongoing on a pan-Ayrshire</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>us uplifting the 2018/19 ISD data. There is a risk that the budget for the set aside does not reflect actual activity levels.</p>	<p>collaboration with the Scottish Government, NHS Ayrshire and Arran and other Ayrshire partnerships.</p>	<p>basis and has been taken forward in conjunction with the ongoing review of the three Integration Schemes. Work continues to be undertaken by the Ayrshire Finance Leads group to refine mapping of activity data (bed days, admissions, discharges) against costs across the six specialties at the various acute services locations</p> <p>Chief Officer, Interim Chief Finance Officer, Senior Manager – Wellbeing Planning and Performance.</p> <p>31 March 2025 and going-forward.</p>

East Ayrshire Integration Joint Board

2023/24 Annual Audit Report

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