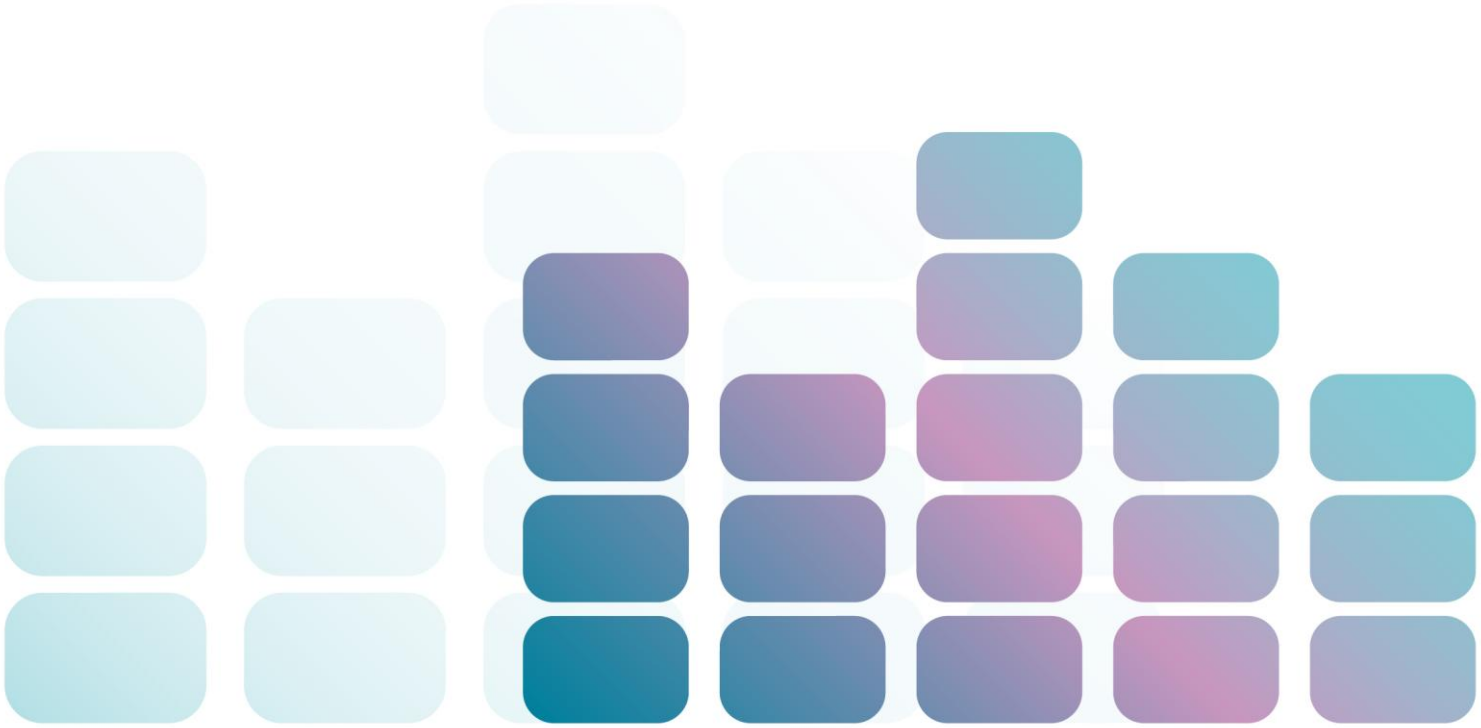
East Ayrshire Integration Joint Board

2025/26 Annual Audit Report



AUDIT SCOTLAND

Prepared for East Ayrshire Integration Joint Board and the Controller of Audit
September 2026

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Summary of audit opinions and conclusions

Audit of the annual accounts

1 All audit opinions stated that the annual accounts were free from material misstatement.

2 There were no significant findings or key audit matters to report. All audit adjustments required to correct the financial statements were processed by East Ayrshire Integration Joint Board.

3 One other matter has been reported in relation to non-compliance with the statutory public inspection requirements; the public inspection notice was not displayed at the required location, and the online notice did not link to the correct unaudited annual accounts. The accounts were, however, publicly accessible through the published papers for the Integration Joint Board meeting held on 24 June 2026.

Wider scope and Best Value audit

4 East Ayrshire Integration Joint Board has effective and appropriate arrangements in place for Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.

5 Financial management arrangements are effective and financial recovery and monitoring arrangements were strengthened during 2025/26. Following a Direction issued by East Ayrshire Integration Joint Board, East Ayrshire Council established a Financial Recovery Task Force, which introduced enhanced expenditure controls, savings monitoring and governance arrangements. Despite this, the Integration Joint Board reported an underlying overspend of £8.598 million on Council-commissioned services, which was met by non-recurring funding from the Council. Only £5.062 million (33.3 per cent) of the £15.217 million savings target was achieved.

6 Total reserves reduced by £2.421 million to £2.717 million as at 31 March 2026, equivalent to around 0.78 per cent of its initial annual budget and below the Reserves Strategy aspiration of 2 per cent. Only £0.541 million was uncommitted.

7 The 2026/27 budget depends on delivery of significant savings of £11.202 million. The July 2026 financial management report projected an overspend of £2.057 million. Financial balance remains dependent on successful delivery of recurring savings, demand management and service transformation. A current Medium-Term Financial Plan has not yet been developed and approved; however, the Financial Regulations were updated in 2026 setting out a requirement for a three-year Medium Term Financial Plan, which is anticipated to be developed in 2027.

8 Governance arrangements support effective scrutiny, challenge and decision-making. East Ayrshire Integration Joint Board demonstrates openness and transparency in its public reporting. A new Interim Chief Finance Officer was appointed for one year from March 2026. Work has commenced on the Strategic Plan 2027–30, with stakeholder engagement underway. The revised plan is intended to align strategic priorities with available resources and will incorporate a three-year Medium-Term Financial Strategy.

9 Performance management arrangements are well established through regular Partnership Performance Reports and Service Improvement Plans. The 2025/26 Annual Performance Report highlights improvement in two of the six Ministerial Strategic Group indicators and deterioration in four.

Best Value audit

10 East Ayrshire Integration Joint Board has effective and appropriate arrangements in place for securing Best Value.

Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2025/26 audit of East Ayrshire Integration Joint Board annual accounts and the wider scope areas specified in the Code of Audit Practice (2021).

2. The Annual Audit Report is addressed to East Ayrshire Integration Joint Board, hereafter referred to as 'the IJB' and the Controller of Audit and will be published on Audit Scotland's website in due course.

Appointed auditor and independence

3. Louisa Yule, of Audit Scotland, has been appointed as external auditor of the IJB for the period from 2025/26 until 2026/27. As reported in the Annual Audit Plan, Louisa Yule and the audit team are independent of the IJB in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from the IJB, including no provision of non-audit services.

Acknowledgements

4. We would like to thank the Audit and Performance Committee, Integration Joint Board members, senior management and other staff, particularly those involved in preparation of the annual accounts, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the five-year audit appointment.

Audit scope, responsibilities, and fee

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual accounts, namely the Management Commentary and Annual Governance Statement.
- An opinion on the audited part of the Remuneration Report.
- Conclusions on the IJB's arrangements in relation to the wider scope areas: Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
- Reporting on the IJB's arrangements for securing Best Value.
- Provision of this Annual Audit Report.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of the IJB and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Local Government (Scotland) Act 1973. These include providing an independent opinion on the financial statements and other information reported within the annual accounts and concluding on the IJB's arrangements in place for the wider scope areas and Best Value.

8. The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may

not be all that exist. Communicating these does not absolve the IJB from its responsibilities outlined below.

9. The Annual Audit Report includes an agreed action plan at Appendix 1 setting out specific recommendations to address matters identified and includes details of the responsible officer and dates for implementation.

The body's responsibilities

10. The IJB has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of annual accounts, comprising financial statements for the IJB that gives a true and fair view and other specified information.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

Audit Fee

11. The audit fee for the 2025/26 audit was reported in the Annual Audit Plan and was set at £35,480. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

National performance audit reporting

12. The Auditor General for Scotland and the Accounts Commission regularly publish performance audit reports. These cover a range of matters, many of which may be of interest to the Integration Joint Board. Details of national and performance audit reports published over the last year can be seen in Appendix 2.

Audit of the annual accounts

Main judgements

All audit opinions stated that the annual accounts were free from material misstatement.

There were no significant findings or key audit matters to report. All audit adjustments required to correct the financial statements were processed by the body.

Audit opinions on the annual accounts

13. The IJB's annual accounts were approved at the meeting of the Integration Joint Board on 29 September 2026 and certified by the appointed auditor on 29 September 2026. The Independent Auditor's Report is included in the IJB's annual accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.



Audit timetable

14. The unaudited annual accounts and all working papers were received on 26 June 2026 in accordance with the agreed audit timetable.

Materiality

15. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual accounts.

16. Broadly, the concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the decisions of users of the annual accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

17. Materiality levels for the audit of the IJB were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual accounts as can be seen in Exhibit 1.

Exhibit 1
2025/26 Materiality levels for the IJB

Materiality	IJB
Materiality – set at 2% of Gross Expenditure	£6.932 million
Performance materiality – set at 65% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£4.506 million
Reporting threshold – set at 5% of materiality.	£0.347 million

Source: Audit Scotland

Significant findings and key audit matters

18. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged with governance, which for the IJB is the Audit and Performance Committee.

19. The IJB's financial regulations outline the roles of the Audit and Performance Committee and Integration Joint Board. These outline that the Audit and Performance Committee oversee the effectiveness of the Board's governance, risk management and internal control arrangements including consideration of internal and external audit reports and monitoring of the implementation of the agreed audit recommendations.

20. The annual accounts are submitted to the IJB Board for approval following completion of the external audit. To ensure compliance with the financial regulations, the annual audit report and accounts were circulated to Audit and Performance Committee members in advance of the September 2026 IJB Board meeting to allow Audit and Performance Committee members to consider the audit of the annual accounts.

21. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

22. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.

- Significant events or transactions that occurred during the year.

23. There are no significant findings or key audit matters to report.

Qualitative aspects of accounting practices

24. ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of the body's accounting practices, including accounting policies, accounting estimates, and disclosures in the financial statements.

Accounting policies

25. The appropriateness of accounting policies adopted by the IJB was assessed as part of the audit. These were considered to be appropriate to the circumstances of the body, and there were no significant departures from the accounting policies set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Disclosures in the financial statements

26. The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was adequate, with additional levels of detail provided for disclosures around areas of greater sensitivity.

Other matters to report

27. Auditing standards require auditors to report a number of other matters if they are identified or encountered during an audit. The matters identified or encountered on the audit of East Ayrshire Integration Joint Board are outlined in Exhibit 2.

Exhibit 2
Other matters to report

Auditing standard requirement	Matter to report	Outcome
Non-compliance with laws and regulations ISA (UK) 250 requires auditors to report any instances of non-compliance with laws and regulations identified during the audit.	East Ayrshire Integration Joint Board did not fully comply with Regulation 9 of the Local Authority Accounts (Scotland) Regulations 2014 and section 195 of the Local Government (Scotland) Act 1973 in relation to publicising the right to inspect and object to its unaudited annual accounts. The required public notice was not displayed conspicuously at or near the principal entrance to the relevant offices. In addition, the online notice did not provide access to the correct unaudited 2025/26 annual accounts, as required under Regulation 8(8) of the 2014 Regulations. It is noted, however, that whilst the online notice linked to the incorrect accounts, the accounts were available to the public as part of the papers for the Integration Joint Board meeting held on 24 June 2026, which were published on the Council's website.	The non-compliance did not result in a material misstatement in the annual accounts and did not affect the audit opinion. The matter was reported to management, and a recommendation has been made to strengthen arrangements for future years. This includes implementing checks to confirm that the public notice is displayed and published in accordance with the statutory requirements and that the correct unaudited annual accounts are accessible from the website throughout the required period.

Recommendation 1

Compliance with statutory public inspection requirements

The IJB should strengthen its arrangements for publicising the inspection of its unaudited annual accounts. This should include checks to ensure that the public inspection notice is displayed and published in accordance with statutory requirements, all links are accurate and operational, and the correct unaudited annual accounts remain accessible on the website throughout the statutory inspection period.

28. All significant matters identified during the audit and discussed with the body's management have been reported in the Annual Audit Report.

Audit adjustments

29. No audit adjustments were required to the financial statements greater than the reporting threshold of £0.347 million.

Significant risks of material misstatement identified in the Annual Audit Plan

30. Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in Exhibit 3.

Exhibit 3
Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response	Outcome of audit work
Fraud caused by management override of controls Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	The audit team will: • Obtain assurances from the auditors of NHS Ayrshire and Arran and East Ayrshire Council over the completeness, accuracy and allocation of income and expenditure. • Evaluate any significant or unusual transactions outside the normal course of business.	Audit work performed found: • No significant issues were identified from transactions outside the normal course of business. • The controls in place for identifying and disclosing related party relationships and transactions were adequate. • Assurances obtained from the auditors of East Ayrshire Council and NHS Ayrshire and Arran identified no issues. **Conclusion:** no evidence of fraud caused by management override of controls.

Source: Audit Scotland

Prior year recommendations

31. The body has made some progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with the body and are outlined in Appendix 1.

Wider scope and Best Value audit

Conclusion

The body has effective and appropriate arrangements in place for Financial Management; Financial Sustainability, Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.

The body has effective and appropriate arrangements in place for securing Best Value.

Audit approach to wider scope and Best Value

Wider scope

32. As reported in the Annual Audit Plan, the wider scope audit areas are:

- Financial Management.
- Financial Sustainability.
- Vision, Leadership and Governance.
- Use of Resources to Improve Outcomes.

33. Audit work is performed on these four areas and a conclusion on the effectiveness and appropriateness of arrangements the body has in place for each of these is reported in this chapter.

Best Value

34. The duty on auditors to consider the arrangements in place to secure Best Value applies to the IJB as it falls within section 106 of the Local Government (Scotland) Act 1973.

35. Consideration of the arrangements the IJB has in place to secure Best Value has been carried out alongside the wider scope audit.

Significant wider scope and Best Value risks

36. Audit work has been performed in response to the significant wider scope and Best Value risks identified in the Annual Audit Plan. The outcome of audit work performed is summarised in Exhibit 4.

Exhibit 4
Significant wider scope and Best Value risks

Significant risk	Planned audit response	Outcome of audit work
Financial sustainability In recent years, the IJB has achieved short-term financial balance through the assistance of its partner bodies. However, it continues to be faced with significant financial challenges over the medium and longer term due to increased service demand, workforce pressures, the rising costs of delivering services, and uncertainty over future SG funding allocations. The approved annual budget for 2025/26 required £9.272 million of savings to be identified in addition to the £5.945 million of savings previously included in the Financial Recovery Plan. The FMR presented to the IJB in February 2026, indicates a projected year-end overspend on directly managed services of £11.174 million. An overspend of £10.696 million on EAC commissioned services makes up the majority of this. In December 2025, a Directions report in relation to financial recovery measures was issued to EAC. As a result, EAC established a taskforce which identified additional in-year recovery measures which will provide £1.445 million of savings leaving a residual budget gap of £9.251 million in council commissioned services. In addition, following review of service balances which identified £6.537 million of committed balances which could be released, the council approved the transfer of these reserves to a Health and Social Care Emergency Financial Support balance. Additional savings or funds will require to be identified to achieve a balanced outturn position.	The audit team will: • Review financial monitoring reports to assess the financial position, including progress in realising efficiency savings. • Review updates to financial plans to assess the short and medium-term financial sustainability of the IJB.	Audit work performed included: • Review of the IJB's financial management reports, budgets, savings trackers, financial recovery arrangements/ update reports, and year-end outturn to assess its short and medium-term financial sustainability. Considering the action taken by the IJB and East Ayrshire Council in response to the significant projected overspend, progress in delivering planned savings, the use of non-recurring partner funding, the level of reserves and the financial position for 2026/27. • The 2026/27 financial recovery update was reviewed, and it was noted a MTFP has not yet been developed (see para 81 onwards). **Conclusion:** The IJB strengthened its financial recovery and monitoring arrangements during 2025/26. However, significant challenges continue to face the IJB due to the scale of the underlying overspend, substantial under-delivery of planned savings, reliance on non-recurring Council funding and limited reserves. Financial balance remains dependent on successful delivery of significant recurring savings, demand management and service transformation.

Source: Audit Scotland

Conclusions on wider scope audit

Financial Management

37. The audit work performed on the arrangements the IJB has in place for securing sound financial management found that these were effective and appropriate. This judgement is evidenced by the IJB:

- having clear and up-to-date policies and procedures, including financial regulations and scheme of delegation, in place that ensure effective financial management.
- having appropriate arrangements in place for the prevention and detection of fraud and other irregularities through the arrangements in place at the IJB's partner bodies of NHS Ayrshire and Arran and East Ayrshire Council.
- having suitably qualified and experienced staff leading the finance function, which has sufficient skills, capacity, and capability to effectively fulfil its role.
- having effective arrangements in place for the scrutiny of arrangements that support sound financial management, and effective scrutiny and challenge provided by the Integration Joint Board and Audit and Performance Committee.
- issuing a Direction to partner bodies to implement financial recovery measures.

The IJB set a balanced 2025/26 budget, but this depended on delivery of significant savings

38. The IJB Board on 1 April 2025, approved the 2025/26 budget for East Ayrshire Integration Joint Board. A balanced budget was approved. The net directly managed services delegated budget for 2025/26 was £350.307 million (excluding set aside).

39. The budget included efficiency savings totalling £9.272 million. In addition, previously approved Financial Recovery Plan savings totalling £5.945 million were also required. Therefore, total savings of £15.217 million were required to deliver the approved balanced budget.

Detailed financial management reports were presented throughout the year. The financial position deteriorated significantly during 2025/26. In September 2025, the IJB reported a projected budget overspend of £10.218 million for the year

40. The IJB Board received detailed financial management reports whilst the Audit and Performance Committee received updates on the financial

recovery plans. The financial management reports contain details of the current financial position, the projected year-end outturn, updates on financial risks and key actions being taken to address significant budget variances. The reports also outline the current reserve position and progress on the delivery of savings. The financial management reports provide members with sufficient detail to enable scrutiny and challenge.

41. Per the September 2025 Financial Management Report reported to the IJB on 29 October 2025, the initial directly managed services budget of £350.307 million increased to £371.638 million. This included anticipated future funding from partner bodies to offset projected expenditure, as well as earmarked balances to be drawn down from the IJB Reserve to offset attributable costs in the current year.

42. The report highlighted that the consolidated projected outturn for the Partnership on directly managed services was an overspend of £10.218 million. This consisted of a projected overspend of £10.280 million on services commissioned from East Ayrshire Council and a projected underspend of £0.062 million on services commissioned from NHS Ayrshire & Arran.

43. The report also highlighted that savings totalling £6.995 million were anticipated to be achieved in 2025/26. This equated to 46% of the £15.217 million target and was a reduction on the £9.445 million anticipated savings as at July 2025. The reduction in the forecast savings largely related to key budget pressures in Care at Home Services (principally internally provided services), elderly residential and nursing care, Self-Directed Support packages of care and children outwith authority placements.

The IJB issued a Direction to East Ayrshire Council to establish and implement financial recovery measures

44. A Directions report covering financial recovery measures for the East Ayrshire Council commissioned services was presented to and approved by the IJB on 3 December 2025 and subsequently presented to East Ayrshire Council on 11 December 2025.

45. The Direction from the IJB required the Council, as the funding body for delegated social care functions, to implement financial recovery measures. This would be in line with the previously approved IJB Financial Recovery Plan, the approved budget for 2025/26 and any further measures identified through ongoing review and engagement. The following additional financial recovery measures were presented for consideration and decision:

- Apply robust vacancy controls including consideration of a further increase in the staff turnover savings target from delays in filling vacant posts and headcount reduction, alongside reductions in hours paid at enhanced rates, wherever possible;

- Further review the eligibility criteria for social care support from substantial and critical to critical only;
- Reduce reliance on outwith authority placements for children and young people;
- Explore options to increase fees and charges;
- Further strengthen operational controls to reduce costs i.e., review and reassessment of care packages, support to maximise attendance and reduce unnecessary overtime;
- Scale up digital health and care to reduce avoidable demand and generate cost avoidance in high-pressure areas.

46. At a meeting of the Council on 11 December 2025, the Council agreed to implement the Direction, to consider the additional financial recovery measures for council commissioned services and facilitate a local conversation on rethinking social care in conjunction with the IJB. East Ayrshire Council also established a dedicated Review and Redesign Team, in conjunction with the IJB, to drive forward demand management and service redesign across social care.

A Financial Recovery Task Force was established to implement appropriate financial recovery measures and strengthen governance arrangements

47. In response to the IJB Direction, a Task Force has been formed by East Ayrshire Council to implement appropriate financial recovery measures. This has been led by the Chief Executive and includes the Director of the East Ayrshire Health and Social Care Partnership, the Council's Chief Finance Officer and Chief Governance Officer.

48. Additional Financial Recovery proposals of £1.445 million were identified by the Council to partially mitigate the in-year financial pressures and support budget management in the short term:

- Review of Existing Balances - £0.789 million
- Re-Profile Whole System Investment Funding - £0.179 million
- Reduce Elderly Residential & Nursing Placements - £0.224 million
- Managing Access to Care at Home Services - £0.253 million

49. Further details of recovery measures implemented by the Task Force are detailed at para 73.

Despite the additional short-term financial recovery measures identified, the IJB reported a year end overspend of £8.057 million and required additional one-off support of £8.598 million from East Ayrshire Council

50. On 11 February 2026, East Ayrshire Council established, at its Cabinet meeting, a £6.537 million Health and Social Care Emergency Financial Support balance. This was intended to support the immediate 2025/26 position while the Partnership continued to implement recovery actions and discussions took place with NHS Ayrshire and Arran.

51. On 10 June 2026, East Ayrshire Council reported that the Health and Social Care Partnership (HSCP) achieved more than £2 million of savings between January and March 2026 following implementation of the Task Force arrangements. The year-end deficit for Council commissioned services was nevertheless £8.598 million.

52. The most significant overspends within Council commissioned services were:

- Older People's Services - £3.730 million
- Learning Disability Services - £3.224 million

53. For Older People's Services, the main pressure was staffing costs which reported an overspent position of £3.540 million. The main driver for the overspend within Learning Disability Services related to increased expenditure on care and support packages, particularly for Self-Directed Support.

54. The Financial Management Report as at 31 March 2026 was presented to the Integration Joint Board on 24 June 2026. The consolidated final outturn for the Partnership on population basis, after earmarking of committed balances for 2025/26 was an overspend of £8.057 million. This comprised an overspend of £8.598 million on Council commissioned services, and an underspend of £0.541 million on NHS commissioned services. This was an improved position from the month 9 projected overspend £10.696 million reported on 4 February 2026.

55. On 10 June 2026, East Ayrshire Council Cabinet approved transferring the £6.537 million Health and Social Care Emergency Financial Support balance to the HSCP, reducing the reported residual 2025/26 overspend from £8.598 million to £2.061 million. The Council was clear that this was a one-off contribution and would not be available in future years. The Council subsequently provided a further £2.061 million allocation to the IJB from the Council's General Fund Uncommitted Balance. This was also non-recurring, non-repayable funding, meaning that the full £8.598 million overspend on Council-commissioned services was met by additional Council funding.

Only 33.3 per cent of the savings target was achieved in 2025/26

56. The 2025/26 budget identified total savings for the year of £15.217 million. The ongoing pressures in managed care at home services, self-directed supports, residential services, looked after and accommodated children's allowances (including outwith placements) and children's houses impacted on the IJB's ability to deliver the level of savings required. Savings totalling £5.062 million were achieved which equates to 33.3 per cent of the total target, for 2025/26. Achievement is summarised in Exhibit 5 below:

Exhibit 5

Planned Savings	Target	Achieved	Shortfall
EAC approved savings	£7.091m	£3.290m	£3.801m
NHSAA approved savings	£2.181m	£1.555m	£0.626m
EAC Financial Recovery Plan	£5.945m	£0.217m	£5.728m
Total	**£15.217m**	**£5.062m**	**£10.155m**

Source: IJB Month 12 Financial Management Report as at 31 March 2026

57. Major contributors to the 2025/26 savings shortfall include:

- Continuing increased demand, demographic changes and greater complexity of care, particularly in Council commissioned services, with the largest pressures remaining in care at home, self-directed support and residential services.
- Failure to deliver against planned in-year savings from transformational proposals, for example, no savings were recorded against Care at Home (£1.881 million), new technology (£1.820 million) or social care support reviews (£2.027 million). These measures accounted for 96% of the proposed £5.945 million Financial Recovery Plan savings.
- Service redesign and implementation could not be delivered as quickly as required. This was due to time required to complete service reviews, engage with stakeholders and obtain the relevant formal IJB approval for any changes.
- Staff turnover and restructuring savings were only partly achieved with savings of £2.437 million against the target of £4.366 million.

Management structure and service review savings were the main reasons for the £1.888 million adverse variance against centrally held savings targets.

- Underachievement by £1.5 million against planned savings for Children's Services due to continuing pressures included external residential placements, children's houses and looked-after and accommodated children's allowances.
- Workforce pressures including recruitment and retention difficulties, staffing pressures, sickness cover, supplementary staffing and the need to maintain safe provision increased costs or restricted the ability to restructure services.
- Real-terms reductions in funding, inflationary pressures, new legislation and policy costs, provider-market stability and external pressures such as National Insurance and prescribing costs, absorbed capacity that might otherwise have supported delivery of savings.
- Transformational Change Programme funding had largely been used or committed. Only £0.057 million remained at year end and it was fully committed. The absence of funding to support further transformation represents an additional future risk.

The IJB utilised £4.064 million of earmarked reserves during 2025/26 and earmarked a further £1.102 million for future commitments which has resulted in the IJB having £2.176 million of earmarked reserves remaining. The IJB's reserves remain below its 2 per cent aspiration

58. One of the key measures of the financial health is the level of reserves held. The IJB general fund reserve is split between earmarked balances for future commitments or uncommitted balances. The IJB's updated Reserves Strategy was approved by the Joint Board on 18 March 2026, following review as part of the 2026/27 budget-setting process. A further review is scheduled for March 2028. The strategy does not prescribe a fixed level of reserves that the IJB must hold. It does, however, confirm that the IJB will aspire to hold General Fund balances equivalent to at least 2 per cent of annual budgeted revenue expenditure by the end of the three-year budget cycle as general fund balances. The strategy acknowledges that this aspiration must be balanced against the wider financial and strategic planning context.

59. Total General Fund reserves reduced from £5.138 million as at 1 April 2025 to £2.717 million as at 31 March 2026, a net reduction of £2.421 million. During 2025/26, the IJB used £4.064 million of reserves that had been earmarked at the start of the year. At 31 March 2026, it earmarked £1.102 million of the current-year balance for specific future commitments. Consequently, earmarked reserves reduced by £2.962 million, from £5.138

million as at 1 April 2025 to £2.176 million as at 31 March 2026. The IJB also recognised a new uncommitted reserve of £0.541 million arising from the year-end underspend on NHS Ayrshire & Arran commissioned services. There were no uncommitted reserves relating to Council commissioned services.

60. The total year-end reserve balance of £2.717 million is therefore equivalent to approximately 0.78 per cent of the £350.307 million initial annual budget expenditure. This remains significantly below the IJB's aspiration to hold General Fund balances equivalent to 2 per cent of annual budgeted expenditure. The uncommitted balance alone represented approximately 0.2 per cent of annual funding. The limited reserves available reduce the IJB's capacity to respond to unforeseen cost and demand pressures during 2026/27.

The IJB's Financial Regulations were strengthened in August 2026 and introduced requirements for enhanced financial governance arrangements.

61. Financial Regulations were reviewed by the IJB on 26 August 2026. Since March 2020, the Financial Regulations have been reviewed every two years with an additional review in August 2024. This latest review strengthens financial control and strengthens the financial governance framework, including further clarity on roles and responsibilities, enhanced budget setting procedures including earlier annual engagement with the Council and NHS in developing a draft integrated budget and further definition of operational requirements.

62. The revised Regulations strengthen financial governance through clearer officer and partner responsibilities, a formal three-year Medium-Term Financial Strategy, earlier budget engagement with the Council and NHS Board, defined thresholds for reporting material variances, enhanced savings monitoring and more prescriptive financial recovery arrangements. They also clarify that one-off resources should not support recurring expenditure and that proposals creating financial, operational, contractual or capital implications for a partner require that partner's approval. The next formal review is scheduled for March 2028.

Financial systems of internal control operated effectively

63. 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 respective partners' systems and all controls over those systems are within the partner bodies rather than the IJB.

64. 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 council.

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

65. 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.

66. 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.

Financial Sustainability

67. The audit work performed on the arrangements the body has in place for securing financial sustainability found that these were effective and appropriate. This judgement is evidenced by the IJB:

- making appropriate arrangement to develop financial recovery measures.
- updating the IJB financial regulations so that the Strategic Plan will incorporate a three-year medium-term financial strategy that sets out the expected resource consequences of planned changes in capacity.
- understanding medium and longer-term demand pressures that could impact on available resources.
- having savings plans in place to manage forecast budget deficits, and a reserves strategy in place to manage the use of reserves if the required level of savings cannot be met.

The IJB is not operating on a financially sustainable basis

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

69. As outlined at Exhibit 4, a significant wider scope risk was identified around financial sustainability due to the significant challenges going forward in the IJB's ability to achieve financial balance.

70. In 2025/26, significant demand and cost pressures, combined with substantial under-delivery of planned savings, resulted in an underlying overspend of £8.598 million on Council commissioned services. Financial balance was achieved only through non-recurring support from East Ayrshire Council. The IJB continues to face recurring pressures, limited uncommitted reserves and the requirement to deliver significant recurring savings. This means that the IJB remains dependent on the delivery of

the financial recovery measures alongside demand management and service transformation.

The 2026/27 budget depends on significant and challenging proposed savings of £11.202 million

71. The East Ayrshire IJB 2026/27 Annual Budget was approved at the special IJB meeting on 31 March 2026. The overall directly managed services budget delegated to the IJB for 2026/27 is £418.510 million, made up of East Ayrshire Council's contribution of £131.283 million and NHS Ayrshire and Arran's contribution of £253.224 million, with set aside of £34.003 million (total budget of £384.507 million excluding set aside).

72. The budget identifies savings pressures of £10.443 million on the council side and £0.321 million on the health board side. Savings proposals to meet these pressures have been identified. Since setting the budget, the NHS savings requirement has increased to £0.759 million, increasing the total savings requirement to £11.202 million. These savings proposals represent significant challenge for the IJB given the additional demand and complexity of care experienced.

The East Ayrshire Council Task Force represents positive action towards strengthening the IJB's recovery and expenditure control arrangements. The Task Force outlined a broader package of recovery and governance measures in its June 2026 Financial Recovery Update

73. The Task Force presented a Financial Recovery Update Report to the East Ayrshire Council Governance and Scrutiny Committee on 4 June 2026, outlining a broader package of recovery and governance measures including:

- enhanced financial reporting, savings trackers and quicker budget forecasts for managers;
- monthly monitoring of savings initiatives, allowing delivery shortfalls to be identified and addressed promptly;
- earlier introduction of Power BI financial and activity reporting for budget managers;
- tighter controls over expenditure and new spending commitments, supported by a formal escalation process through budget managers, Heads of Service, the HSCP Director and, ultimately, the Chief Executive;
- clearer accountability for budget holders and weekly oversight through the Financial Recovery Assurance Board;

- enhanced Governance and Scrutiny Committee oversight during 2026/27, including regular financial assurance reporting, scrutiny of material pressures and escalation to Cabinet where necessary;
- risk-based reporting focused particularly on Older People Services and Learning Disability Services, which accounted for approximately 81% of the 2025/26 overspend;
- alignment of the HSCP budget-setting process with the NHS and Council and timetables, enabling savings proposals to be considered and implemented earlier;
- increased Internal Audit scrutiny of governance and financial controls within, and across, the HSCP and IJB.
- reviews of service demand, eligibility and existing care packages, together with longer-term service redesign and transformation intended to deliver recurring savings and improve financial sustainability. At its meeting on 24 June 2026, the IJB considered a review of adult social care eligibility criteria and agreed to retain the existing threshold covering critical and substantial needs, rather than restrict access to those assessed as having critical needs only.

74. The Financial Recovery update includes an appendix outlining the 2026/27 savings measures identified, consistent with the required savings detailed in the 2026/27 IJB approved budget. These are highlighted with a red, amber, green status and will be updated throughout the year (see para 77 onwards for further detail).

The July 2026 Financial Management Report reported a projected 2026/27 budget overspend of £2.057 million, an improvement on the May 2026 position

75. The July 2026/27 financial management report was considered at the 26 August 2026 IJB meeting. The consolidated projected outturn for the Partnership on directly managed services is an overspend of £2.057 million. This consists of a projected overspend of £3.192 million on services commissioned from East Ayrshire Council and a projected underspend of £1.135 million on services commissioned from NHS Ayrshire & Arran. The month 2 Financial Management Report which was presented at the IJB on 24 June 2026 highlighted a directly managed services projected overspend of £2.821 million (projected overspends on Council commissioned services £4.019 million and an underspend on NHS Ayrshire & Arran commissioned services of £1.198 million).

76. The most significant pressure is Learning Disability Services, forecast to overspend by £3.232 million. This arises mainly from:

- Self-Directed Support Options 2 and 3 and care-at-home commitments - £2.158 million

- Learning disability residential care - £1.167 million
- Direct payments under Self-Directed Support Option 1 - £0.107 million.

£4.654 million of the £10.443 million council commissioned service savings for 2026/27 have been achieved, but further improvements are required to the clarity and transparency of savings reporting

77. The July 2026 IJB Financial Management Report highlights that £6.534 million of savings have been achieved or projected against the £11.202 million total requirement. £5.775 million of this being council side and £0.759 million being NHS savings. From review of this report, it appears that £4.654 million of actual savings have been made as at July 2026.

78. The Financial Management Report does not clearly distinguish between savings delivered by 31 July 2026 and savings representing forecast full-year delivery. Individual measures include a mixture of completed savings, calculated in-year savings, full-year forecasts and savings expected to be delivered by 31 March 2027.

79. Given the scale of the 2026/27 savings requirement and the IJB's previous record of under-delivery, clear distinction between actual savings achievement to date and projected savings is critical. In 2025/26, only £5.062 million, or 33.3 per cent, of the £15.217 million savings target was achieved, leaving a shortfall of £10.155 million. Clearer reporting could enable members to assess actual progress, challenge optimistic forecasts if applicable and identify schemes requiring corrective action at an earlier stage. Without a clear distinction between delivered and projected savings, there is a risk that the IJB and its committees receive an overly positive assessment of progress and are unable to identify emerging shortfalls promptly. This could delay corrective action and increase the risk of further overspends, particularly given the limited level of uncommitted reserves available.

80. This also applies to the £0.759 million NHS savings reported in year which, per savings reporting, are noted as being achieved/projected in full, however, the actual savings amount to date is not clear.

Recommendation 2

Clarity and transparency of savings reporting

The IJB could improve the clarity and transparency of its savings reporting by separately identifying savings that have been delivered and evidenced at the reporting date, savings forecast to be delivered by year end, and savings that remain unidentified or at risk. Reports should also show the recurring value of savings, delivery milestones, responsible officers and an assessment of delivery confidence.

A current Medium-Term Financial Plan for the IJB still requires to be developed and approved

81. A medium-term financial plan 2024-30, was presented to the Joint Board in March 2024, which identified indicative funding gaps each year from 2025/26 to 2029/30 ranging from £4.061 million to £15.090 million.

82. In the prior year, we recommended that the IJB should develop a medium-term financial plan with the latest financial position being used to provide an informed baseline for the plan. Management advised that in advance of publication of the updated Scottish Government Health and Social Care Medium Term Financial Framework (MTFF), work would be undertaken to update the high-level Medium Term Financial Plan (MTFP) approved by the IJB on 24 March 2024. This updated MTFP would incorporate the current baseline position, as well as the impact of the Scottish Government Budget 2026/27 following publication in December 2025. It would also incorporate latest planning assumptions around service demand. Management noted the updated MTFP would be presented to the IJB within the 2026/27 Annual Budget report in March 2026 and be updated and refined following publication of the updated Scottish Government Health and Social Care MTFF.

83. The 2026/27 Annual Budget report provides an update on medium term financial planning, noting that due to delays in publication of the above, no medium-term financial plan had been developed, however, the following next steps were noted:

- Ongoing and detailed consideration of the impact of financial sustainability on the Strategic Plan 2021-30 will be performed during 2026/27, alongside development of a detailed complementary Commissioning Plan to create robust governance from the Strategic Plan to the budget informing future financial and performance reporting.
- A Cross-Cutting Best Value Review of multi-disciplinary working at the point of presentation was completed in 2025/26. An Implementation Group is overseeing the delivery of the findings and

recommendation from that review to manage demand across the full range of delegated services for adults.

- Implementation will include improved up-front integrated initial assessment, re-direction, technology enabled care, process improvement, appropriate skills-mix, involving contributions across the health and care workforce and delivery partners. The realisation of concrete benefits including cost-reduction, demand reduction and improved quality of personal journeys and outcomes are key objectives of this redesign.

- The live testing of the Front-door Integrated Response Service Team (FIRST) approach is commencing from March 2026 with monitoring and evaluation an integral part of implementation.

- Transformational change will require to be taken forward at pace with work to be undertaken by the Review and Redesign Team alongside work being undertaken through the Ayrshire Transformation Board, as part of whole system reform (see para 86 below).

84. Per the updated financial regulations taken to the IJB on 26 August 2026, the Strategic Plan will incorporate a three-year medium term financial strategy that sets out the expected resource consequences of planned changes in capacity. The IJB Chief Finance Officer will, on a rolling annual basis, update the three-year Medium-Term Financial Strategy for approval by the IJB in the first quarter of each financial year covering the following three years which will take account of the contents of the current Strategic Plan and will include explicit assumptions on demographic pressures; social care demand forecasts, pay and prices projections; funding projections and savings required.

85. The Regulations outline that the Director of Health and Social Care and the IJB Chief Finance Officer will develop a draft integrated budget for the forthcoming financial year taking cognisance of the updated Medium Term Financial Strategy and present it to the Council and NHS Ayrshire & Arran by the end of September of the current year as part of the annual budget setting process for the following year

Recommendation 3

Development of Medium-Term Financial Plan

The IJB should develop and approve a comprehensive Medium-Term Financial Plan in accordance with its updated Financial Regulations. The plan should cover a minimum three-year period, be updated annually and clearly align projected funding, demand and cost pressures with the IJB's strategic priorities, service transformation plans and recurring savings requirements.

The Ayrshire Transformation Board provides opportunities for greater integration, efficiency and service improvement

86. An Ayrshire Transformation Board report was presented to the IJB on 31 March 2026. The Ayrshire Transformation Board has been established to provide oversight of financial and integration opportunities across the wider health and social care system. It is a senior officer forum intended to coordinate whole-system transformation, reduce duplication and variation, and promote a "Once-for-Ayrshire" approach. It does not replace the statutory decision-making responsibilities of the three IJBs (East Ayrshire, South Ayrshire, North Ayrshire), councils (East Ayrshire, South Ayrshire, North Ayrshire), or NHS Ayrshire & Arran.

87. The Ayrshire Transformation Board's five initial programmes are:

- Shared Services and Lead Agency arrangements
- Right Care, Right Place
- Adults with Incapacity
- Digital Transformation
- Communications

88. Right Care, Right Place was considered by the IJB at the 31 March 2026 board, the programme focusses on:

- reducing hospital occupancy
- improving patient flow
- reducing delayed discharge
- shifting activity from acute hospitals into community services
- coordinating bed numbers, commissioning and discharge arrangements
- releasing acute resources to support investment in community capacity

89. The work is supported by the NHS Ayrshire & Arran Flow Assurance Board, which oversees initiatives including Discharge Without Delay, virtual capacity, Adults with Incapacity, integrated discharge arrangements, hospital-at-home approaches and improvements to emergency and general medicine pathways.

90. NHS Ayrshire and Arran asked the three HSCPs to develop community alternatives that would allow the acute hospital footprint to reduce by 115 bed spaces across the two acute sites. The proposed Phase 2 Short-Term Flow Improvement Plan requires approximately £4.5

million annually. The intended model is for this investment ultimately to be funded from reductions in acute hospital costs, provided the bed reductions can be sustained. The IJB's part of the proposal focuses on:

- care-home placements for approximately 10 people awaiting funding while in hospital; and
- approximately five Care at Home reablement packages to facilitate discharge and improve flow.

91. The Interim Chief Finance Officer confirmed there has been active implementation of the proposals, with an update to be presented as part of the Month 6 Financial Report Update in October 2026.

Vision, Leadership and Governance

92. The audit work performed on the arrangements the IJB has in place around its Vision, Leadership and Governance found that these were effective and appropriate. This judgement is evidenced by the IJB:

- having a Strategic Plan in place that clearly set out its vision, strategy, and priorities and reflect the pace and depth of improvement required to realise these in a sustainable manner.
- involving service users, delivery partners, and other stakeholders in the development of its vision, strategy, and priorities to ensure these align to their needs.
- having clear financial and performance reporting in place, both internally and externally and effective scrutiny and challenge of performance provided by the Audit and Performance Committee.
- having effective governance arrangements in place in general, as reflected in the Governance Statement included in the accounts.

Governance arrangements supported effective scrutiny and decision making. The IJB demonstrated openness and transparency in its public reporting

93. Openness and transparency in how a body operates and makes decisions 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.

94. All IJB meetings are hybrid, with members and officers either attending 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 or a link to view a live streaming of the Board meetings can be requested.

95. All IJB Board and Audit and Performance Committee papers (not designated as private) are available on the website in advance of

meetings. Following approval of the minutes of the meeting, these are uploaded to the website.

96. The audit team regularly attend the Audit and Performance Committee. We noted that members are prepared for meetings, understand the information presented and are prepared to ask questions and scrutinise the information. We have observed scrutiny and challenge at these meetings and officers have responded to, and provided, additional information members requested.

97. 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. The IJB have continued to demonstrate a willingness to operate in an open and transparent manner.

There have been changes to the management structure of the IJB with both the Chief Officer and the Interim Chief Finance Officer leaving the IJB

98. The Interim Chief Finance Officer retired from their post in March 2026. On 18 March 2026, the IJB endorsed the interim appointment of the East Ayrshire Council's Chief Auditor, into the IJB Interim Chief Finance Officer for one year. Appropriate transitional arrangements were put in place, including support from the previous Chief Finance Officer and the wider finance team during preparation of the 2026/27 budget.

99. The Internal Audit Manager at East Ayrshire Council has been appointed as the Interim Chief Internal Auditor for East Ayrshire Council and East Ayrshire Integration Joint Board. This appointment maintains appropriate separation between financial management and internal audit responsibilities.

100. The Deputy Chief Executive/Director of Health and Social Care left their role in June 2026. Interim arrangements were established over the summer whilst a recruitment process took place. Interim arrangements were:

- the Head of Locality Health and Care Services being appointed the Acting Director of Health and Social Care
- Two Senior Managers within Locality Health and Care Services undertaking the duties of the Head of Locality Health and Care Services. One senior manager will have a focus on operational issues, with the second focussing on the transformation agenda, within Locality Health and Care Services.

101. East Ayrshire Council commenced the recruitment process for a permanent Chief Officer post during 2026; however, this recruitment was paused following Scottish Government correspondence regarding controls in place for Executive Recruitment posts within the NHS, including IJB

posts. The temporary arrangements for the interim Director of Health and Social Care will continue. The Interim Chief Finance Officer position is for a one-year interim basis. Once a financially high performing position is established with appropriate controls and budget management delivered across the organisation, the role will require further refinement to support permanent recruitment, with further job evaluation to be undertaken at that time.

Work has commenced on the Strategic Plan 2027-30

102. The Public Bodies (Joint Working) (Scotland) Act 2014 requires the IJB to prepare a plan that sets out the arrangements in place to carry out the integration functions over the period of the plan. The Act also requires that the plan set out how those arrangements are intended to achieve, or contribute to achieving, the national health and wellbeing outcomes. The 2014 Act requires the plan to be reviewed every three years. The Strategic Plan was reviewed and refreshed as part of the three-year cycle during 2023/24.

103. The Strategic Plan 2024-27 was launched in July 2024 following Board approval. It was then presented to East Ayrshire Council and NHS Ayrshire and Arran. The Strategic Plan is supported by a number of key enablers including the Partnership's Workforce Plan, Participation and Engagement Strategy, Communications Strategy and Partnership Provider Statement. The current Workforce Plan was approved by the IJB on 25 June 2025 with progress updates on the Participation and Engagement Strategy and Communications Strategy received by the IJB on 12 December 2025.

104. The plan has six strategic priorities:

- Starting Well, Living Well and Dying Well
- People at the Heart of All We Do
- Caring for East Ayrshire
- Caring for Our Workforce
- Safe and Protected
- Digital Connections

105. A programme of work to review and update the Strategic Plan for 2027-30 was endorsed by the Strategic Planning/ Wellbeing Delivery Group at the development session on 11 February 2026, with an IJB Strategic Plan Review paper reported at the 22 April 2026 meeting. Stakeholder engagement and collaborative working across delivery partners will ensure that there is shared ownership of the revised Plan. Work will also be undertaken to ensure the plan is financially viable. The group will provide coordination and oversight, with progress reports

presented to forthcoming meetings for transparency, ownership and alignment with financial and statutory duties. Once the review has concluded, a final draft Plan will be produced and presented to the IJB, East Ayrshire Council and NHS Ayrshire and Arran for formal approval. IJB approval and implementation is due March/April 2027.

106. An online engagement webpage for the HSCP Strategic Plan Review 2027–30 was published on 7 August 2026. At present, the available survey is described as the Strategic Planning Group's challenge questions. The Strategic Plan review should also be informed by the revised Financial Regulations considered by the IJB in August 2026, which require the Strategic Plan to incorporate a three-year Medium-Term Financial Strategy, updated annually. This should strengthen the link between strategic priorities, available resources, demand assumptions, funding projections and required savings.

The Integration Scheme review remains outstanding

107. The Public Bodies (Joint Working) (Scotland) Act 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.

108. The Integration Scheme for the IJB was last updated in 2018. The review of the Integration Scheme has been undertaken on a pan-Ayrshire basis by the three Councils and the Health Board to ensure a consistent and co-ordinated approach. A Project Board was established to oversee the work and various work groups were established. The review of the Integration Scheme through the various work groups concluded in March 2024. Further work has since been undertaken to consider specific issues and the overall legal competence of the Scheme.

109. It was noted in the 2024/25 Annual Audit Report that it was anticipated that the Integration Scheme review would conclude in 2025. Following this, it would require approval by East Ayrshire Council and NHS Ayrshire and Arran, prior to submission to the Scottish Ministers.

110. A revised Integration Scheme has not yet been approved or been submitted to Scottish Ministers. Progress has been delayed due to changes in key personnel across the partner bodies, a decision to delay the process until the national elections concluded, and as a result of the recent public services reform announcements.

The IJB involves communities and stakeholders in strategic and service decisions

111. The IJB involves service users, carers, delivery partners and other stakeholders through representation on the IJB and Strategic Planning Group, its Stakeholder Forum, and consultation on strategic plans and individual service reviews.

112. Engagement undertaken for the Strategic Plan 2024–27 informed its vision, priorities and focus on wellbeing, prevention and community-based support. Best Value Service Reviews include structured stakeholder consultation, while engagement with partners and communities has commenced to inform the successor Strategic Plan for 2027–30. These arrangements provide opportunities for stakeholder needs and views to influence strategic priorities and service redesign.

113. The IJB undertook public consultation to inform decisions around whether to restrict adult social care eligibility from critical and substantial needs to critical needs only. Its purpose was to gather views and evidence on the potential effects on individuals, unpaid carers, families and communities, and to identify mitigating actions or alternatives. The consultation evidence informed the report considered by the IJB on 24 June 2026. The IJB ultimately retained the existing critical and substantial threshold due to concerns that restrictions could increase unmet need, place additional pressure on unpaid carers, undermine prevention and displace costs to other services.

Use of Resources to Improve Outcomes

114. The audit work performed on the arrangements the IJB has in place around its Use of Resources to Improve Outcomes found that these were effective and appropriate. This judgement is evidenced by the IJB:

- being able to demonstrate a clear link between the use of resources and delivery of its priorities.
- having arrangements in place to benchmark its performance to identify areas of improvement.
- being able to demonstrate improvements in performance against benchmarks and relative to other comparable organisations.

Performance management arrangements are effective, with regular Partnership Performance reports to the Audit and Performance Committee and Service Improvement Plans supporting delivery of the IJB's strategic priorities

115. The Audit and Performance Committee has a role in providing oversight of performance reporting against the strategic plan. Twelve month rolling performance reports are presented to most meetings of the committee. The reports include a Partnership Scorecard which includes high-level performance indicators for workforce, employee development, risk management and service performance. This provides assurance to the Audit and Performance Committee of overall performance.

116. The IJB has a Service Improvement Plan 2024-2027. These are the mechanisms for translating strategic priorities into service-level improvement actions. Each service improvement plan normally contains:

- an improvement action
- a Quality Assurance Framework containing service specific performance measures
- a service Risk Register

117. During 2025/26, the Audit and Performance Committee received Service Improvement Plan updates in August 2025, March 2026 and August 2026. The updates provided periodic scrutiny of service level actions supporting the IJB's Strategic Plan and were supplemented by Partnership performance, complaints, inspection and annual performance reporting.

118. The service improvement plan update reports demonstrate that an established service improvement framework operated throughout 2025/26, however, delivery took place against significant financial, workforce and demand pressures, and the year-end evidence showed deterioration across several operational, service user and care quality measures. By August 2026, the improvement programme was being aligned more closely with financial recovery, Best Value review and service redesign activity.

The 2025/26 Annual Performance report highlights performance has declined in four of the six Ministerial Steering Group indicators when compared to the previous year

119. Integration authorities are required to publish an Annual Performance Report by the end of July each year. The 2025/26 annual performance report was taken to the IJB meeting on 26 August 2026. The Annual Performance Report for 2025/26 has been published and is available to view on the Partnership's 'Our Performance' website.

120. 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). See Exhibit 6.

Exhibit 6

Performance against the six local objectives and trajectories set out by the Ministerial Strategic Group for Health and Community Care (MSG)

Target/Standard	Performance 2024/25	Performance 2025/26	Variance	Change in Performance
MSG01: Unscheduled admissions, all ages, rate per 1,000 population	138.5	143.2	3.39%	
MSG02: Occupied bed days for unscheduled acute care, rate per 1,000 population	902.6	899.2	-0.38%	
MSG03: Emergency Department compliance with four-hour standard	66.20%	64.50%	-2.57%	
MSG04: Delayed discharge bed days, including Code 9, rate per 1,000 population aged 18+	118.4	144.7	22.21%	
MSG05: Proportion of last six months of life spent in a community setting	89.60%	89.40%	-0.22%	
MSG06: Proportion of people aged 65+ living at home, supported or unsupported	96.40%	99.00%	2.70%	

Source: IJB 2025/26 Performance Indicator matrix

121. The 2025/26 Annual Performance Report demonstrates performance remains challenging in 2025/26. Slight improvement was shown for two of the six core MSG indicators:

- unscheduled care occupied bed days decreased by 0.38%
- Proportion of people aged 65+ living at home, supported or unsupported increased by 2.70%

122. Performance deteriorated across the main indicators of urgent care demand and hospital flow. Unscheduled admissions increased by 3.4%, from 138.4 to 143.2 per 1,000 population, and remained above the national rate of 108.1. Emergency Department compliance with the four-hour standard fell by 1.7 percentage points, from 66.2% to 64.5%, and was below both the national performance of 66.4% and the 95% standard.

123. Delayed discharge bed days increased significantly by 22.2%, from 118.4 to 144.7 per 1,000 adults. Despite this deterioration, East Ayrshire's performance remained better than the national rate of 155.8, as a lower rate represents stronger performance. The proportion of people aged 65 and over living at home increased from 96.4% to 99.0%, remaining in line with the national level of 99.0%.

124. The wider performance evidence was also mixed. Falls reduced and emergency readmissions and end-of-life care remained broadly stable, but emergency activity increased, fewer adults with intensive needs received care at home, and reported service-user experience deteriorated significantly in relation to independence, coordination of services and safety. The proportion of regulated care services graded good or better also fell to 76.6%, below the Scottish average of 83.1%.

125. Overall, East Ayrshire performed comparatively well in delayed discharge, end-of-life care and supporting older people to live at home. However, the year-on-year increase in delayed discharge remains a significant concern. Unscheduled admissions and occupied bed days also remained above national levels, while Emergency Department performance was below both the national comparator and the required standard. The results indicate continuing pressure across urgent care and hospital pathways, despite showing improved strengths in supporting people within community settings.

126. The IJB has established appropriate arrangements for reporting performance against national outcomes through the Annual Performance report.

Conclusions on Best Value

127. The audit work performed on the arrangements the body has in place for securing Best Value found these were effective and appropriate. This judgement is evidenced by the IJB:

- the IJB having well established and effective governance arrangements in place, with the Best Value being a key aspect of the governance arrangements.
- the arrangements the body has in place around the four wider scope audit areas, which are effective and appropriate, contribute to it being able to secure Best Value.
- progress the body is making to embed sustainability into strategic and operational plans and to enhance reporting arrangements around sustainability.

128. The Code of Audit Practice requires us to consider the adequacy of the arrangements in place to demonstrate how the IJB meets its Best Value duty to secure continuous improvement in the performance of its functions. We expect bodies to demonstrate that they meet the expectations in the Scottish Government, Local Government in Scotland Act 2003 Best Value: Revised Statutory Guidance 2020.

129. Our work on the four wider scope audit areas financial management, financial sustainability, vision, leadership and governance and the use of resources to improve outcomes provides evidence of how the IJB performs in some important areas of Best Value.

130. The IJB had established arrangements for securing Best Value during 2025/26. These included a clear strategic framework, periodic scrutiny of service improvement plans, performance and financial reporting, structured Best Value Service Reviews, stakeholder consultation and partnership working.

131. The IJB also responded to significant financial pressures by strengthening financial controls, reporting, savings monitoring and service redesign arrangements. However, only £5.062 million of the £15.217 million savings requirement was achieved, Council commissioned services incurred an underlying overspend of £8.598 million, and performance deteriorated across several measures relating to emergency demand, delayed discharge, service-user experience and regulated care services. The IJB can therefore demonstrate that appropriate Best Value processes were in place and that improvement action was taken, but it has not yet demonstrated that these arrangements are consistently delivering sustainable financial balance and improved outcomes.

A formal Best Value Service Review Programme took place in 2025/26

132. The IJB has a formal Best Value Service Review methodology based on the recognised principles of:

- Challenge;
- Consultation;

- comparison; and
- competition.

133. Reviews consider the need for a service, available delivery options and potential improvements in economy, efficiency, effectiveness, equity and environmental sustainability. The process includes stakeholder consultation, data collection, evaluation, options appraisal and recommendations.

134. During 2025/26 and the early part of 2026/27, reviews progressed in areas including:

- the Thinking Differently Programme
- Community Alarm provision
- Adult Care at Home and Housing Support
- Learning Disability Adult Day Services and community supports
- Mental Health Officer services
- multidisciplinary working

135. The 24 June 2026 IJB meeting included final conclusions and recommendations on the Thinking Differently Programme and Community Alarm provision, together with final-stage recommendations for Adult Care at Home and Housing Support and Learning Disability Adult Day Services.

136. The IJB had appropriate arrangements in place for securing Best Value during 2025/26. Its Strategic Plan, Service Improvement Plans, performance framework and Best Value Service Review programme provided a basis for aligning resources and improvement activity with strategic priorities. The Audit and Performance Committee received periodic reports on service improvement, performance, complaints, inspections, financial recovery and internal control. Service users, carers, staff and delivery partners were involved through the IJB's membership, its Stakeholder Forum and service-specific consultation. This participation influenced material decisions, including the IJB's decision to retain the existing critical and substantial adult social care eligibility threshold.

Appendix 1

Action plan 2025/26

2025/26 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
1. Compliance with statutory public inspection requirements East Ayrshire Integration Joint Board did not fully comply with Regulation 9 of the Local Authority Accounts (Scotland) Regulations 2014 and section 195 of the Local Government (Scotland) Act 1973 in relation to publicising the right to inspect and object to its unaudited annual accounts. The required public notice was not displayed conspicuously at or near the principal entrance to the relevant offices. In addition, the online notice did not provide access to the correct unaudited 2025/26 annual accounts, as required under Regulation 8(8) of the 2014 Regulations. It is noted, however, that whilst the online notice linked to the incorrect accounts, the accounts were available to the public as part of the papers for the Integration Joint Board meeting held on 24 June 2026, which were published on the Council's website.	The IJB should strengthen its arrangements for publicising the inspection of its unaudited annual accounts. This should include checks to ensure that the public inspection notice is displayed and published in accordance with statutory requirements, all links are accurate and operational, and the correct unaudited annual accounts remain accessible on the website throughout the statutory inspection period.	**Accepted**

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
2. **Clarity and transparency of savings reporting** The Financial Management Report does not clearly distinguish between actual savings delivered by the reporting date and savings representing forecast full-year delivery. Individual measures include a mixture of completed savings, calculated in-year savings, full-year forecasts and savings expected to be delivered by 31 March 2027. Without a clear distinction between delivered and projected savings, there is a risk that the IJB and its committees receive an overly positive assessment of progress and are unable to identify emerging shortfalls promptly. This could delay corrective action and increase the risk of further overspends, particularly given the limited level of uncommitted reserves available.	The IJB could improve the clarity and transparency of its savings reporting by separately identifying savings that have been delivered and evidenced at the reporting date, savings forecast to be delivered by year end, and savings that remain unidentified or at risk. Reports should also show the recurring value of savings, delivery milestones, responsible officers and an assessment of delivery confidence.	**Accepted** Savings reporting within Financial Management Reports (FMR) for both Council and NHS commissioned services will be continuously improved in line with the recommendation applying proportionality using as a guide the newly revised IJB Financial Regulations (August 2026) which established material variance for Budget Management (paragraph 8.2) as those exceeding £0.100m or 5% of the relevant budget, whichever is lower, or any variances which, in the opinion of the IJB Chief Finance Officer, are likely to have a significant impact on the IJB's financial position, reserves, approved savings programme, or the financial interests of the Partner Organisations. **Interim Chief Finance Officer** **October 2026**

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
3. **Development of Medium-term Financial Plan** The IJB does not have an up-to-date Medium-Term Financial Plan reflecting its current financial position and future pressures. Without a current plan, the IJB may be unable to identify and address future funding gaps or demonstrate how recurring financial balance will be achieved, nor will the IJB be compliant with its updated financial regulations.	The IJB should develop and approve a comprehensive Medium-Term Financial Plan in accordance with its updated Financial Regulations. The plan should cover a minimum three-year period, be updated annually and clearly align projected funding, demand and cost pressures with the IJB's strategic priorities, service transformation plans and recurring savings requirements.	**Accepted** The MTFP will be updated in line with this recommendation and the requirements of the newly revised IJB Financial Regulations (August 2026) and will be considered by the IJB alongside the 2027/28 annual budget by 31 March 2027. **Interim Chief Finance Officer** **March 2027**

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
PY 1 . Robustness of financial recovery plans In 2024/25, total savings achieved from the two financial recovery plans was £2.724 million, of which, only £0.676 million were on a recurring basis. Going forward into 2025/26, total savings of £15.217 million are required to meet the funding gap. There is a risk that financial savings are not achieved recurrently and at the levels required to achieve short term financial balance.	**Recommendation:** Scenario planning and sensitivity analysis should be utilised to support the development and tracking of savings plans and to continue to assess the robustness of plans in place and where necessary to highlight when additional action is required. **Management Response:** Work will continue to monitor and review financial recovery plan progress in 2025/26 and going forward. Progress reports continue to be presented to additional meetings of the Audit and Performance Committee, with input from Internal Audit. Associated work continues to be taken forward by the Budget Working Group, with input from the Senior Leadership Group. Financial Management Reports to the IJB highlight progress against the financial recovery plan and additional savings approved as part of the initial annual budget proposal for 2025/26. **Responsible officer**: Interim Chief Finance Officer **Agreed date**: March 2026	**Partially Implemented – Superseded** **Recommendation 3** The IJB strengthened monitoring and scrutiny of financial recovery plans during 2025/26 through additional reporting to the Audit and Performance Committee, savings trackers, more frequent forecasting and enhanced recovery governance. However, no formal scenario planning or sensitivity analysis had been used systematically to assess the robustness of savings plans by the agreed completion date of March 2026. The recommendation is therefore assessed as partially complete and is superseded by the 2025/26 recommendation to develop a comprehensive Medium-Term Financial Plan incorporating scenario planning and sensitivity analysis. This should assess the effect of changes in demand, activity, workforce costs, inflation, implementation timescales and savings delivery rates.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
PY 2. Development of Medium-Term Financial Plan The most recent medium-term financial plan which included five-year financial projections was presented to the Joint Board in March 2024. On review of these projections, we note that the 2025/26 funding gap of £4.061 million is much lower than the £15.217 million funding gap identified within the approved 2025/26 annual budget. There is a risk that the absence of updated financial projections does not enable members of the Joint Board to make informed decisions.	**Recommendation:** A medium-term financial plan should be developed with the latest financial position being used as the baseline for informing the plan. **Management Response:** In advance of publication of the updated Scottish Government Health and Social Care Medium Term Financial Framework (MTFF), work will be undertaken to update the high-level Medium Term Financial Plan (MTFP) approved by the IJB on 24 March 2024. This updated MTFP will incorporate the current baseline position, as well as the impact of the Scottish Government Budget 2026/27 following publication in December 2025. It will also incorporate latest planning assumptions around service demand. The updated MTFP will be presented to the IJB within the 2026/27 Annual Budget report in March 2026 and will be updated and refined following publication of the updated Scottish Government Health and Social Care MTFF. **Responsible officer:** Interim Chief Finance Officer **Agreed date:** March 2026	**Superseded** See Appendix 1 2025/26 Recommendation 3

PY 3. Strategic Plan commissioning priorities

Within the Strategic Plan 2024-27 financial projections from the 2024/25 budget to 2029/30 were included. This provides context of the financial resource available to the IJB to deliver its strategic commissioning priorities and the services to be delivered. However, over the course of 2024/25, the financial position has become more challenging. Planned savings were not fully achieved in 2024/25 and additional funding was required from East Ayrshire Council and NHS Ayrshire and Arran. The approved budget for 2025/26 budget requires £15.217 million of savings to be realised.

There is a risk that the current iteration of the strategic plan 2024-27 does not reflect the current financial challenges and that planned strategic priorities cannot be delivered within the financial resources available.

Recommendation:

The IJB should review with funding partners the affordability of commissioning plans and agree on spending priorities within the current financial resources available.

Management Response: Ongoing monitoring and review of the strategic plan will ensure any necessary adjustments can be made and agreed with the funding partners at the appropriate time. This will require to be reflected in Directions issued to partners.

Responsible officer: Senior Manager – Wellbeing Planning and Performance.

Agreed date: March 2026

Partially Implemented –

The IJB has made progress in addressing the recommendation during 2025/26. It considered affordability and spending priorities through financial monitoring, recovery planning and the 2026/27 budget-setting process. The IJB approved its 2026/27 budget on 31 March 2026, including a package of savings and service measures, and Directions were issued to East Ayrshire Council and NHS Ayrshire and Arran reflecting the resources available. The Ayrshire Transformation Board was also established to support whole-system reform and consideration of financial and integration opportunities. Work has commenced on the Strategic Plan 2027-30.

Details of revised action - Ongoing and detailed consideration of the impact of financial sustainability on the Strategic Plan 2021-30 will be performed during 2026/27, alongside development of a detailed complementary Commissioning Plan to create robust governance from the Strategic Plan to the budget informing future financial and performance reporting. A Commissioning Plan will be developed alongside the 2027/28 Annual Budget and MTFP.

Responsible officer: Senior Manager – Wellbeing, Planning and Performance / Interim Chief Finance Officer

March 2027

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
23/24 PY 4. Chief Finance Officer post The chief finance officer remains in a long-term interim post. There is a risk to the financial management and reporting in the IJB if the chief finance officer were to leave	**Recommendation:** The IJB should put arrangements in place to recruit to the chief finance officer on a permanent basis. **Management Response:** A job description has been prepared and is being finalised through job evaluation. Thereafter, it will then be advertised and recruitment activity commenced at pace. **Responsible Officer**: Chief Officer **Agreed date:** 31 December 2025	**Ongoing** The former Interim Chief Finance Officer retired in March 2026. A new Interim Chief Finance Officer appointment was made in March 2026 for a one-year period. The risk associated with continued reliance on an interim appointment therefore remains. **Revised action**: It is anticipated that initially the CFO/s95 position will be filled for one year on an interim basis. Once a financially high performing position is established with appropriate controls and budget management delivered across the organisation, the role will require further refinement to support permanent recruitment, with further job evaluation to be undertaken at that time. **Responsible officer**: Chief Officer **March 2027**

Appendix 2

Supporting national and performance audit reports

Report name	Date published
Local government budgets 2025/26	22 May 2025
NHS in Scotland: Spotlight on governance	28 May 2025
Delivering for the future: Responding to the workforce challenge	7 August 2025
Flooding in communities: Moving towards flood resilience	28 August 2025
Adult Disability Payment	18 September 2025
Scotland's colleges 2025	2 October 2025
Improving care experience: Delivering The Promise	8 October 2025
Local government performance: Spotlight on culture and leisure services	23 October 2025
Financial sustainability and taxes	13 November 2025
NHS in Scotland 2025: Finance and performance	4 December 2025
Delayed discharges: A symptom of the challenges facing health and social care	8 January 2026
Community health and social care: Performance 2025	8 January 2026
Administration of Scottish income tax 2024/25	16 January 2026
Local Government in Scotland: Financial bulletin 2024/25	29 January 2026
The Scottish Budget 2026/27: Supplement to the Financial bulletin 2024/25	12 February 2026
Integration Joint Boards: Finance bulletin 2024/25	26 February 2026
Annual Assurance and Risks Report: A review of 2024/25 local government audits in Scotland	12 March 2026

East Ayrshire Integration Joint Board

2025/26 Annual Audit Report

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