

A meeting of the **Integration Joint Board Audit & Risk Committee** will be held on 8 March 2023 in Suite 3, Carseview House, Stirling and hybrid via MS Teams

Please notify apologies for absence to:
fv.clackmannanshirestirling.hscp@nhs.scot

AGENDA

1. **Apologies for Absence**
2. **Declarations of Interest**
3. **Minutes of previous meeting held on 16 November 2022** **For Approval**
4. **Matters arising/urgent business brought forward by Chair**
 - Non voting membership
5. **Internal Audit Progress Report** **For Noting**
Paper presented by Isabel Wright, Chief Internal Auditor
6. **Progress Update 2021/22** **For Assurance**
Annual Audit Report Recommendations
Paper presented by Ewan C Murray, Chief Finance Officer
7. **Review of Reserves Policy and Strategy** **For Approval**
Paper presented by Ewan C Murray, Chief Finance Officer
8. **Decision Making Matrix & Integration** **For Noting**
Governance Principles
Paper presented by Ewan C Murray, Chief Finance Officer
9. **Update on Review of Risk Management Arrangements & Strategic Risk Register** **For Approval**
Paper presented by Ewan C Murray, Chief Finance Officer
10. **Review of Terms of Reference & Proposed Workplan** **For Approval**
Paper presented by Ewan Murray, Chief Finance Officer
11. **Relevant National Reports** **For Noting**
Paper presented by Ewan C Murray, Chief Finance Officer
 - 11.1 **Briefing: Scotland's Public Finances: Challenges and Risks**
 - 11.2 **Local Government in Scotland: Financial Bulletin 2021/22**
 - 11.3 **NHS in Scotland 2022**
12. **Any Other Competent Business**
13. **Date of Next Meeting**
 28 June 2023



**Draft Minute of the Clackmannanshire & Stirling IJB
Audit and Risk Committee**
held on **Wednesday 16 November at 2 pm**
via Microsoft Teams

Present:

Voting Members

Councillor Martin Earl, Stirling Council (Chair)
Martin Fairbairn, Non-Executive Board Member (V Chair)
Councillor Janine Rennie, Clackmannanshire Council

In Attendance:

Annemargaret Black, Chief Officer
Ewan Murray, Chief Finance Officer
Adam Haar, Audit Manager, Audit Scotland
Pauline Gillen, Audit Director, Audit Scotland
Sarah McPhee, Senior Internal Auditor (attending on behalf of Isabel Wright)
Sandra Comrie, Business Support Officer (Minutes)

1. WELCOME AND APOLOGIES

The Chair welcomed everyone to the meeting and confirmed the meeting was quorate.

Apologies for absence were noted on behalf of:

Cathie Cowan, Chief Executive NHS Forth Valley
Isabel Wright, Internal Audit, Risk and Corporate Fraud Manager, Falkirk Council (Chief Internal Auditor to IJB)

2. DECLARATION(S) OF INTEREST

No declarations of interest were noted.

3. MINUTE OF PREVIOUS MEETING HELD 31 August 2022

The draft minute of the previous meeting held on 31 August 2022 was approved as an accurate record.

4. MATTERS ARISING/URGENT BUSINESS BROUGHT FORWARD BY CHAIR

The Committee discussed the progress with arranging a date for a risk workshop which had been previously discussed. Mr Murray advised there were no dates in the diary at present but would aim to get dates in place soon, as it was key in the development of the next Strategic Commissioning Plan. The Committee agreed discussions regarding the format and date for the workshop would be taken offline.

The Audit and Risk Committee agreed to take Agenda items 5 & 6 together. These were presented to the Committee by Pauline Gillen, Audit Director, Audit Scotland.

5. 2021/22 ANNUAL AUDIT – INDEPENDENT AUDITORS REPORT INCORPORATING LETTER OF REPRESENTATION

6. 2021/22 ANNUAL AUDIT REPORT - PROPOSED

Ms Gillen advised that the audit work on 2021/22 Annual Accounts was now substantially complete, subject to the receipt of a revised set of annual accounts for the final review the Independent Auditors Report letter covered key findings in respect of the annual accounts, and it was expected that unqualified audit opinions would be issued on 24 November 2022.

In addition, it was noted that the IJB had effective financial management arrangements in place and reported a surplus of £14.035 million for the year, largely due to temporary additional funding received from Scottish Government for Covid-19 pressures. Mr Murray confirmed that the longer-term financial outlook remained challenging.

There were no significant findings to report, on the audited annual accounts, with a couple of adjustments made because of amended data being received from Clackmannanshire Council.

The Committee discussed the Action Plan and recommendations and noted the use of certain wording within the report. Ms Gillen explained that while some of the wording was standard, reflecting their scrutiny role and engagement, the wording could be amended to be clearer. Mr Murray agreed to follow this up with Ms Gillen so she could amend the points discussed by the Committee, in her report.

The Audit and Risk Committee:

1) Noted the Independent Auditors report and Letter of Representation required from the Chief Finance Officer subject to the changes discussed

Mr Martin Fairbairn took over as Chair, due to technical issues.

7. 2021/22 IJB ANNUAL ACCOUNTS

The 2021/22 Audited Annual Accounts were presented to the Committee by Mr Ewan Murray, Chief Finance Officer.

Mr Murray explained the IJB Annual Accounts detailed the financial performance of the partnership alongside an overview of the wider performance through the Core Suite of Integration Indicators. He suggested the accounts were read in conjunction with the Annual Performance Report to be considered by the IJB at the November meeting. As there were several revisions between the unaudited and audited accounts, Mr Murray outlined the key changes to the Committee, including the difference in timings for the closure of the IJB draft accounts and that of Clackmannanshire Council. The Committee discussed updating new audit planning dates on the action plan section of the Annual Accounts and it was agreed that the dates of completion will be amended prior to the next meeting.

Further discussions took place regarding the accessibility of the management responses and providing clarity regarding the roles and responsibilities of the IJB and HSCP and how the spending and overspends were broken down. Mr Murray agreed to take this as an action and along with reviewing how these public-facing documents were shared and ensuring explicit wording in the work plan that progress would be monitored by the IJB and Audit & Risk Committee.

The Audit and Risk Committee:

- 1) Considered the audited 2021/22 annual accounts.
- 2) Recommended the 2021/22 annual accounts to the Integration Joint Board for approval, signing, and publication on the IJB website.

Mr Martin Earl reconvened as Chair.

8. INTERNAL AUDIT PLAN 2022/23

The Internal Audit Progress Report was presented to the Committee by Sarah McPhee, Senior Internal Auditor.

Ms McPhee explained the Internal Audit Plan sets out the team's annual work programme and provided the Committee with an overview of the Internal Audit Charter and the Planned Internal Audit Work, she also outlined the content of the report and highlighted Internal Audit requirements, the role, and responsibilities. Furthermore, she discussed the planned internal audit work, timescales, and the three areas the audit plan was broken down into.

Ms McPhee explained that the Chief Internal Auditor duties and resources had transferred to Clackmannanshire Council's Internal Audit Manager, for the

next 3 years from 1 April 2022 to 31 March 2025. In response to a query regarding the Internal Audit Charter, Ms McPhee explained that a total of 60 days had been included in the 2022/23 Internal Audit Plans for the parties to deliver internal audit reviews for Clackmannanshire & Stirling IJB. Although there were 60 days allocated, some of the work could take longer to complete and Ms McPhee offered to provide the Committee with a breakdown of the 60-day work plan. The Committee agreed this would be helpful along with an indication of whether the 60 days allocated were adequate for the work being carried out.

Ms McPhee confirmed that as she was presenting this item in Isabel Wright's absence, she would take all the points raised by the Committee back to Isabel Wright and ask her to respond to the Committee in more detail.

The Audit and Risk Committee:

- 1) Considered and noted the Internal Audit Charter.
- 2) Noted that the Internal Audit plan was flexible.
- 3) Approved the Internal Audit Plan for 2022/23; and
- 4) Noted that progress would be reported to the Audit and Risk Committee on an ongoing basis.

9. STRATEGIC RISK REGISTER

Mr Ewan Murray, Chief Finance Officer presented the Strategic Risk Register to the Committee.

Mr Murray explained the Strategic Risk Register was a standing item on the Committee's agenda for scrutiny and through established performance management arrangements, high risks were reported to the Integration Joint Board by exception. Mr Murray advised that this was also regularly reviewed by the HSCP Senior Leadership Team and updated thereafter by the Chief Finance Officer. The most recent review was 11 November 2022.

Mr Murray confirmed that, in response to the discussion at the previous Audit and Risk Committee, the description of the risks had been amended to clarify. He explained work was ongoing with Risk Leads from constituent authorities to review and align risk management arrangements. Confirmed he would review work on the Strategic Risk Register and look at the process for the future Strategic Commissioning Plan.

Concerns were raised, by the Committee, surrounding the financial resilience and commissioning process and engagement. Ms Black explained that engagement regarding the new plan had taken place through locality events and engagement regarding any changes to provider provision/requirements would be taken through the Commissioning Consortium With regards to risk HSC006, Experience of service users/patients/unpaid carers Ms Rennie felt this should be increased due to the level of dissatisfaction of the community with the increasing illnesses and pressures within A & E. Ms Black noted the concerns raised and agreed to take back as part of the next review of the strategic risk register.

Mr Murray advised that due to the current situation and potential industrial action, although the IJB was not an employer this could materially affect the delivery of safe services. The Committee discussed the new risk and agreed to approve subject to the caveats highlighted during the discussion such as assurances required from constituent authorities regarding their staff and that a workshop was arranged to discuss and agree on how the Risk Register could be further simplified and streamlined.

The Audit and Risk Committee:

- 1) Reviewed and approved the Strategic Risk Register

10. Any Other Competent Business

Mr Murray raised the matter of obtaining 2 new non-voting members, he explained that due to ongoing commitments this had not progressed. The Committee agreed that Mr Murray will investigate the process of how to action this to ensure the Committee continued to operate membership in line with the Terms of Reference.

11. Date of Next Meeting

8 March 2023

Clackmannanshire & Stirling Integration Joint Board Audit and Risk Committee

8 March 2023

Agenda Item 5

Internal Audit Progress Report

For Noting

Paper Approved for Submission by:	Ewan Murray, Chief Finance Officer
Paper presented by	Isabel Wright, Internal Audit Manager
Author	Isabel Wright, Internal Audit Manager
Exempt Report	No

Directions	
No Direction Required	<input checked="" type="checkbox"/>
Clackmannanshire Council	<input type="checkbox"/>
Stirling Council	<input type="checkbox"/>
NHS Forth Valley	<input type="checkbox"/>

Purpose of Report:	This report provides an update on progress with completing the 2021/22 and 2022/23 IJB Internal Audit Plans.
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Recommendations:	<p>The Audit and Risk Committee is asked to note:</p> <ol style="list-style-type: none"> 1) progress being made with completing both the 2021/22 and 2022/23 Internal Audit Plans, taking into account that the Internal Audit Plan remains flexible and amendments may be required should risks, priorities, resource, and operational capacity change significantly; and 2) the 'Summary of Findings Arising from Internal Audit Work' at Appendix 1 and final report at Appendix 2.
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1. Background

- 1.1 Responsibility for leading on the provision of Internal Audit services to the IJB rotates on a three-yearly cycle between the Chief Internal Auditor of NHS Forth Valley, and both Clackmannanshire Council and Stirling Council Internal Audit Managers.
- 1.2 Prior to 01 April 2022, this provision was led by the Chief Internal Auditor of NHS Forth Valley. From 01 April 2022 Clackmannanshire Council's Internal Audit Manager took over.
- 1.3 Resources to deliver the plan are provided by the NHS Forth Valley and the Clackmannanshire Council and Stirling Council Internal Audit services. It is senior managers' responsibility, however, to establish and maintain effective and proportionate risk management, governance, and control arrangements. Internal Audit is not an extension of, or substitute for, operational management.

2. Considerations

- 2.1 The Chief Internal Auditor of NHS Forth Valley drafted the 2021/22 Internal Audit Plan. The Audit and Risk Committee approved the plan at its meeting on 22 November 2021. The outcome of one assignment has not been reported to this Committee. This was a review of the detailed arrangements for the preparation of the revised Strategic Commissioning Plan (SCP).

2.2 This review has now been undertaken, with a final report issued 16 December 2022, however, it should be noted that development work is still ongoing. The scope of, and findings arising from the finalised assignment is set out at **Appendix 1**, with the full report at **Appendix 2**. Internal Audit use a set of Assurance Categories. A summary of these is set out at **Appendix 3**.

2.3 The Internal Audit Plan for 2022/23 was agreed at the Audit and Risk Committee on 16 November 2022. The agreed plan is below:

Assignments	Scope	Days
Audit Planning and Management	Liaison with management and attendance at Audit and Scrutiny Committee. Preparation of Annual Internal Audit Plan, Progress Reports, and Annual Assurance Report.	4
Audit Follow Up and Assignments	Follow up of previous Internal Audit recommendations and agreed governance actions, as well as proposed assignments: <ul style="list-style-type: none"> • Strategic Commissioning Plan: A further piece of assurance work on the development of the Strategic Commissioning Plan. This will follow up on the piece of work as part of the 2021/22 Internal Audit programme (20 days); • Action Points Follow Up from Internal Audit's Annual Report 2021/22: High level follow up to assure the Committee that appropriate outstanding actions are or have been addressed (20 days); and • Assurance Mapping: Provide advice / review the application of assurance mapping principles to the updating of the Risk Strategy and Risk Register to improve the assurance environment of the IJB (10 days). 	50
Annual Assurance Work	Review of governance self-assessment and any other annual assurance work required.	6

2.4 The 'Audit Follow Up and Assignments' current position is summarised in the table overleaf:

2022/23 Internal Audit Plan:	
Strategic Commissioning Plan	<p>Further work agreed with senior management. This assignment will consider the implementation of the previous review's recommendations (dates for implementation run until February and March 2023).</p> <p>Review findings will be reported at the next Audit and Risk Committee.</p>
Action Points Follow Up	<p>Fieldwork will commence shortly. Review findings will be reported at a future Audit and Risk Committee.</p>
Assurance Mapping	<p>Not started.</p>

3. Conclusions

- 3.1 Completion of the planned programme of internal audit work for 2022/23 is progressing as anticipated. Audit work will be sufficient to allow the Chief Internal Auditor to provide an opinion on the adequacy and effectiveness of internal controls at year-end.
- 3.2 The Audit and Risk Committee should note that the Internal Audit Plan remains flexible and amendments may be required should risks, priorities, resource, and operational capacity change significantly.

4. Appendices

- Appendix 1:** Summary of Findings Arising from Internal Audit Work
Appendix 2: Strategic Commissioning Plan
Appendix 3: Definition of Internal Audit Assurance Categories

Summary of Findings Arising from Internal Audit Work

Internal Audit Plan	Assignment	Assurance
2021/22	Strategic Commissioning Plan	Limited Assurance
Scope	Final Report Executive Summary	
<p>This review of the development of the Strategic Commissioning Plan (SCP) formed part of the 2021/22 Clackmannanshire and Stirling Integration Joint Board (the IJB) Internal Audit Plan. The scope of the work included arrangements to ensure that the IJB was engaging in the process, that there was adequate reporting to the IJB, and that there was a process in place to enable development of the SCP.</p> <p>Strategic Commissioning is the process by which health and social care services are planned, purchased, and monitored. This includes strategic needs analysis, service planning and design, procurement, and performance and quality monitoring. The development of the SCP is one of the key requirements of the IJB as the overarching commissioning body for all delegated functions, as laid out within the Scottish Government Guidance Public Bodies (Joint Working) (Scotland) Act 2014 guidance issued 17 December 2015 on strategic commissioning plans.</p> <p>Scottish Government guidance also requires the establishment of a Strategic Planning Group (SPG) to facilitate preparation of the SCP. This helps ensure that all of the partners involved in the preparation of the Integration Scheme and who are party to the integrated arrangements (as well as wider stakeholders and the public) are involved in the development of the SCP.</p> <p>In particular, we reviewed:</p> <ul style="list-style-type: none"> the IJB's engagement in all key decisions and in setting the vision / direction for the next iteration of the SCP; the effectiveness of reporting to the IJB to provide appropriate governance and scrutiny arrangements; and the process for developing the Strategic Plan. 	<p>Internal Audit developed a questionnaire setting out the key elements of SCP development. HSCP officers responsible for SCP development completed this questionnaire and, where available, provided supporting evidence. Internal Audit reviewed and verified the evidence provided and assessed its adequacy, however, development work is still ongoing.</p> <p>A report was approved by the IJB on 29 June 2022 which outlined the approach to be taken in developing the SCP. The approach presented to the IJB had been agreed in principle by the SPG on 11 May 2022 and the Transforming Care Board on 12 May 2022. The programme of work also included key areas of work to be progressed throughout 2022 – 2023 and who was to lead on these tasks. The IJB has agreed a high level approach to the development of the SCP. Some key elements, however, such as how project and risk management are considered, along with resource requirements and constraints, are not detailed. Other elements, such as the Strategic Needs Assessment, remain in development and the various engagement programmes are still ongoing and have not yet been evaluated. We cannot conclude that, at a more detailed level, there is evidence available to demonstrate that the IJB has been fully engaged in this process.</p> <p>There has been limited progress reporting to the IJB on the development of the SCP. While development plans are in place at a very high level there are no specific timescales for more detailed plans to be prepared to show the expected timescales for delivery of the SCP. We cannot comment on the clarity of the separation of strategic and operational matters as no evidence was provided. An Engagement Plan outlines what engagement work is planned. Evidence wasn't provided to support the progress that has been made in relation to the development of the website / the engagement tool.</p> <p>A report was prepared by the Chief Finance Officer and presented to the IJB on the 29 June 2022 in relation to the financial context of the IJB's expenditure following the Scottish Government's Spending Review. It did not specifically relate to the impact on the preparation of the SCP. The high level engagement plan does allow for feedback from stakeholders to be incorporated in the SCP, but the type and level of information to be provided to the IJB has not been specified.</p> <p>The SPG has been established and meetings have been held. The membership of the group needs to be reviewed to provide sufficient coverage. The SPG's remit is to develop the SCP and have oversight of this process, but this does not refer to the monitoring and reporting of progress to the IJB.</p> <p>A high level strategic priorities framework is in place which identifies the key priorities for all partners and how this links to various specific strategies. An up to date version of this, however, remains in development. No evidence was provided in relation to how remobilisation lessons learned, or Covid-19 impact demand on capacity would be incorporated into the SCP.</p>	

Strategic Commissioning Plan

2021/22 Clackmannanshire and Stirling Integration
Joint Board Internal Audit Review

Limited Assurance

IIA

Draft Report Recipients:

Chief Finance Officer

Head of Strategic Planning and Health Improvement

1. INTRODUCTION AND SCOPE

- 1.1 This review of the development of the Strategic Commissioning Plan (SCP) formed part of the 2021/22 Clackmannanshire and Stirling Integration Joint Board (the IJB) Internal Audit Plan. The scope of the work included arrangements to ensure that the IJB was engaging in the process, that there was adequate reporting to the IJB, and that there was a process in place to enable development of the SCP. An Internal Audit Assignment Brief is attached at **Annex 1**.
- 1.2 Strategic Commissioning is the process by which health and social care services are planned, purchased, and monitored. This includes strategic needs analysis, service planning and design, procurement, and performance and quality monitoring. The development of the SCP is one of the key requirements of the IJB as the overarching commissioning body for all delegated functions, as laid out within the Scottish Government Guidance Public Bodies (Joint Working) (Scotland) Act 2014 guidance issued 17 December 2015 on strategic commissioning plans.
- 1.3 Scottish Government guidance also requires the establishment of a Strategic Planning Group (SPG) to facilitate preparation of the SCP. This helps ensure that all of the partners involved in the preparation of the Integration Scheme and who are party to the integrated arrangements (as well as wider stakeholders and the public) are involved in the development of the SCP. The SPG has responsibility for the development and oversight of the SCP for the Health and Social Care Partnership (HSCP).
- 1.4 Internal Audit developed a questionnaire setting out the key elements of SCP development. HSCP officers responsible for SCP development completed this questionnaire and, where available, provided supporting evidence. Internal Audit reviewed and verified the evidence provided and assessed its

adequacy. The outcomes from this process form the basis of this report.

2. AUDIT ASSURANCE AND EXECUTIVE SUMMARY

- 2.1 We can provide **LIMITED ASSURANCE** (see **Annex 2** attached for assurance category definitions) in relation to the development of the SCP as it currently stands. It is recognised, however, that development work is still ongoing.
- 2.2 A report was approved by the IJB on 29 June 2022 which outlined the approach to be taken in developing the SCP. The approach presented to the IJB had been agreed in principle by the SPG on 11 May 2022 and the Transforming Care Board on 12 May 2022. The programme of work also included key areas of work to be progressed throughout 2022 – 2023 and who was to lead on these tasks.
- 2.3 The IJB has, therefore, agreed a high level approach to the development of the SCP. Some key elements, however, such as how project and risk management are considered, along with resource requirements and constraints, are not detailed. Other elements, such as the Strategic Needs Assessment, remain in development and the various engagement programmes are still ongoing and have not yet been evaluated. We cannot conclude that, at a more detailed level, there is evidence available to demonstrate that the IJB has been fully engaged in this process.
- 2.4 There has been limited progress reporting to the IJB on the development of the SCP. While development plans are in place at a very high level there are no specific timescales for more detailed plans to be prepared to show the expected timescales for delivery of the SCP. We cannot comment on the clarity of the separation of strategic and operational matters as no evidence was provided.

- 2.5 A report was prepared by the Chief Finance Officer and presented to the IJB on the 29 June 2022 in relation to the financial context of the IJB's expenditure following the Scottish Government's Spending Review. This paper did not specifically relate to the impact on the preparation of the SCP. The high level engagement plan does allow for feedback from stakeholders to be incorporated in the SCP, but the type and level of information to be provided to the IJB has not been specified.
- 2.6 The SPG has been established and meetings have been held. The membership of the group needs to be reviewed to provide sufficient coverage. The SPG's remit is to develop the SCP and have oversight of this process, but this does not refer to the monitoring and reporting of progress to the IJB.
- 2.7 A high level strategic priorities framework is in place which identifies the key priorities for all partners and how this links to various specific strategies. An up to date version of this, however, remains in development. No evidence was provided in relation to how remobilisation lessons learned, or Covid-19 impact demand on capacity would be incorporated into the SCP.
- 2.8 An Engagement Plan outlines what engagement work is planned. Evidence was not provided to support the progress that has been made in relation to the development of the website or the engagement tool.
- 2.9 Our detailed Audit Findings are set out in **Section 3**, and a summary of our recommendations and agreed management actions is set out at **Section 4**.
- 3.2 This report did not, however, cover project or risk management and no evidence has been provided to Internal Audit to explain how this is to be taken into account. Similarly, resource requirements and constraints are not detailed for either the high level project plan or the draft engagement programme.
- 3.3 We **recommend** that a more detailed project plan, including resource requirements, is prepared and that a project risk assessment is carried out.
- 3.4 No evidence was provided to Internal Audit to support the statement that 'The wider requirements of strategic planning and all legislative requirements have been mapped and timescales for development and appropriate reporting have been captured within a timetable of activity linked to the strategic commissioning planning activity'. It is intended that a full draft plan will go out to consultation later in the year for final consideration before presentation to the IJB in March 2023.
- 3.5 We **recommend** that the SPG reviews the work planned to ensure this remains within the limits set by the IJB for the scope of the SCP.
- 3.6 While the approach papers had been agreed by the IJB on 29 June 2022, the SPG on 11 May 2022, and Transforming Care Board on 12 May 2022, the assessment of the alignment of priorities is ongoing and as yet there is no map showing the SCP priorities.
- 3.7 A number of groups have been set up to engage in the development of the process, such as the Locality Planning Network. No evidence has been provided to Internal Audit to show what has been discussed and how their work has been incorporated into the new SCP. Some, but not all, expected considerations have been evidenced within the approach report, but for example, how the plan addresses realistic medicine or the findings of the transformation group have not yet been incorporated.
- 3.8 We **recommend** that a review is carried out to ensure that all relevant groups' views and specific emerging

3. AUDIT FINDINGS

The IJB's engagement in all key decisions and in setting the vision / direction for the next iteration of the SCP.

- 3.1 The high level approach to the development of the SCP was approved by the IJB on 29 June 2022. This outlined a programme of work for 2022 - 2023 along with task leads.

approaches such as realistic medicine are being considered and linked into the development of the SCP. A note of what has been considered and by which group should be kept to document this process.

3.9 A programme of engagement and participation across communities, staff, and wider stakeholders is currently underway in accordance with the Engagement Plan. No detailed evidence, however, has been provided to Internal Audit to support the progress that has been made, for example, the development of the HSCP website or progress reporting to the Transforming Care Board.

3.10 The Strategic Needs Assessment, which considers demographics, life circumstances, risk factors, population health, and service provision to provide an understanding of the health and care needs of the local population, is still under development and no evidence has been provided to Internal Audit to support this. The approach paper agreed by the IJB on 29 June 2022 outlines the intention to measure and analyse the success of the previous SCP and future planning against key performance indicators, national health and well-being outcomes, and locally agreed targets. This has not been done.

3.11 We **recommend** that progress with the following elements of the plan is monitored and that any delays are reported to the Chief Officer and Chief Finance Officer so that action can be taken to address issues arising that might impact on the delivery of the plan:

- Strategic Needs Assessment;
- mapping of priorities across the partnership and the Scottish Government; and
- engagement programme feedback analysis.

The effectiveness of reporting to the IJB to provide appropriate governance and scrutiny arrangements

3.12 No specific proposal has been agreed regarding updates on progress to the IJB. A project plan is in place which identifies high level activities necessary to enable a draft report to be presented to the IJB in

February 2023 for publication in March 2023. No timescale, however, has been set for when a further, more detailed, report on the delivery of the SCP will be available.

3.13 There is no evidence of progress reporting to the IJB, albeit the date on which the fully developed draft SCP is to be presented has been established. We **recommend** that a more detailed project plan is developed which shows the tasks that are required to enable the high level activities to be achieved. Progress against the plan should then be reported to the next meeting of the IJB and, where necessary, any significant concerns relating to the achievement of the timescales should be highlighted.

3.14 We cannot comment on the clarity of the separation of strategic and operational matters as no evidence was provided.

3.15 The SPG has met regularly. A report to the IJB on 29 June 2022 outlined at a high level the process to be followed to develop the SCP. At the same meeting a financial report also highlighted the position of the IJB within the context of the Scottish Government Spending Review. There was, however, no reference in this report to the impact on the SCP or how financial constraints will be incorporated into the planning process.

3.16 An outline 'Engagement Plan' is in place which should allow for analysis of feedback from stakeholders. It is not clear whether progress or activity will be reported to the IJB.

3.17 We **recommend** that the links between the Spending Review and SCP are clarified and reported to the IJB. Similarly, feedback from stakeholders gathered via engagement activity and how this will be incorporated in the SCP should be reported to the IJB.

The process for developing the Strategic Plan

3.18 There is a high level project plan with indicative timescales. This has not yet been broken down into the

detailed tasks required to enable the completion of the various activities, and no timescale has been established for this more in depth planning to be completed.

3.19 The SPG is in place and meets regularly. The membership of the group, however, needs to be reviewed to provide sufficient coverage and access to a wider group as the plan develops. There have been recent changes in membership with some groups not attending, there may, therefore, no longer be the breadth and depth of stakeholders required. In addition, while the SPG remit is to develop the SCP and have oversight of this process it does not specifically refer to the monitoring and reporting of progress on plan development to the IJB.

3.20 A high level strategic priorities framework is in place which identifies the key priorities for all partners and how this links to various specific strategies. An up to date version of this, however, remains in development.

3.21 No evidence was provided to Internal Audit in relation to how remobilisation lessons learned, or Covid-19 impact demand on capacity would be incorporated into the SCP. In addition, there was no documentation detailing how risk management and identification of time critical issues are taken into account in the development process. Similarly, no evidence was provided to Internal Audit in relation to the Strategic Needs Assessment or the draft SCP itself so we cannot comment on the status of these elements.

3.22 We **recommend** that the SPG considers the development project plan in detail, their resources, and how the various elements noted above will be incorporated into the process to ensure that it meets their needs and provides sufficient assurance to the IJB on progress being made.

3.23 The Engagement Plan outlines what is planned, with which group, and the channel to be used. Analysis and feedback work is planned, along with a conference in April 2023.

3.24 A website is being developed and an engagement tool is in place, but no evidence was provided to Internal Audit to support this. No progress has been made on obtaining advice from the Sensory Centre and there is no timescale in the plan for this work.

3.25 We **recommend** that the SPG reviews the progress of the engagement plan and specifically the rollout of the website and engagement tool. This should also consider the importance of the work with the Sensory Centre and ensure that an appropriate timescale is set for this work to be undertaken.

4. RECOMMENDATIONS AND ACTION PLAN

Classification of Recommendations					
Grade 1: Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.		Grade 2: Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt, but not immediate action by management.		Grade 3: Less significant issues and / or areas for improvement which we consider merit attention, but do not require to be prioritised by management.	
Rec. No.	Recommendation	Reason for Recommendation	Agreed Management Action	Responsible Owner	Action Due
1.	<p>A more detailed project plan, including resource requirements, should be prepared.</p> <p>A project risk assessment should also be carried out.</p> <p>Report Paragraph: 3.3</p> <p>Grade 1</p>	<p>There is a risk that the Strategic Commissioning Plan is not completed within the required timescale.</p>	<p><u>Recommendation Accepted</u></p> <p>Detailed project plan is in place and can be shared.</p>	<p>Planning and Policy Development Manager</p>	<p>31 December 2022</p>
2.	<p>The Strategic Planning Group (SPG) should review the work planned to ensure this remains within the limits set by the IJB for the scope of the Strategic Commissioning Plan.</p> <p>Report Paragraph: 3.5</p> <p>Grade 2</p>	<p>There is a risk that unnecessary work is undertaken that is outwith the scope intended by the IJB for the development of the Strategic Commissioning Plan.</p>	<p><u>Recommendation Accepted</u></p> <p>The next SPG 14th December 2022.</p> <p>Work planned: Findings from Engagement – survey and open meetings / discussions in communities. Strategic Plan priorities and draft Draft Locality Plans.</p> <p>These will be shared prior to the meeting for discussion to review and feedback on progress / content during the meeting.</p>	<p>Planning and Policy Development Manager</p>	<p>14 December 2022</p>
3.	<p>A review should be carried out to ensure that all relevant groups' views and specific emerging approaches such as realistic medicine are being considered and linked into the development of the Strategic Commissioning Plan.</p> <p>A note of what has been considered and by which group should be kept to document this process.</p> <p>Report Paragraph: 3.8</p> <p>Grade 1</p>	<p>There is a risk that priorities do not align and that some groups or expected approaches are not included.</p>	<p><u>Recommendation Accepted</u></p> <p>Principles of realistic medicine have been woven into the principles and themes of the SCP. However, given the feedback, Realistic Medicine will be given more of a focus and our approach will be set out explicitly within the Plan.</p>	<p>Planning and Policy Development Manager</p>	<p>March 2023</p>

Rec. No.	Recommendation	Reason for Recommendation	Agreed Management Action	Responsible Owner	Action Due
4.	<p>Progress with the following elements of the plan should be monitored:</p> <ul style="list-style-type: none"> • Strategic Needs Assessment (SNA); • mapping of priorities across the partnership and the Scottish Government; and • engagement programme feedback analysis. <p>Any delays must be reported to the Chief Officer and Chief Finance Officer so that action can be taken to address issues arising that might impact on the delivery of the plan.</p> <p>Report Paragraph: 3.11</p> <p>Grade 1</p>	<p>There is a risk that progress with the supporting elements of the development plan is not monitored in sufficient detail to ensure delivery of the Strategic Commissioning Plan is met.</p>	<p>Recommendation Accepted</p> <p>The SNA will be shared with Internal Audit. It has been agreed at Committee, Strategic Planning Group, and IJB.</p> <p>The Strategic Commissioning Plan has been reported through the Strategic Planning Group, as the public facing group who oversees the development of the Plan, at every meeting this year with each element of the work presented to reflect the programme of work agreed at IJB. The SNA, Workforce Plan and consultation, feedback from Localities, key priorities for the Plan and commissioning consortium development and delivery.</p> <p>'Plan on a Page' will be shared with Internal Audit.</p> <p>Performance Framework in Development and will be shared with Internal Audit. This is at the early stages given the complexity of the data landscape within the HSCP.</p>	<p>Planning and Policy Development Manager</p>	<p>31 December 2022</p> <p>Completed</p> <p>31 December 2022</p> <p>January 2023</p>
5.	<p>A more detailed project plan should be developed which shows the tasks that are required to enable the high level activities to be achieved.</p> <p>Progress against the plan should then be reported to the next meeting of the IJB and, where necessary, any significant concerns relating to the achievement of the timescales should be highlighted.</p> <p>Report Paragraph: 3.13</p> <p>Grade 1</p>	<p>There is a risk that without a detailed project plan progress cannot be sufficiently monitored and reported to ensure the Strategic Commissioning Plan is delivered within the timescales set.</p>	<p>Recommendation Accepted</p> <p>The next meeting of IJB is in February 2023.</p> <p>This will include timescales for completion of the Strategic Commissioning Plan up until publication in March 2023.</p> <p>Detailed plan can be updated and made available.</p>	<p>Planning and Policy Development Manager</p>	<p>February 2023</p>
6.	<p>The links between the Spending Review and Strategic Commissioning Plan should be clarified and reported to the IJB.</p> <p>Similarly, feedback from stakeholders gathered via engagement activity and how this will be incorporated in the SCP should be reported to the IJB.</p> <p>Report Paragraph: 3.17</p> <p>Grade 1</p>	<p>There is a risk that the impact of the Government Spending Review and feedback from stakeholders is not clearly understood and properly taken into account in the Strategic Commissioning Plan.</p>	<p>Recommendation Accepted</p> <p>Appropriate narrative will be added to SCP to link the resources available to deliver the SCP to the Scottish Government's Resource Spending Review and the 2023/24 Scottish Draft budget.</p> <p>Report providing findings from survey and engagement being prepared and links to priorities within SCP. Update to be given to IJB in February and SPG most recently on 14th December.</p>	<p>Chief Finance Officer</p> <p>Planning and Policy Development Manager</p>	<p>February 2023</p> <p>In progress – this is a continuous engagement activity. It will not stop with publication of SCP.</p>

Rec. No.	Recommendation	Reason for Recommendation	Agreed Management Action	Responsible Owner	Action Due
7.	<p>The Strategic Planning Group should consider the development project plan in detail, their resources, and how the various elements noted in paragraph 3.21 will be incorporated into the process.</p> <p>Report Paragraph: 3.22</p> <p>Grade 1</p>	<p>There is a risk that the Strategic Commissioning Plan is not developed within the required timescale and doesn't meet the IJB's requirements.</p>	<p>Recommendation Accepted</p> <p>Discuss at SPG meeting 14th December.</p>	<p>Head of Strategic Planning and Health Improvement</p> <p>Planning and Policy Development Manager</p>	<p>14 December 2022</p>
8.	<p>The Strategic Planning Group should review the progress of the engagement plan, and specifically the rollout of the website and engagement tool.</p> <p>They should also consider the importance of the work with the Sensory Centre and ensure that an appropriate timescale is set for this work to be undertaken.</p> <p>Report Paragraph: 3.25</p> <p>Grade 2</p>	<p>There is a risk that the engagement process is not completed as planned.</p>	<p>Recommendation Accepted</p> <p>Completed 8 week survey with 252 participants and held 15 in person engagement sessions and 3 online engagement sessions with citizens living across the partnerships three locality areas (Clackmannanshire, Stirling (Urban) Stirling (Rural) to shape CSHSCP's new Strategic Plan 2023-2033.</p> <p>Communication and signposting featured strongly, this will be reflected in CSHSCP Strategic Plan and our Locality Plans – which are expected to be published in March 2023 - pending approval from Integration Joint Board (IJB).</p> <p>Follow the publication of our new Strategic Plan, CSHSCP will review and renew our Participation and Engagement Strategy 2020 – 2023 https://clacksandstirlinghscp.org/wp-content/uploads/sites/10/2018/11/Participation-and-Engagement-Strateg.pdf</p> <p>This work will be led by our new Service Improvement Manager who will create and lead a focus group which will aim to have stakeholders including: Older adults; Disabilities including sight impairment; New Scots / Refugee; Staff Partner(s).</p> <p>This focus group will support and inform our review of our current strategy and how we best approach our new participation and engagement strategy and help advise on areas of communication including website, social media, newsletter and other communications to co-produce a new participation and engagement plan for 2024-2027.</p>	<p>Service Improvement Manager</p> <p>Planning and Policy Development Manager</p>	<p>14 December 2022</p> <p>This activity has been carried out throughout previous meetings of the SPG.</p>



Internal Audit Assignment Brief



**Clackmannanshire
Council**

Service:	Integrated Joint Board	Audit Year:	2021/22
Chief Officer:	Annemargaret Black	Audit Manager:	Isabel Wright
Key Contact:	Wendy Forrest & Ewan Murray	Lead Auditor:	Moira Bilsbrough & Jason Ross
Audit Area:	Strategic Commissioning Plan		

SCOPE

The Clackmannanshire & Stirling HSCP Strategic Commissioning Plan 2019-22 (SCP) is in its third and final year and in a post Covid environment a revised Strategy, with clear linkages to the Transforming Care Programme and Remobilisation Plan, needs to be developed. It is recognised that the update will need to reflect changes to population need, priorities, equity, capacity and modes of delivery.

STRATEGIC RISKS

Internal Audit work links to the following Strategic Risk:

HSC006: Experience of service users / patients / unpaid carers is about failure to engage adequately and fully with stakeholders, and is rated as 12 (low) with a target score of 3 (low). This audit will specifically review compliance with the Participation & Engagement Strategy 2020-2023 as it applies to development of the SCP.

ASSURANCE

This audit considered the detailed arrangements for preparation of the revised SCP and followed up progress to address Action point 1 from the 2020/21 IJB Annual Internal Audit Report. In particular we will assess the extent to which the following areas are included in the proposed process for updating the SCP:

- The IJB's engagement in all key decisions and in setting the vision / direction for the next iteration the SCP, including understanding and where necessary approving: Process; Products; Parameters; Priorities and Principles.
- The effectiveness of governance and scrutiny of arrangements.
- The process for developing the SCP, including:
 - Assessment of the risks to achievement;
 - Use of appropriate project/programme management principles;
 - Learning from remobilisation;
 - Overt linkages to realistic medicine, transformative programmes, efficiency savings and other initiatives;
 - Articulation of a clear link between strategy and ongoing service developments, to ensure future services are sustainable;
 - The impact of Covid on demand and capacity, as well as identifying overall population need and addresses health and care inequalities;
 - Congruence with Strategies being developed by partner bodies; and
 - Identification of the staff, IT, Estates and other resource requirements.

DEFINITION OF ASSURANCE CATEGORIES

Level of Assurance	Definition
Substantial assurance	Largely satisfactory risk, control, and governance systems are in place. There may be some scope for improvement as current arrangements may undermine the achievement of objectives or leave them vulnerable to error or abuse.
Limited assurance	Risk, control, and governance systems have some satisfactory aspects. There are, however, some significant weaknesses likely to undermine the achievement of objectives and leave them vulnerable to an unacceptable risk of error or abuse.
No assurance	The systems for risk, control, and governance are ineffectively designed and operated. Objectives are not being achieved and the risk of serious error or abuse is unacceptable. Significant improvements are required.

Definition of Internal Audit Assurance Categories

Level of Assurance	Definition
Substantial assurance	Largely satisfactory risk, control, and governance systems are in place. There is, however, some scope for improvement as current arrangements could undermine the achievement of objectives or leave them vulnerable to error or abuse.
Limited assurance	Risk, control, and governance systems have some satisfactory aspects. There are, however, some significant weaknesses likely to undermine the achievement of objectives and leave them vulnerable to an unacceptable risk of error or abuse.
No assurance	The systems for risk, control, and governance are ineffectively designed and operated. Objectives are not being achieved and the risk of serious error or abuse is unacceptable. Significant improvements are required.

Integration Joint Board Audit and Risk Committee

8 March 2023

Agenda Item 6

Progress Update on Annual Audit Report
Recommendations

For Noting and Assurance

Paper Approved for Submission by:	Ewan Murray, Chief Finance Officer
Paper presented by	Ewan Murray, Chief Finance Officer
Author	Ewan Murray, Chief Finance Officer
Exempt Report	No

Directions	
No Direction Required	<input checked="" type="checkbox"/>
Clackmannanshire Council	<input type="checkbox"/>
Stirling Council	<input type="checkbox"/>
NHS Forth Valley	<input type="checkbox"/>

Purpose of Report:	To present the Audit and Risk Committee with a progress update on the recommendations contained within the 2021/22 Annual Audit Report
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Recommendations:	<p>The Audit and Risk Committee is asked to:</p> <ol style="list-style-type: none"> 1) Note and draw assurance from the progress update on the recommendations contained within the 2021/22 Annual Audit Report 2) Note that the 2022/23 Annual Audit Plan will be presented to the IJB on 29 March 2023.
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1. Background

- 1.1. The 2021/22 Audited Annual Accounts and Annual Audit Report were presented to the IJB in November 2022.
- 1.2. The IJB External Auditors from 2022/23 are Deloitte. The Chief Finance Officer and HSCP Management Accountant have been engaging recently with the External Audit team including timelines for the 2022/23 External Audit and timing of availability of the draft Annual Audit Plan (AAP).

2. Progress Report on Annual Audit Report (AAR) Recommendations

- 2.1. The progress report on AAR recommendations is appended to this report at Appendix 1. The format used is in line with the structure of the 2021/22 AAR.
- 2.2. The progress report illustrates where progress is complete, on track or delayed along with explanatory narrative.
- 2.3. A further update on progress will be brought to the June Audit Committee.

3. 2022/23 External Audit Programme and Annual Audit Plan

- 3.1. The Chief Finance Officer has been engaging with the External Audit team on audit planning and timescales.
- 3.2. Deloitte, the IJBs external auditors have proposed audit timescales which will permit completion of the programme in line with regulation timescales.

3.3. The propose timing of the Annual Audit Plan did not permit presentation to this committee meeting.

3.4. It is therefore proposed that the AAP is presented to the IJB meeting on 29 March.

4. Appendices

Appendix 1 –AAR Recommendations Progress Report

Fit with Strategic Priorities:	
Care Closer to Home	<input checked="" type="checkbox"/>
Primary Care Transformation	<input checked="" type="checkbox"/>
Caring, Connected Communities	<input checked="" type="checkbox"/>
Mental Health	<input checked="" type="checkbox"/>
Supporting people living with Dementia	<input checked="" type="checkbox"/>
Alcohol and Drugs	<input checked="" type="checkbox"/>
Enabling Activities	
Technology Enabled Care	<input checked="" type="checkbox"/>
Workforce Planning and Development	<input checked="" type="checkbox"/>
Housing and Adaptations	<input checked="" type="checkbox"/>
Infrastructure	<input checked="" type="checkbox"/>
Implications	
Finance:	Per body of report and appendices.
Other Resources:	N/A
Legal:	As a public body the IJB is subject to statutory audit.
Risk & mitigation:	The Annual Audit Plan will consider the key risks of the IJB.
Equality and Human Rights:	The content of this report <u>does not</u> require a EQIA
Data Protection:	The content of this report <u>does not</u> require a DPIA
Fairer Duty Scotland	Fairer Scotland Duty places a legal responsibility on public bodies in Scotland to actively consider ('pay due regard' to) how they can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions.

	<p>The Interim Guidance for public bodies can be found at: http://www.gov.scot/Publications/2018/03/6918/2</p> <p>The content of this report does not require Fairer Duty Scotland Assessment</p>
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Appendix 1: Progress Report against 2021/22 Annual Audit Report Recommendations

2021/22 recommendations

Issue/risk	Recommendation	Agreed management action/timing	Progress Update at 1 March 2023
<p>1. Content of Finance Reports</p> <p>While there is detailed narrative on the financial challenges the board is facing, reports could be improved. In particular, it would be appropriate for regular reporting to include the board's actual expenditure on different services.</p> <p>Risk – Finance reports may not provide a sufficient overview of IJB financial performance.</p>	<p>IJB regular financial reports should be updated to detail total expenditure against budget</p> <p>Paragraph 48.</p>	<p>The Annual Internal Audit report contained a recommendation to survey IJB members on desired style and format of financial reporting. This management action in response to this recommendation is being taken forward before introducing substantive changes to the IJB Finance Report. This notwithstanding we agree that the recommendation made here is reflective of good practice and will be actioned.</p> <p>IJB Chief Finance Officer</p> <p>February 2023</p>	<p>In progress - Delayed</p> <p>On reflection it is easier to implement significant changes in financial reporting into a new financial year and this will be implemented for 2023/24 routine financial reporting.</p> <p>Revised date: August 2023</p>
<p>2. Delegation of Services</p> <p>The IJB reports that elements of its Strategic Improvement Plan were delayed due to the</p>	<p>The Board should work with partners to prioritise delegation of all planned services to the IJB.</p>	<p>Work to agree and implement delegation of all planned services is underway led, on behalf of the IJB, by the Chief</p>	<p>Complete</p> <p>Further delegation of services was implemented by 31 January 2023. The</p>

Issue/risk	Recommendation	Agreed management action/timing	Progress Update at 1 March 2023
<p>pandemic, including the full delegation of all services that are part of the integration scheme.</p>	<p>Paragraph 70.</p>	<p>Officer. Completion requires ongoing support and commitment from the Chief Executives of the constituent authorities and requires associated decision making in particular by NHS Forth Valley.</p> <p>IJB Chief Officer</p> <p>May 2023</p>	<p>associated due diligence process in relation to these transfers is being undertaken and the outcome of this will be reported to the IJB in due course.</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing	Progress Update at 1 March 2023
<p>Performance Reporting Targets</p> <p>IJB performance reports are detailed, but lack benchmarks or targets to put the data in context.</p> <p>There is a risk that the IJB performance reports do not present a clear picture of IJB performance.</p>	<p>Performance reporting could be improved through the addition of clear performance targets to allow assessment of how the IJB is performing relative to expectation.</p> <p>2021/22 Update</p>	<p>In progress</p> <p>The new Strategic Commissioning Plan, under development, will support a refreshed performance reporting style including service focused performance targets, management information as well as benchmarking across</p>	<p>In progress – on track</p> <p>This recommendation is directly linked to the 2023/33 Strategic Commissioning Plan (SCP) which will be presented to the IJB in March 2023 for approval. Post approval of the reporting requirements to monitor progress against it will be</p>

Issue/risk	Recommendation	Agreed management action/timing	Progress Update at 1 March 2023
		<p>services and more widely; this has been place over the past year to better manage performance across discharge planning and community capacity including care at home, care homes and community hospitals. Some recording systems are being replaced to ensure better quality reporting based in better recording. Post-pandemic, the learning from streamlined recording and reporting is being utilised to improve whole systems performance management and comparative analysis.</p> <p>Head of Strategic Planning and Health Improvement</p> <p>June 2023</p>	<p>reviewed and agreed.</p>

Issue/risk	Recommendation	Agreed management action/timing	Progress Update at 1 March 2023
<p>Management Commentary</p> <p>The structure and content of the management commentary could be improved to make the performance and financial information clearer.</p> <p>There is a risk that the information within the management commentary does not accurately capture the performance and financial information.</p>	<p>The IJB should review and update the structure and content, including clearer performance and financial information and better highlight the organisational achievements for the year under review.</p> <p>2021/22 Update</p> <p>The structure and content is significantly impacted since this recommendation was originally raised.</p> <p>However, management should continue to improve their process for production of the Management Commentary, in particular the timely inclusion of performance data.</p>	<p>In Progress</p> <p>The style and content of the management commentary will continue to be developed to improve understanding, clarity and triangulation of financial and performance information and alignment to strategic priorities. This in turn assists in demonstrating best value.</p> <p>Earlier availability of the performance information which will be incorporated within the Annual Performance Report (APR) will continue to be pursued however this is dependent on both local and national availability of data.</p> <p>This is aimed to be achieved through aligning annual accounts and APR timetable.</p> <p>Chief Finance Officer</p> <p>June 2023</p>	<p>In Progress - On track</p> <p>Structure and style of management commentary will be reviewed and improved as part of preparation on 2022/23 IJB Annual Accounts including how the 2023/33 Strategic Commissioning Plan and priorities set future reporting considerations.</p>

Issue/risk	Recommendation	Agreed management action/timing	Progress Update at 1 March 2023
<p>Financial Management</p> <p>The finance teams of NHS Forth Valley, Stirling Council, and Clackmannanshire Council operate independently, use different financial systems, and report separately to the IJB Chief Finance Officer.</p> <p>There is a risk that financial monitoring data is not accurately accounted for.</p>	<p>The IJB should align partner financial reporting to improve the efficiency of the IJB's financial monitoring and enable a better understanding of costs across the partnership.</p> <p>2021/22 Update</p> <p>Financial reporting in 2020/21 is unchanged.</p>	<p>In Progress</p> <p>Work is ongoing to improve financial reporting and produce a more integrated style of financial reporting to the IJB and HSCP Leadership Teams. This has taken longer than anticipated due to complexity of the task and competing demands including increasing Scottish Government requirements for financial returns.</p> <p>IJB Chief Finance Officer</p> <p>September 2023</p>	<p>In progress – On track</p> <p>Whilst continuing to work with consolidating financial information from 3 different financial systems remains a challenge work is ongoing to improve reporting at all levels including to IJB, Senior Management Leadership Team and for Operational Managers.</p>
<p>Financial Sustainability</p> <p>The IJB has a savings requirement of £6.214 million per the 2020/21 budget settlement. Ongoing cost and demand pressures of approximately £19.660 million per year are projected over the next 5 years. These projections were made prior to the impact of Covid-19.</p>	<p>The IJB should update the MTFP to reflect the impacts of Covid-19 at the earliest appropriate opportunity.</p> <p>2021/22 Update</p> <p>The MTFP has not yet been updated for the impact of Covid-19.</p>	<p>In Progress</p> <p>Work to review and update the MTFP is underway and is being aligned to</p> <ul style="list-style-type: none"> - The Scottish Government Resource Spending Review published in May 2022 - The 2023/24 Scottish Draft Budget being published on 15 	<p>In progress : Partially On track / Partially Delayed</p> <p>An initial assessment of medium term financial gap for the partnership is on track to be completed as part of the budget considerations being presented to the IJB in March 2023 and more comprehensive exercise and Medium Term Financial Plan</p>

Issue/risk	Recommendation	Agreed management action/timing	Progress Update at 1 March 2023
<p>The Covid-19 pandemic has introduced further financial challenges. The estimated additional cost of Covid-19 between March 2020 and March 2021 is £11.598 million.</p> <p>There is a risk that the IJB may not be able to deal with future financial challenges and deliver required savings without adversely impacting service delivery.</p>		<p>December 2022</p> <ul style="list-style-type: none"> - The 2023/2033 IJB Strategic Commissioning Plan to be approved and published in March 2023 <p>The MTFP will take cognisance of both direct and indirect impacts of Covid including the higher levels of service demand and complexity/acuity of care.</p> <p>Chief Finance Officer March 2023</p>	<p>will be undertaken aligned to the timing of the refresh and publication of Scottish Governments Medium Term Financial Framework for Health and Social Care.</p> <p>This is dependent on Scottish Government timing and the Auditor General made a specific recommendation on this as part of the NHS in Scotland 2022 Overview report. It is currently envisaged this will be completed later in financial year 2023/24.</p>
<p>Update of governance documents</p> <p>There are a number of policies and documents that have not been updated.</p> <p>There is a risk that the existing governance documents do not reflect current arrangements.</p>	<p>As part of the review of the governance framework the IJB should look to update the supporting documents including the integration scheme, scheme of delegation and counter fraud policy.</p> <p>2021/22 Update</p> <p><i>The integration scheme and counter fraud policy have not</i></p>	<p>In Progress</p> <p>Revised Scheme of Delegation was completed and approved by IJB in March 2023. Review of Financial Regulations and further consideration of counter fraud policy and/or requirement for more overt assurance on counter fraud arrangements from the</p>	<p>In progress – timescales delayed.</p> <p>It has been agreed with the Chief Executives of the constituent authorities that the process of review of the Integration Scheme will commence from late March 2023. A project plan is being updated to support this and resources identified from the constituent authorities. It is</p>

Issue/risk	Recommendation	Agreed management action/timing	Progress Update at 1 March 2023
	<i>yet been updated</i>	<p>constituent authorities.</p> <p>Additionally, in relation the Integration Scheme, the IJB will continue to work with constituent authorities to identify if there is a requirement to prepare a revised integration scheme.</p> <p>Chief Finance Officer – Financial Regulations and Counter Fraud</p> <p>June 2023</p> <p>Chief Officer – Integration Scheme</p> <p>March 2023</p>	<p>envisaged that the process will take between 36-52 weeks from commencement to completion including required consultation.</p> <p>Further reviews of the IJBs governance frameworks will be undertaken on a continuous basis with the next key reviews being the Risk Management Strategy and Financial Arrangements. A revised integration scheme itself may require review and update of key governance frameworks of the IJB.</p> <p>Revised timescale</p> <p>Integration Scheme Review – December 2023-March 2024</p>

Integration Joint Board Audit and Risk Committee

8 March 2023

Agenda Item 7

Review of Reserves Strategy & Policy

For Approval

Paper Approved for Submission by:	Ewan Murray, Chief Finance Officer
Paper presented by	Ewan Murray, Chief Finance Officer
Author	Ewan Murray, Chief Finance Officer
Exempt Report	No

Directions	
No Direction Required	<input checked="" type="checkbox"/>
Clackmannanshire Council	<input type="checkbox"/>
Stirling Council	<input type="checkbox"/>
NHS Forth Valley	<input type="checkbox"/>

Purpose of Report:	To present a IJB reserves strategy and policy to the Audit and Risk Committee for consideration and recommendation to the IJB for approval.
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Recommendations:	<p>The Audit and Risk Committee is asked to:</p> <ol style="list-style-type: none"> 1) Consider the reserves strategy and policy 2) Recommend approval of the reserves strategy and policy to the IJB to be presented as part of the 2023/24 Revenue Budget.
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1. Background

- 1.1. Reserves policy and strategies form part of sound financial management arrangements for the IJB.
- 1.2. The IJB agreed a revised reserves policy as part of its 2022/23 Revenue Budget with a minimum general or contingency reserves level of 1% of budgeted expenditure and a prudential target for reserves of 2.5% of budgeted expenditure.
- 1.3. The appended draft reserves strategy embeds the reserves policy within an updated reserves strategy forming an element of ongoing work to continually review and strengthen the IJBs Governance Frameworks.

2. Considerations

- 2.1. The appended draft reserves strategy is based upon Chartered Institute of Public Finance and Accountancy (CIPFA) issued guidance to local authorities and similar bodies in the form of the Local Authority Accounting Panel (LAAP) Bulletin 55 'Guidance Note on Local Authority Reserves and Balances'.
- 2.2. In developing the reserves strategy the IJB Chief Finance Officer has also taken account of emergent practice across IJBs in Scotland with regards to reserves.
- 2.3. The draft reserves policy embeds the reserves policy approved by the IJB on 23 March 2022 as part of the 2022/23 Revenue Budget within a policy

framework linked to the Integration Scheme, the IJBs Financial Regulations and the role of the IJB Chief Finance Officer.

The key elements of reserves policy are:

A prudential reserves target of 2.5% of budgeted expenditure: and
 A minimum general or contingency reserves level of 1%.

Based on an estimated total revenue budget in the region of £250m this would represent £6.25m and £2.5m respectively.

- 2.4. Reserves levels held by the IJB continue to be excess of the prudential target mainly as a result of Covid funding and other 2021/22 allocations received from Scottish Government. It is envisaged that total reserves will fall to the prudential reserves target during 2023/24 financial year dependent on financial performance. If sufficient savings and efficiencies cannot be delivered and/or there are further materials financial risks experienced there is significant risk general or contingency reserves will reduce or be exhausted.
- 2.5. As the financial risk profile of the IJB (and the public sector as a whole) is increasing there is no current justification for a reserves policy which would require holding less reserves and little short term ability to increase the levels of reserves being held.
- 2.6. The reserves policy and strategy will be reviewed further by March 2024 linked to setting of the 2024/25 Revenue Budget.
- 2.7. It is also planned to review the Financial Regulations during 2023/24 and this is reflected within the committee workplan.

3. Conclusions

- 3.1. Audit and Risk members are invited to consider the appended draft reserves strategy and approve its recommendation to the Integration Joint Board.
- 3.2. Subject to this recommendation it will be presented to the Integration Joint Board for approval within the 2023/24 Revenue Budget.

4. Appendices

Appendix 1 –Reserves Strategy & Policy

Fit with Strategic Priorities:	
Care Closer to Home	☒
Primary Care Transformation	☒
Caring, Connected Communities	☒
Mental Health	☒
Supporting people living with Dementia	☒

Alcohol and Drugs	<input checked="" type="checkbox"/>
Enabling Activities	
Technology Enabled Care	<input checked="" type="checkbox"/>
Workforce Planning and Development	<input checked="" type="checkbox"/>
Housing and Adaptations	<input checked="" type="checkbox"/>
Infrastructure	<input checked="" type="checkbox"/>
Implications	
Finance:	The IJBs Reserves Policy and Strategy forms part of its financial management arrangements.
Other Resources:	N/A
Legal:	As a public body the IJB is subject to public audit.
Risk & mitigation:	The reserves strategy assists the IJB in management of financial risk per the Financial Resilience Risk within the Strategic Risk Register.
Equality and Human Rights:	The content of this report <u>does not</u> require a EQIA
Data Protection:	The content of this report <u>does not</u> require a DPIA
Fairer Duty Scotland	<p>Fairer Scotland Duty places a legal responsibility on public bodies in Scotland to actively consider ('pay due regard' to) how they can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions.</p> <p>The Interim Guidance for public bodies can be found at: http://www.gov.scot/Publications/2018/03/6918/2</p> <p>The content of this report <u>does not</u> require Fairer Duty Scotland Assessment</p>

CLACKMANNANSHIRE AND STIRLING INTEGRATION JOINT BOARD RESERVES STRATEGY & POLICY

BACKGROUND

1. The Chartered Institute of Public Finance and Accountancy (CIPFA) issued guidance to local authorities and similar bodies in the form of the Local Authority Accounting Panel (LAAP) Bulletin 55 Guidance Note on Local Authority Reserves and Balances. This guidance outlines the framework for reserves, the purpose of reserves and key issues to be considered when determining the appropriate level of reserves. The Integration Joint Board (IJB) is classified as a Section 106 body under the Local Government (Scotland) Act 1973 and as such, it is able to hold reserves which should be accounted for in the financial accounts and records of the IJB.

The purpose of a Reserves Strategy is to:

- Outline the legislative and regulatory framework underpinning the creation, use or assessment of the adequacy of reserves;
- Identify the principles to be employed by the IJB in assessing the adequacy of the IJB's reserves;
- Indicate how frequently the adequacy of the IJB's reserves and balances will be reviewed; and
- Set out arrangements relating to the creation, amendment and use of reserves and balances.

STATUTORY / REGULATORY FRAMEWORK FOR RESERVES

2. Clackmannanshire and Stirling Integration Joint Board (IJB) is a legal entity established by Parliamentary Order following Ministerial approval of the Integration Scheme and has been formally constituted under a body corporate model. The IJB is expected to operate under public sector best practice governance arrangements. The revenue budget for the day to day running costs of the Partnership is delegated by Clackmannanshire and Stirling Councils and NHS Forth Valley (the Parties to the Integration Scheme) and the IJB subsequently commissions, through the use of Directions, services from these constituent authorities.

Usable Reserves:

3. In common with local authorities, the IJB can have reserves within a usable category. Local Government bodies, including IJBs, may only hold usable reserves for which there is a statutory or regulatory power to do so.

The Local Government Scotland Act 1973, includes provision for a General Fund reserve to be created and maintained.

4. NHS Boards are not normally permitted to earmark funding allocations for carry-forward as a matter of course.

5. For each reserve there should be a protocol setting out:
 - The reason for / purpose of the reserve;
 - How and when the reserve can be used;
 - Procedures for the reserves management and control; and
 - The review timescale to ensure continuing relevance and adequacy.
6. Financial Regulations for Clackmannanshire and Stirling were formally approved by the IJB on 30 March 2016. A review and update of the Financial Regulations will be undertaken periodically.

The Financial Regulations highlight that legislation under Section 106 of the Local Government (Scotland) Act 1973 empowers the IJB to hold reserves, which should be accounted for in the financial accounts and records of the IJB. This Reserves Strategy should, therefore, be read in conjunction with the Financial Regulations for the IJB and the Integration Scheme establishing and governing the IJB.

OPERATION OF RESERVES

7. Reserve funds are established as part of a strong financial management framework. The purposes of reserve funds are as follows:
 - As a working balance to help cushion the impact of uneven cash flows;
 - As a contingency to cushion the impact of unexpected events and emergencies; and
 - As a means of building up funds, often referred to as earmarked reserves to meet known or predicted liabilities including change required to implement strategic plans which may take place over more than one financial year.
8. The balance of the reserve funds normally comprise three elements:
 - Funds that are earmarked or set aside for specific purposes. In Scotland, under Local Government accounting rules, the IJB cannot have a separate Earmarked Reserve within the Balance Sheet, but can highlight elements of the General Fund Reserve Balance required for specific purposes. The identification of such funds can be highlighted from a number of sources:
 - Future use of funds for a specific purpose, as agreed by the IJB; or
 - Commitments made under delegated authority by the Chief Officer, which cannot be accrued at specific times (e.g. financial year-end) due to not being in receipt of the service or goods;
 - Funds that are not earmarked for specific purposes, but are set aside to deal with unexpected events and emergencies; and
 - Funds held in excess of the target level of reserves and the earmarked sums. Reserves of this nature can be spent or earmarked at the discretion of the IJB.

9. Reserves are created by appropriating sums from the General Fund balance to the Movement in Reserves Statement (MiRS). Where a balance has been committed for a specific purpose and expenditure has been incurred or grant conditions met, a request should be made to the Chief Finance Officer in order that the balance is drawn down and matched to expenditure incurred. The subsequent financial report to the IJB should note that a budget transfer has taken place.
10. Where the balance exceeds expenditure incurred, the remaining balance will be reclassified as an uncommitted balance and treated accordingly.
11. The Integration Scheme highlights that where there is a forecast overspend in-year, the Chief Officer and Chief Finance Officer, along with the relevant finance officers and operational manager of the Parties are required to agree a financial recovery plan to achieve financial balance. Such a recovery plan may require to take cognisance of any reserves and balances available to the IJB.
12. Where, in future, leaded or co-ordinating partnership arrangements maybe established arrangements will require to be put in place to specify how any overspend after recovery plan actions would be allocated between the two IJBs within Forth Valley.

ROLE OF THE IJB CHIEF FINANCE OFFICER

13. The IJB Chief Finance Officer is responsible for advising on the budgeted optimum levels of balances the IJB should aim to hold (the prudential target). The IJB, based on this advice, should then approve the appropriate reserves strategy as part of the budget process.

LEVEL OF BALANCES HELD

14. There is no guidance on the minimum level of reserves that should be held. In determining the minimum and prudential target for reserves, the Chief Finance Officer is required to take account of the strategic, operational and financial risks facing the IJB over the medium term and the IJB's overall approach to risk management.

On this basis a minimum contingency or general reserves level of 1% of budgeted expenditure was agreed as part of the IJBs 2022/23 Revenue Budget. This will continue to require to be reviewed annually as an integral element of budget setting.

15. In determining the prudential target, the Chief Finance Officer should consider the IJB's Strategic Commissioning Plan, the medium term financial outlook and the overall financial environment.

Earmarked reserves should be reviewed as part of the annual budget process and development and/or review of the Strategic Commissioning Plan.

16. In recognition of the scale of the IJB's responsibilities, it is proposed to retain a prudent level of general reserves. The value of general reserves will be reviewed annually as part of the annual revenue budget approval process and development, review and approval of the Strategic Commissioning Plan, taking account of the financial environment at that time. Where it is assumed that the financial environment at the time of setting the budget does not support a prudent level of reserves to be held, this should be reported to the IJB together with an aspirational reserves position. The value of other earmarked funds will be established as part of the annual financial accounting process.
17. While there is no defined level of reserves to be held, a number of organisations, including

several IJBs have set a target level of 2%-4% of annual budgeted expenditure. The IJB should therefore continue to aspire to hold 2.5% of annual budgeted expenditure as general fund balances (total contingency and earmarked reserves).

This clearly needs to be balanced within the wider financial and strategic planning context.

18. The Integration Scheme states that where there is an overspend in the Operational Integrated Budget, the Parties can:
- Make additional one-off payments to the IJB, based on an agreed cost sharing model
 - Provide additional resources to the IJB which are then recovered in future years, subject to scrutiny of the reasons for the overspend and assurance that there is a plan to address this; or
 - Access the reserves of the IJB to help recover the overspend position.

REVIEW OF BALANCES

19. Clackmannanshire & Stirling IJBs Reserves Strategy requires the Board to review balances on an annual basis following the external audit of the Statement of Accounts to allow members to examine the level and detail of balances held.

The Reserves Strategy will be reviewed annually as part of the revenue budget setting process of the IJB.

FINANCIAL MANAGEMENT AND FINANCIAL REPORTING ARRANGEMENTS

20. The IJB Chief Finance Officer has a fiduciary duty to ensure proper stewardship of public funds.
21. Recording of all financial information in respect of the IJB will be in the financial ledger of the Party which is delivering services on behalf of the IJB.
22. The level of and utilisation of reserves will be formally approved by the IJB based on the advice of the IJB Chief Finance Officer. To enable the IJB to reach a decision on reserves, the Chief Finance Officer should clearly state the factors that influenced this advice.
23. As part of periodic financial reporting to the IJB and committees of the IJB, the IJB Chief Finance Officer will normally confirm
- The current value of general reserves, the movement proposed during the year and the estimated year-end balance;
 - The extent to which balances are being used to fund recurrent expenditure (if any);
 - The adequacy of general reserves in light of the IJB's Strategic Commissioning Plan, the medium term financial outlook and the overall financial environment;
 - An assessment of earmarked reserves and advice on appropriate levels and movements during the year and over the medium term; and
 - Any actions considered necessary to increase reserves towards the prudential target

REVIEW OF RESERVES STRATEGY

24. The IJB Reserves Strategy will be subject of review annually (in line with IJB budget approval) by the IJB Chief Finance Officer, and where necessary, proposals for adjustments will be submitted to the IJB for approval.

Date of Review: 8 March 2023

Date of Next Review: March 2023

Clackmannanshire & Stirling Integration Joint Board Audit and Risk Committee

8 March 2023

Agenda Item 9

Update on Review of Risk Management Arrangements & Strategic Risk Register

For Approval

Paper Approved for Submission by:	Ewan Murray, Chief Finance Officer
Paper presented by	Ewan Murray, Chief Finance Officer
Author	Ewan Murray, Chief Finance Officer
Exempt Report	No

Directions	
No Direction Required	<input checked="" type="checkbox"/>
Clackmannanshire Council	<input type="checkbox"/>
Stirling Council	<input type="checkbox"/>
NHS Forth Valley	<input type="checkbox"/>

Purpose of Report:	To provide the Audit and Risk Committee with the Strategic Risk Register for review, scrutiny, and approval.
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Recommendations:	<p>The Audit and Risk Committee is asked to:</p> <ol style="list-style-type: none"> 1) Review and approve the Strategic Risk Register. 2) Note the Terms of Reference for the HSCP Risk Management Forum
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1. Background

- 1.2 In line with approved Performance Reporting Frameworks the Integration Joint Board receives updates on high risks on an exception basis.
- 1.3 The Audit and Risk Committee undertakes a scrutiny function for the Integration Joint Board to scrutinise and review the full Strategic Risk Register.
- 1.4 The Strategic Risk Register is regularly reviewed by the HSCP Senior Leadership Team (SLT) and updated thereafter by the Chief Finance Officer. The most recent review was 28 February 2023.
- 1.5 As a result of this review and taking account of previous discussion regarding capacity at both Audit and Risk Committee and IJB, risk HSC018 has been added and scored.
- 1.6 Following debate at the November Audit and Risk Committee meeting the following risks have been removed as viewed as not representing Strategic Risks

HSC003 Sustainability of Partnership – the uniqueness of the partnership is no longer considered a strategic risk.

HSC009 Effective Links with Other Partnerships – viewed as part of routine effective management approaches: and

HSC013 Potential Impacts of Brexit – no longer a risk, it has happened and the impacts require to be managed on an ongoing basis.
- 1.7 A summary of the current 14 Strategic Risks is shown in Table 1 below, with movements in risk ratings from the last meeting.

- 1.8 As the IJB considers the approval of the 2023-2033 Strategic Commissioning Plan there is a need to perform a substantive review of the Strategic Risk Register and consider the Board's appetite for risk in the delivery of the Strategic Priorities. A topic-specific development session is the planned way to facilitate these considerations.

Table 1

Strategic Risk	Risk Direction	Previous Score November 2022	Current Score March 2023	Target Score
1. Financial Resilience	↑	16	20	9
2. Leadership, Decision Making and Scrutiny	↔	12	12	8
4. Performance Framework	↔	12	12	4
5. Culture/HR/Workforce planning	↔	9	9	3
6. Experience of service users/patients/unpaid carers	↔	9	9	6
7. Information Management and Governance	↔	12	12	9
8. Information Sharing Process and practice	↔	16	16	12
10. Harm to Vulnerable People, Public Protection and Clinical & Care Governance	↔	12	12	4
11. Sustainability and safety of adult placement in external care home and care at home sectors	↑	16	20	4
12. Health and Social Care workforce demographic / resilience of service	↔	16	16	6
14. Ability to Deliver Primary Care Improvement Plan	↑	12	16	9
15. Primary Care Sustainability	↔	16	16	9
17. Potential Industrial Action	↓	16	12	6
18. Capacity to Deliver Safe and Effective Integration Functions to Support Whole System Performance and Safety	↑	-	16	6

2. HSCP Risk Management Forum

- 2.1 As previously advised to committee the HSCP Risk Management Forum has recently been revitalised and developed a Terms of Reference.
- 2.2 The function of the forum is set out in the attached Terms of Reference which is brought to the committee for noting.
- 2.3 The work of the Forum will inform risk reporting to the committee in future and brings together risk management expertise across the constituent authorities. This is viewed as essential as the environment the IJB operates within becomes higher risk in the face of increasing demand and resource constraints.

3. Appendices

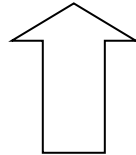
Appendix 1 - Strategic Risk Register

Appendix 2 – HSCP Risk Forum Terms of Reference

Fit with Strategic Priorities:	
Care Closer to Home	<input type="checkbox"/>
Primary Care Transformation	<input type="checkbox"/>
Caring, Connected Communities	<input type="checkbox"/>
Mental Health	<input type="checkbox"/>
Supporting people living with Dementia	<input type="checkbox"/>
Alcohol and Drugs	<input type="checkbox"/>
Enabling Activities	
Technology Enabled Care	<input type="checkbox"/>
Workforce Planning and Development	<input type="checkbox"/>
Housing and Adaptations	<input type="checkbox"/>
Infrastructure	<input type="checkbox"/>

Implications	
Finance:	None.
Other Resources:	None.
Legal:	None.
Risk & mitigation:	Per the body of report and appended Strategic Risk Register
Equality and Human Rights:	The content of this report does not require a EQIA.
Data Protection:	The content of this report does not require a DPIA
Fairer Duty Scotland	<p>Fairer Scotland Duty places a legal responsibility on public bodies in Scotland to actively consider ('pay due regard' to) how they can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions.</p> <p>The Interim Guidance for public bodies can be found at: http://www.gov.scot/Publications/2018/03/6918/2</p> <p>The content of this report does not require Fairer Duty Scotland Assessment</p>

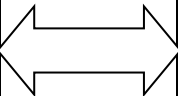
CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 28 Feb 2023

Ref	Risk	Strategic Fit	Likelihood	Impact	Risk Score	Risk Reduction Action (Timescale)	Risk Owner(s)	Notes / Progress	Risk Direction
HSCP 001	Financial Resilience The risk that delegated service functions cannot be delivered within resources available.	1. National Core Outcome 'Resources are Used Effectively & Efficiently' 2. Local Outcome 'Decision Making'	Current (5) Target (3)	Current (4) Target (3)	Current (20) High Target (9) Medium	<ol style="list-style-type: none"> 1. Grip and Control Meetings (Ongoing) 2. Revenue Budget Development (Ongoing) 3. Refresh of medium term financial plan/ investment plan to complement and support delivery planning to implement Strategic Commissioning Plan. (June 2023) 4. Development of financially sustainable service options aligned to Strategic Priorities and Transformation Themes consideration by IJB. (March 23 as part of the Revenue Budget and Strategic Commissioning Plan process and ongoing to reduce recurrent financial gap) 5. Agreed process for agreement and payment of contract rates including uplifts. (Annually) 6. Develop planning and shared accountability arrangements for Unscheduled Care and the 'set aside' budget for large hospital services. (Delayed due to Covid – Revised timescale requires to be reviewed with Falkirk and NHS Forth Valley – propose mid 2023/24 linked to Integration Strategic Improvement Plan) 7. Development of alignment of investment plan to Strategic Commissioning Plan priorities and consideration of future 	Chief Officer / Chief Finance Officer	Will continue to monitor material impacts of Covid on financial resilience over near and medium term.	

CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 28 Feb 2023

Ref	Risk	Strategic Fit	Likelihood	Impact	Risk Score	Risk Reduction Action (Timescale)	Risk Owner(s)	Notes / Progress	Risk Direction
						disinvestment options (Ongoing) 8 . Financial Reporting to Integration Joint Board, Strategic Planning Group and Partnership Senior Leadership Management Team (ongoing) 9 . Ongoing monitoring of demand trends and relationship between investment and key performance indicators including Delays to Discharge, Early Intervention and Prevention Etc. Modelling additional potential future demand impact of COVID. (Ongoing – scenarios built to 23/24 IJB Business Case – Dec 22) 10 . Review of Terms of Reference of Finance and Performance Committee (March 2023) 11 . Implement Pan FV Budget Monitoring & Oversight Arrangements (under review linked to Integration Improvement Plan)			

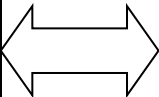
CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 28 Feb 2023

<p>HSC 002</p>	<p>Leadership, Decision Making and Scrutiny The risk that leadership, decision making and scrutiny arrangements are inadequate to ensure good governance and assurance arrangements.</p>	<p>1. National Core Outcome 'Resources are Used Effectively & Efficiently' 2. Local Outcome 'Decision Making'</p>	<p>Current (3) Target (2)</p>	<p>Current (4) Target (4)</p>	<p>Current (12) Medium Target (8) Low</p>	<p>1. Development of Transforming Care Board and Programme including input from Chief Executives and other senior officers of constituent authorities and wider partners. (In place /ongoing) 2. In line with the Participation and Engagement Strategy develop ongoing approach to engagement with public and communities. (ongoing) 3. Board Development Programme and review of Integration Scheme. (Development programme in place / review of Integration Scheme from March 2023) 4. Partnership Management Team Development Programme. (Commenced) 5. Overarching single delivery plan aligning Strategic, Operational and Financial Planning (June 2023) 6. Ensure preparedness for additional inspections highlighting improvement requirements. (Ongoing – ASP inspections complete and improvement plan completed) 7. Implement assurance arrangements using Assurance Mapping Principles (per annual Internal Audit report) and implement annual assurance reporting for IJB committees. (Ongoing) 8. Linked to above continue to review the IJBs Governance Frameworks (ongoing)</p>	<p>Chief Officer</p>	<p>Annual Internal and External Audit Reports considered including agreed management responses to recommendations</p>	
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CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 28 Feb 2023

						9. Undertake a self assessment against the Blueprint for Good Governance (V2) (March 2024)			
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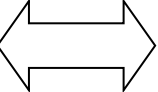
CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 28 Feb 2023

<p>HSC 004</p>	<p>Performance Framework The risk that the Performance Framework does not adequately demonstrate progress against National Health and Wellbeing Outcomes and Strategic Priorities.</p>	<p>1. National Core Outcome 'Resources are Used Effectively & Efficiently' 2. Local Outcome 'Decision Making'.</p>	<p>Current (3) Target (1)</p>	<p>Current (4) Target (4)</p>	<p>Current (12) Medium Target (4) Low</p>	<p>1. Develop linkage of performance reporting to Strategic Plan Priorities and Outcomes Framework (ongoing) 2. Minimise duplication and bureaucracy to ensure performance management and reporting meaningful and realistic.(ongoing) 3. In relation to Measuring Performance Under Integration create integrated reporting framework and agree and monitor targets / trajectories. (linked to AAR Recommendation June 2023) 4. Further develop approach to Annual Performance Report including future development of planning and reporting at locality level and benchmarking with 'peer' Health and Social Care Partnerships. (annually) 5. Develop workplan for Finance and Performance Committee to undertake performance review and assurance role for IJB. (March 2023) 6. Development of performance measures and reporting at locality level. (ongoing) 7. Agree Improvement Plan with NHS FV to address data issues including SMR data and ensure appropriate planning around unscheduled care</p>	<p>Head Of Service (SP&HI) / Chief Officer / Chief Finance Officer</p>	<p>Risk previously increased given ongoing challenges re data and information locally and nationally and absence of peer reporting in APR.</p>	
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CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 28 Feb 2023

						(ongoing linked to set aside work)			
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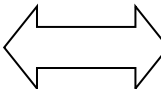
CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 28 Feb 2023

<p>HSC 005</p>	<p>Culture/HR/ Workforce Planning The risk that workforce challenges are not adequately managed and adversely impact delivery of delegated integration functions</p>	<p>1. National Core Outcome 'Engaged Workforce', and 'Resources are Used Effectively & Efficiently' 2. Local Outcome 'Decision Making'</p>	<p>Current (3) Target (1)</p>	<p>Current (3) Target (3)</p>	<p>Current (9) Medium Target (3) Low</p>	<p>1. Ensure inclusive approach to staff engagement at all levels. (Ongoing) 2. Develop multi-disciplinary care pathways and teams. (ongoing) 3. Refreshed staff engagement including linkage to Frontline Social Care Review (in place) 4. Move to consistent use of iMatter staff survey platform across the constituent authorities, and the development of reporting infrastructure against HSCP within that system. (in place) 5. Staff Development and Training Programmes including Mandatory Training. (ongoing) 6. Positively manage relationships with Staff Side/Trade Union representatives. (ongoing) 7. Develop integrated reporting infrastructure with partners (in place for SMLT) 8. Continue to prioritise and seek external funding to support approaches to support workforce wellbeing. (Ongoing) 9. Monitor implementation of the approved workforce plan (Ongoing) 10. Programme of Team Engagement across HSCP & SMLT Development Programme. (Ongoing)</p>	<p>OD Advisor / HR Leads / Heads of Service</p>	<p>Integrated Workforce Plan approved (Nov 22)</p>	
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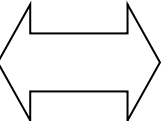
CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 28 Feb 2023

<p>HSC 006</p>	<p>Experience of service users/patients/unpaid carers The risk that the experience of service users, patients and unpaid carers is not adequately taken into account in service design and delivery.</p>	<p>1. National Core Outcome 'Carers are supported', and 'Positive Experiences' and Local Outcome 'Experience' 2. Local Outcome 'Community Focused Supports'</p>	<p>Current (3) Target (2)</p>	<p>Current (3) Target (3)</p>	<p>Current (9) Medium Target (6) Low</p>	<p>1. Implement Participation and Engagement Strategy. (ongoing) 2. Refresh Carers Investment Plan (June 23) 3. Strategic Commissioning Plan including Consultation process including Strategic Planning Group (March 23) 4. Processes of participation and engagement. (ongoing) 5. Inclusion of data within Annual Performance Report (APR) (annually) 6. Establishment of Carers Strategy Group (in place) 7. Equality Duty Report considered by IJB Nov 20 (complete) 8. Ensure EQIAs in place for required decisions (March 23 and ongoing)</p>	<p>Chief Officer/ Head of Service (SP&HI)</p>	<p>An Equality Outcomes and Mainstreaming Report has been considered by the Integration Joint Board in April 2016 and published. Equality and Human Rights Impact Assessment will be completed where required. The IJB report template revised.</p>	
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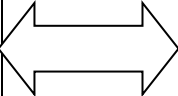
CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 28 Feb 2023

<p>HSC 007</p>	<p>Information Management and Governance The risk that information management and governance arrangements pertaining to delegated integration functions are inadequate.</p>	<p>1. National Core Outcome 'Resources are Used Effectively & Efficiently' 2. Local Outcome 'Decision Making'</p>	<p>Current (3) Target (3)</p>	<p>Current (4) Target (3)</p>	<p>Current (12) Medium Target (9) Medium</p>	<p>1. Ensure and participate in refresh of data sharing and information governance arrangements including annual assurance report to IJB (Annually) 2. Further Development of Cross ICT system working capabilities across constituent authorities (ongoing) 3. GDPR arrangements. (in place) 4. Participate as key customer in procurement of replacement Adult Social Care information systems. (ongoing) 6. Take cognisance of systems issues from Frontline Social Care Review (ongoing) 7. Raise awareness of higher cyber-security threat level in relation to current global tensions and conflicts.(ongoing) 8. Consider risks around Mental Health information sharing post delegation of Specialist Mental Health & Learning Disability Services (ongoing)</p>	<p>Chair of Data Sharing Partnership / Heads of Service</p>	<p>This risk relates to Information Management and Governance. Including the difference between anonymised information, identifiable information, and performance information.</p>	
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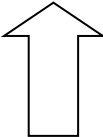
CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 28 Feb 2023

<p>HSC 008</p>	<p>Information sharing process and practice The risk that information sharing processes, practice and associated governance is inadequate to support efficient and effective delivery of delegated integration functions.</p>	<p>1. National Core Outcome 'Resources are Used Effectively & Efficiently' 2. Local Outcome 'Decision Making'</p>	<p>Current (4) Target (3)</p>	<p>Current (4) Target (4)</p>	<p>Current (16) High Target (12) Medium</p>	<p>1. Building sufficient capacity and capabilities to carry out analytical functions for partnership in the long term (complete) 2. Appropriate Information Sharing Agreements are in place and reviewed timeously. 3. Consider streamlining data sharing agreements. (Annually) 3. Develop use of information systems to inform planning and benchmarking. (ongoing) 4. Memorandum of Understanding being progressed through constituent authorities which will allow LIST team easier access to appropriate information systems (in place) 5. Analytical Workplan (in place subject to regular review) 6. Ensure data sharing agreements are reviewed and refreshed periodically. (annually) 7. Refresh of Data Sharing Partnership underway.</p>	<p>Chair of Data Sharing Partnership / Head of Service (SP&HI)</p>	<p>This risk relates to Information Management and Governance. Including the difference between anonymised information, identifiable information, and performance information.</p>	
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CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 28 Feb 2023

<p>HSC 010</p>	<p>Harm to Vulnerable People, Public Protection and Clinical & Care Governance The risk that arrangements in relation to Harm to Vulnerable People, Public Protection and Clinical & Care Governance are not adequately effective.</p>	<p>1. National Outcome 'Resources are Used Effectively and Efficiently', ' People are safe', 'Positive Experience', 2. 'Quality of life' Local Outcome 'Self-Management' 'Community Focused Supports', 'safety', Experience'</p>	<p>Current (3) Target (1)</p>	<p>Current (4) Target (4)</p>	<p>Current (12) Medium Target (4) Low</p>	<p>1. Integration Joint Board has assurance that services operate and are delivered in a consistent and safe way (Annually) 2. Regular review of Clinical and Care Governance Framework (in place subject to annual review) 3. Whole system working to eliminate delay to discharge arrangements (ongoing) 4. Establishment of Quarterly Clinical and Care Governance Meetings (in place) 5. Further develop linkage with Performance Frameworks (in development) 6. Annual Clinical and Care Governance Assurance Report to IJB (Annually) 7. Self Evaluation of Adult Support and Protection Arrangements and improvement action plan in response to ASP inspection(May 21) 8. Care Home Assurance Team in place (complete) 9. Consider Clinical and Care Governance arrangements for co-ordinated services and maintain stability of existing arrangements until this action complete (Oct 23)</p>	<p>Chief Social Work Officers / NHS Forth Valley Medical Director / Chair of Clinical and Care Governance Group</p>		
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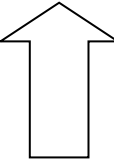
CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 28 Feb 2023

<p>HSC 011</p>	<p>Sustainability and safety of adult placement in external care home and care at home sectors The risk that the sectors are unsustainable and/or oversight arrangements are inadequate.</p>	<p>1. National Outcomes 'People are Safe' 'Positive Experience' 2. Quality of Life</p>	<p>Current (4) Target (2)</p>	<p>Current (5) Target (2)</p>	<p>Current (20) High Target (4) Low</p>	<p>1. Provider forums are in place as is a commissioning and monitoring framework. (in place) 2. There is clear regulation and inspection. (ongoing) 3. The thresholds matrix for homes around adult support and protection has been implemented and is being monitored. (in place) 4. A process for reviews and a clear escalation model is being developed including reporting to the Clinical and Care Governance Group (ongoing). 5. Monitoring of Financial Sustainability of Providers using informatics provided via Scotland Excel and local intelligence (in place) 6. Business continuity planning arrangements. (In place – subject to ongoing review) 7. Preparation on Briefings for Senior Officers (including Chief Executives) and IJB Chair and Vice Chair on emergent provider issues (as required) 8. Plan to undertake caseload review. (ongoing) 9. CHART Team input and Daily Care Home Assurance Tool. 10. Consideration of approach and capacity to appropriately manage Large Scale Investigations (LSI's) (Ongoing)</p>	<p>Heads of Services / Strategic Commissioning Manager / Chief Finance Officer /Adult Support and Protection Co-ord,</p>		
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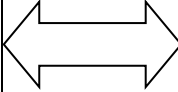
CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 28 Feb 2023

<p>HSC 012</p>	<p>Health and Social Care workforce demographic / resilience of service. The risk that the workforce profile and demographics result in inadequate workforce is secured and retained to deliver delegated integration functions.</p>	<p>Health and Social Care Outcomes</p> <ul style="list-style-type: none"> • People can live well at home for as long as possible • People are safe and live well for longer • People are satisfied with the care they get 	<p>Current (4)</p> <p>Target (2)</p>	<p>Current (4)</p> <p>Target (3)</p>	<p>(16) High</p> <p>Target (6) Low</p>	<ol style="list-style-type: none"> 1. Proactively implement transformation programme working in partnership with staff side. (ongoing) 2. Review models of working and optimise opportunities of integration.(ongoing) 3. Proactive recruitment including opportunities for new roles (ongoing) 4. Explore opportunities with staff to optimise retention. Flexible working, training, education. (ongoing) 5. Consider organisational change opportunities to build workforce capacity. (ongoing) 6. Ensure staff welfare and development are clear priorities with action plans.(ongoing – wellbeing week is practical example) 7. Work with partners to promote Clackmannanshire and Stirling as a positive area to work and live. (ongoing) 8. Strategic Workforce plan including action plan (Sept 22) <p>Apply constraints require more collaborative work with Universities Colleges (Ongoing)</p>	<p>Head of Services, CH&C and Professional Leads</p>		
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CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 28 Feb 2023

<p>HSC 014 (added 26 May 2019)</p>	<p>Ability to Deliver Primary Care Improvement Plan including tripartite agreement within additional resources provided by Scottish Government / Non-Delivery of Scottish GMS (General Medical Services) Contract The risk that the Tripartite Memorandum of Understanding cannot be delivered within available resources.</p>	<p>1. National Outcome 'Resources are Used Effectively and Efficiently, and ' People are safe'</p>	<p>Current (4) Target (3)</p>	<p>Current (4) Target (3)</p>	<p>16 High 9 Medium</p>	<ol style="list-style-type: none"> 1. Primary Care Improvement Plan (iteration 3) agreed and endorsed by partners which is delivering on significant proportion of requirement. (complete) 2. Tripartite statements outlines constraints / risks / challenges re full delivery of plan (complete) 3. Governance structure for delivery (in place) 4. Targeted recruitment to build GP and MDT capacity and capability.(ongoing) 5. Ensure Strong working relationships between partners, PCIP team etc.(ongoing) 6. Accelerated implementation of element of the plan that can be resourced sustainably in line with FV tripartite MOU priorities.(in place) 7. Slippage funding in place to fund 22/23 plan utilising IJB reserves (in place) 8. Strong and regular engagement with SG, BMA and national networks (NHS CeX, IJB Chief Officers & CFOs) regarding national MOU funding requirements (ongoing) 	<p>Chief Officer / Chief Finance Officer / Programme Manager (PCIP)</p>	<p>Risk re-articulated alongside NHS FV SRR including alignment of scoring.</p> <p>Risk increased as no directions from Scottish Government yet in place and risk of requirement for transitional payments to practices from April 2023.</p>	
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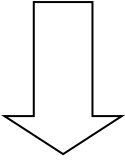
CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 28 Feb 2023

<p>HSC 015 (added 21 Feb 2020)</p>	<p>Primary Care Sustainability: The risk that critical quality and sustainability issues will be experienced in the delivery of Primary Care Services including General Medical Services and across other parts of the Health and Social Care system.</p>	<p>9 National Outcome 'Resources are Used Effectively and Efficiently, and People are safe'</p>	<p>Current (4) Target (3)</p>	<p>Current (4) Target (3)</p>	<p>16 High 9 Medium</p>	<ol style="list-style-type: none"> 1. Primary Care Programme Board re-established (Nov 21) 2. Premises improvement funding in place including sustainability improvement loans.(in place – NHS FV has responsibility for capital and assets) 3. PCIP being delivered so far as resources permit. (in place) 4. Expansion of community pharmacy services (ongoing) 5. Investment in quality clusters and cluster leads to ensure GPs and MDTs are informed and involved in primary/community care developments, quality improvement resources to support PCIP and patient safety implementation.(complete) 6. Targeted recruitment to build GP and MDT capacity and capability (ongoing) 7. Strong and regular engagement with SG, BMA and national networks (ongoing) 8. Capital investment programme in Primary Care initial agreement completed and outline business cases will be commenced over coming year. (ongoing) 9. Roll out of ICT improvements including remote server solutions 	<p>Associate Medical Director Primary Care / GP Clinical Leads / IJB Chief Officer/ NHS Chief Exec</p>	<p>Risk re-articulated alongside NHS FV SRR including alignment of scoring.</p>	
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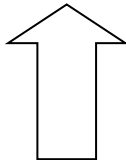
CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 28 Feb 2023

						(remote server complete – ICT improvements ongoing) 10. Work with NHS Board to identify and implement options where there are specific recruitment and retention issues (eg Rural practices) (Ongoing)			
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CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 28 Feb 2023

<p>HSC 017 (added Nov 22)</p>	<p>Potential Industrial Action: The risk that industrial action by one of more sectors of the HSCP workforce materially affects delivery of delegated integration functions, business continuity arrangements, progression of the transformation programme and/or has additional unforeseen cost implications.</p>	<p>National Outcome 'Resources are Used Effectively and Efficiently, and ' People are safe'</p>	<p>Current (3) Target (2)</p>	<p>Current (4) Target (3)</p>	<p>12 Medium 6 Low</p>	<ol style="list-style-type: none"> 1. Review and ensure business continuity arrangements are up to date and robust 2. Work closely with constituent authorities to fully understand likely impacts. 3. Ensure ongoing constructive working relationships with staff side / unions are maintained. 4. Consider potential public messaging implications. 5. Participate in pan FV and local resilience arrangements. 	<p>Chief Officer</p>	<p>Risk rating reviewed not as high as in November 2022.</p>	
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CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 28 Feb 2023

<p>HSC 018 (Added March 23)</p>	<p>Capacity to Deliver Safe and Effective Integration Functions to Support Whole System Performance and Safety The risk that demand for services outstrips the ability to deliver due to workforce availability, provider capacity and/or sustainability and adequacy of resources.</p>	<p>National Outcome 'Resources are Used Effectively and Efficiently, and ' People are safe'</p>	<p>Current (4) Target (2)</p>	<p>Current (4) Target (3)</p>	<p>16 High 6 Low</p>	<ol style="list-style-type: none"> 1. Ensure Strategic Planning is Based on robust Strategic Needs Assessment 2. Develop Locality Plans (March 23) 3. Manage positive arrangements with providers through providers forum (Ongoing) 4. Ensure robust annual IJB Business Case is produced. (Dec 22/annually) Use of national networks and Health and Social Care Scotland to articulate and inform future resource requirements (Ongoing) 6. Ensure sound management arrangements in place to maximise local capacity available. (Ongoing) 7. Prioritise transformation programme to maximise use of existing resources (Ongoing) 8. Work with constituent authorities to promote partnership 	<p>Chief Officer</p>	<p>Risk added post previous discussion at Audit and Risk Committee and IJB</p>	
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CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 28 Feb 2023

						<p>as a good place to work. (Ongoing)</p> <p>9. Early adopter for Discharge without delay programme (Ongoing)</p> <p>10. Review of Unscheduled Care Programme with NHS Forth Valley to focus on high impact gains (Ongoing)</p> <p>11. Monthly oversight arrangements with Chief Officers and Chief Executives (Ongoing)</p>			
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CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 28 Feb 2023

Risks HSC003, 009 and 013 deleted as not now viewed as strategic risks.

Explanation of Scoring:

Likelihood and Impact are scored on a 1-5 Rating. The scores are then multiplied to give an overall risk score. Risk scores over 15 are rated High/Red. Risk Scores from 9 to 15 are rated Medium / Amber and risk scores up to 8 are rated Low/ Green.

Health & Social Care Partnership Risk Forum–Terms of Reference (10/02/2023)

1 Purpose of the Health & Social Care Partnership Risk Forum

The purpose of the Health & Social Care Partnership (HSCP) Risk Forum is to create an environment where risk is deliberated and progressed across the four partner organisations. It is intended that this group will be used to discuss best practice and highlight key risks which impact all organisations, including mitigating actions for these risks (if necessary).

2 Aim / Mission Statement

The aim of this group is to develop the existing risk governance structure and risk management arrangements between the four organisations included in the HSCP and provide assurance to each organisation that risk is being managed effectively.

2.1 Objectives

- To create a forum for risk management specialists/leads to discuss key risks affecting the organisations and provide assurance that risk management processes and their integration is working effectively.
- To discuss and identify any issues/best practice with implementing risk management within the partner organisations.
- To align risk strategies across the partners.
- Streamline risk processes are complementary and integrated.

3 Governance

Support the CFO (strategic lead for risk) of C&S HSCP to provide an update to the IJB Audit & Risk Committee regarding appropriate reporting on risk.

Reporting on exceptions, changes in score, closed risks

The HSCP Risk Forum will report to the HSCP Audit & Risk Committee on a quarterly basis.

3.1 Chair and deputy Chair of the Group

The initial Chair of the HSCP Risk Forum is the Threat & Risk Officer, Stirling Council. A deputy Chair has also been appointed and is *****. The deputy will provide cover for the Chair as required and will rotate into the Chair role every 6 months. The Chair will rotate between each participant organisation in the following order:

1. Stirling Council
2. HSCP
3. Clackmannanshire Council
4. NHS Forth Valley

3.2 Membership

Membership of the group will be from each of the organisations noted below and will be risk professionals or those with an interest in and role in risk governance. This list can be reviewed as required:

- NHS Forth Valley
- Clackmannanshire and Stirling Health & Social Care Partnership
- Clackmannanshire Council
- Stirling Council

3.3 Frequency

The HSCP Risk Forum will meet quarterly.

3.4 Administration

NHS FV to provide admin support.

DRAFT

Clackmannanshire & Stirling Integration Joint Board Audit and Risk Committee

8 March 2023

Agenda Item 10

Review of Terms of Reference & Proposed Workplan

For Approval

Paper Approved for Submission by:	Ewan Murray, Chief Finance Officer
Paper presented by	Ewan Murray, Chief Finance Officer
Author	Sonia Kavanagh, Business Manager
Exempt Report	No

Directions	
No Direction Required	<input checked="" type="checkbox"/>
Clackmannanshire Council	<input type="checkbox"/>
Stirling Council	<input type="checkbox"/>
NHS Forth Valley	<input type="checkbox"/>

Purpose of Report:	To review the Audit & Risk Committee's Terms of Reference and proposed Workplan for 2023-24 which will support them and provide assurance to the IJB that those functions referred are fulfilled.
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Recommendations:	<p>The Audit and Risk Committee is asked to:</p> <ol style="list-style-type: none"> 1) Review and agree the Terms of Reference for approval by the IJB. 2) Consider and approve the proposed Workplan for 2023/24. 3) Agree that a regular Chair's Report and an Annual Assurance report will be submitted to the IJB.
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1. Background

- 1.2 The IJB's Sub Committees are required to review their Terms of Reference on an annual basis. However due to the pandemic this has not taken place since for the Audit and Risk Committee since February 2019.
- 1.3 The Terms of Reference at that time were updated to reflect the level of financial risk in relation to the sustainability of the partnership and the need to further consider risk management arrangements. Following a review by the Chief Finance Officer and consideration of the three main operating models for Audit Committees across IJBs in Scotland it was agreed the Audit and Risk model appeared the optimal option to complement the evolution of partnership arrangements.

2. Wider Governance arrangements/developments

- 2.1 One area of the planned Internal Audit work for 2022-23 was a review of governance self assessment and any other annual assurance required. As part of this the assurances provided by the IJB Sub Committees to the IJB has also been considered and reviewed.
- 2.2 The overall purpose of the IJB is to ensure efficient, effective and accountable governance, to provide strategic leadership and direction, and to focus on agreed outcomes. Detailed scrutiny should take place at Sub Committee level, with each committee providing assurance and escalating key issues to the IJB as required. For this to be achieved successfully, Sub Committees must be clear

about their roles and priorities and must monitor their own performance rigorously. Sub Committee remits are approved by the IJB and must ensure that they are focused on the IJB's priorities and on the risks delegated to them, providing assurances back to the IJB on any risks, actions and controls for which they are responsible for.

- 2.3 The workplan proposed sets out the areas of focus and scrutiny (appendix 2) and will be reviewed again at the end of the financial year to ensure relevant assurance have been received regarding the core business and specific work areas undertaken by the Audit & Risk Committee. This includes internal financial controls, internal/ external audit plans and internal/external audit reports along with relevant national audit reports particularly those relating to Health and Social Care Integration from Audit Scotland.
- 2.4 While minutes are shared with the IJB for noting this is not necessarily an efficient and effective source of assurance. It is proposed a more overt method would provide further assurance. It is proposed that a Chair's Report could be provided and presented to give a quick and comprehensive summary of the key areas of successes, assurances received and key issues or emerging risks which need to be highlighted or escalated.
- 2.5 A year-end report will then be submitted to the IJB to confirm they have assessed the adequacy and effectiveness of the IJB's internal controls and corporate governance arrangements and considered the annual governance reports and assurances to ensure that the highest standards of probity and public accountability have been demonstrated. It will also provide a broad conclusion on whether the level of assurance provided was acceptable and show how any key risks/concerns highlighted will be reflected in the workplan for the year ahead.

3. [Appendices](#)

Appendix 1 – Proposed updates to Terms of Reference

Appendix 2 – Proposed Workplan 2023-24

Fit with Strategic Priorities:	
Care Closer to Home	<input type="checkbox"/>
Primary Care Transformation	<input type="checkbox"/>
Caring, Connected Communities	<input type="checkbox"/>
Mental Health	<input type="checkbox"/>
Supporting people living with Dementia	<input type="checkbox"/>
Alcohol and Drugs	<input type="checkbox"/>
Enabling Activities	
Technology Enabled Care	<input type="checkbox"/>
Workforce Planning and Development	<input type="checkbox"/>
Housing and Adaptations	<input type="checkbox"/>
Infrastructure	<input type="checkbox"/>

Implications	
Finance:	None directly arising.
Other Resources:	None directly arising.
Legal:	Audit and Risk Committee forms part the Integration Joint Boards governance structure and assists in managing and mitigation of risk.
Risk & mitigation:	Per the body of report and appended Strategic Risk Register
Equality and Human Rights:	The content of this report <u>does not</u> require a EQIA.
Data Protection:	The content of this report <u>does not</u> require a DPIA
Fairer Duty Scotland	<p>Fairer Scotland Duty places a legal responsibility on public bodies in Scotland to actively consider ('pay due regard' to) how they can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions.</p> <p>The Interim Guidance for public bodies can be found at: http://www.gov.scot/Publications/2018/03/6918/2</p> <p>The content of this report <u>does not</u> require Fairer Duty Scotland Assessment</p>

Appendix 1

**CLACKMANNANSHIRE AND STIRLING HEALTH AND SOCIAL CARE
INTEGRATION JOINT BOARD (IJB)
AUDIT & RISK COMMITTEE TERMS OF REFERENCE**

Constitution

The IJB shall appoint the Committee. The Committee should agree the professional advisors it requires on a regular and adhoc basis. The Committee is required to review its terms of reference on an annual basis.

The Committee will meet at least twice per annum. The Committee will be supported and serviced by the Chief Finance Officer and a Nominated Risk Management Lead from one of the Constituent Authorities. The Audit Committee will report to the Integration Joint Board

Chairperson

The Integration Joint Board shall appoint the Chair [and Vice Chairperson](#) of the Committee who will be one of the voting members of the Committee.

Membership

The Integration Joint Board shall appoint the membership of the Committee. It is proposed the membership consists of four voting members with one being from each of Clackmannanshire Council and Stirling Councils and two being from NHS Forth Valley plus two non-voting members.

Substitutions are permitted but must be voting members of the Integration Joint Board.

Quorum

50% of the voting members [from two constituent authorities](#) being present will constitute a quorum.

Functions Referred

The following functions of the Integration Joint Board shall stand referred to the Audit Committee –

1. Assess the adequacy and effectiveness of the Integration Joint Board's internal controls and corporate governance arrangements and consider the annual governance reports and assurances to ensure that the highest standards of probity and public accountability are demonstrated.
2. Ensure existence of and compliance with an appropriate Risk Management Strategy. Review risk management arrangements and receive regular risk management updates and reports; [Regularly scrutinise the IJBs Strategic Risk Register and ensure high risks are incorporated within reporting to the IJB by exception.](#)
3. Review and approve the Internal Audit Annual Plan on behalf of the Integration Joint Board, receive reports and oversee and review progress on actions taken on audit recommendations and report to the Integration Joint Board on these as appropriate.

4. Consider the External Audit Annual Plan on behalf of the Integration Joint Board, receive reports and consider matters arising from these and management actions identified in response before submission to the Integration Joint Board; The Audit Committee may also consider relevant national audit reports particularly those relating to Health and Social Care Integration from Audit Scotland.
5. Consider annual financial accounts and related matters before submission to and approval by the Integration Joint Board.
6. The Committee is responsible for ensuring best value for those delegated functions.
7. The Committee is authorised by the Integration Joint Board to investigate any activity within its terms of reference, and in so doing, may seek any information it requires.

Appendix 2: Audit & Risk Committee Workplan 2023-24

	28 June 2023	20 September 2023	6 December 2023	February date TBC
Standing Items	Strategic Risk Register	Strategic Risk Register	Strategic Risk Register	Strategic Risk Register
	Relevant National Reports	Relevant National Reports	Relevant National Reports	Relevant National Reports
				Review Terms of Reference
IJB Accounts	2022/23 Draft IJB Annual Accounts	2022/23 Final IJB Annual Accounts		
External Auditor		External Audit opinion, Management letter and proposed Annual Audit Report(AAR)		External Auditor's Annual Audit Plan 2023/24
Internal Auditor	Annual Internal Audit Plan 2022/23	Annual Internal Audit report - including Management responses and Chief Internal Auditor opinion on adequacy and effectiveness of IJB's governance arrangement and systems of Internal Control	Mid year report on emerging findings from Internal Audit	Internal Audit Progress report
	2022-23 Governance Self-assessment Checklist and progress update on Annual Audit report	Annual Internal audit Progress report		
Internal Audit	Internal Audit Progress Report (inc any IA reports)	Internal Audit Progress Report (inc any IA reports)	Internal Audit Progress Report (inc any IA reports)	Internal Audit Progress Report (inc any IA reports)
Assurance	Annual Assurance report to IJB and CO			Consider effectiveness for Annual Assurance report
	2022/23 Draft Governance Statement & Draft BV Statement	Draft Best Value Statement 2022/23		Progress Report on AAR Recommendations
	Review of financial regulations			
Relevant National reports				

Clackmannanshire & Stirling Integration Joint Board Audit and Risk Committee

8 March 2023

Agenda Item 11

Relevant National Reports:

Briefing: Scotland's Public Finances: Challenges and Risks

Local Government in Scotland: Financial Bulletin 2021/22

NHS in Scotland 2022

For Noting

Paper Approved for Submission by:	Ewan Murray, Chief Finance Officer
Paper presented by	Ewan Murray, Chief Finance Officer
Author	Ewan Murray, Chief Finance Officer
Exempt Report	No

Directions	
No Direction Required	<input checked="" type="checkbox"/>
Clackmannanshire Council	<input type="checkbox"/>
Stirling Council	<input type="checkbox"/>
NHS Forth Valley	<input type="checkbox"/>

Purpose of Report:	To bring relevant national reports to the attention of the Audit & Risk Committee for noting.
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Recommendations:	<p>The Audit and Risk Committee is asked to:</p> <p>1) Note the reports and their relevance to the planning, financial and operating context of the IJB and Health and Social Care Partnership.</p>
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1. Background

- 1.1. The extant terms of reference for the Audit and Risk Committee states that any national reports relevant to the context or responsibilities of the IJB will be brought to the attention of the Audit and Risk Committee.
- 1.2. Since the last meeting of the Audit and Risk Committee 3 relevant national reports have been published
 - Briefing: Scotland's Public Finances: Challenges and Risks
 - Local Government in Scotland: Financial Bulletin 2021/22
 - NHS in Scotland 2022

2. Considerations

- 2.1. Audit and Risk Committee members are asked to note the appended reports and their relevance to the context the IJB operates within and in particular the significant risks in relation to service and financial sustainability. The key messages from each report are detailed below.
- 2.2. Key messages from the Briefing: Scotland's Public Finances: Challenges and Risks published in November 2022 are:
 - Rising costs and increasing demands mean that the Scottish Government has to closely and carefully manage its position, to avoid the real risk that it will overspend on the 2022/23 budget.
 - The Scottish Government has limited room for manoeuvre to changes to balance the 2022/23 budget and will face difficult choices setting the 2023/24 budget.

- The pace and scale of reform required across the public sector needs to increase.

2.3. Key messages from the Local Government in Scotland Financial Bulletin 2021/22 published in January 2023 are:

- Despite additional Covid19 funding, councils continued to face significant financial challenges during 2021/22.
- In 2021/22 councils' savings performance continued to improve and total usable reserves increased.
- In 2021/22 Scottish Government revenue funding to councils increased by 5.3% in real terms.
- An increasing proportion of local government funding is now either formally ring-fenced or provided with the expectation it will be spent on specific services.
- Councils have noted that Covid-19 and inflationary costs are having an impact on capital projects.
- Councils face the most difficult budget-setting context see for many years with the ongoing impacts of Covid-19, inflation and the cost of living crisis.
- Two-thirds of councils intend to use reserves to help bridge the 2022/23 gap between anticipated expenditure and revenue, but this reliance on non-recurring reserves is not sustainable in the medium to long term.

2.4. Key messages from the NHS in Scotland 2022 report published in February 2023 are:

- Growing financial pressures present a real risk to the investment needed to recover and reform NHS services
- It is difficult to accurately measure the progress of the Scottish Government's NHS Recover Plan
- Workforce capacity remains the biggest risk to the recovery of NHS services
- The Scottish Government needs to be fully transparent on recovery progress and how long people will have to wait for treatment

Whilst the recommendations for Scottish Government and NHS Boards to not specifically reference the role of Integration Authorities, given Integration Authorities are accountable for more than 50% of the spend of NHS Boards these recommendations are highly relevant to Integration Authorities.

3. Conclusions

- 3.1. Many of the key messages within the appended reports are directly relevant to Integration Authorities.
- 3.2. Additionally many of the recommendations within the NHS in Scotland report are directly relevant to the accountabilities of Integration Authorities and these will require to be considered in the IJB future planning.

3.3. Audit and Risk members are invited to read and discuss the reports appended.

4. Appendices

Appendix I – Briefing: Scotland’s Public Finances

Appendix II – Local Government in Scotland: Financial Bulletin 2021/22

Appendix III – NHS in Scotland 2022

Fit with Strategic Priorities:	
Care Closer to Home	<input checked="" type="checkbox"/>
Primary Care Transformation	<input checked="" type="checkbox"/>
Caring, Connected Communities	<input checked="" type="checkbox"/>
Mental Health	<input checked="" type="checkbox"/>
Supporting people living with Dementia	<input checked="" type="checkbox"/>
Alcohol and Drugs	<input checked="" type="checkbox"/>
Enabling Activities	
Technology Enabled Care	<input checked="" type="checkbox"/>
Workforce Planning and Development	<input checked="" type="checkbox"/>
Housing and Adaptations	<input checked="" type="checkbox"/>
Infrastructure	<input checked="" type="checkbox"/>
Implications	
Finance:	As detailed within the reports.
Other Resources:	As detailed within the reports.
Legal:	N/A
Risk & mitigation:	The reports contain content which impact the risk environment of the IJB.
Equality and Human Rights:	The content of this report does not require a EQIA
Data Protection:	The content of this report does not require a DPIA
Fairer Duty Scotland	<p>Fairer Scotland Duty places a legal responsibility on public bodies in Scotland to actively consider (‘pay due regard’ to) how they can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions.</p> <p>The Interim Guidance for public bodies can be found at: http://www.gov.scot/Publications/2018/03/6918/2</p> <p>The content of this report does not require Fairer Duty Scotland Assessment</p>

Briefing

Scotland's public finances

Challenges and risks



AUDITOR GENERAL 

Prepared by Audit Scotland
November 2022



Contents

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The cost of living crisis adds to the pressures on the Scottish budget	5
The Scottish Government faces tough choices for the 2022/23 and 2023/24 budgets	9
Reforms to public services are now required	17
Conclusion	25

Introduction

- 1.** The pressures placed on Scottish public finances have been significant and varied for several years. The level of funding available to the Scottish Government has fluctuated, falling in real terms between 2010/11 and 2017/18 but steadily increasing since.¹ The response to the Covid-19 pandemic saw further, significant increases to the Scottish budget but this funding was temporary and has now come to an end.
- 2.** The Scottish public sector has had to adapt to these changes in funding levels alongside managing increasing demand for services and external events such as the Covid-19 and cost of living crises. These challenges continue to grow, with real-life implications for people in Scotland.
- 3.** The re-opening of economies following Covid-19 led to inflation across the world because of growing demand, labour shortages and increased transport costs. The war in Ukraine has increased energy prices.² Inflation is outstripping any increases that people are seeing to wages or benefits, and real earnings fell at the fastest rate since records began between April and June.³

The rising cost of living is described as a ‘cost of living crisis’

- 4.** According to the Office for National Statistics, 87 per cent of adults in the UK reported an increase in their cost of living in August-September 2022.⁴ Businesses, the third sector and the public sector also face higher operating costs, including higher labour costs as wages rise in response to inflation. In this paper, when we talk about the cost of living crisis, or the cost crisis, we mean all these pressures across the economy that are caused by rising prices.
- 5.** The Scottish Government has said that it faces ‘significant financial challenges’ because of the cost crisis,⁵ as it supports individuals and businesses affected by rising prices, at the same time as inflation means its funding buys less than was expected when the budget was set in December.
- 6.** This paper focuses on the pressures facing the Scottish budget this financial year and in the medium term, and the implications this has for public services. It intends to inform and support scrutiny of proposed spending and tax plans in the current context, and emphasise the need for reform to public services.

¹ Institute for Fiscal Studies, [How and why has the Scottish Government’s funding changed in recent years?](#), March 2021

² Institute for Fiscal Studies, [The Cost of Living Crisis](#), accessed August 2022

³ BBC, [Inflation drives fastest fall in real pay on record](#), August 2022

⁴ ONS, [Public opinions and social trends, Great Britain](#), 30 September 2022

⁵ Deputy First Minister, [Letter to the Finance and Public Administration Committee](#), September 2022

Key messages

Scotland's public finances: challenges and risks

- **Rising costs and increasing demands mean that the Scottish Government has to closely and carefully manage its position, to avoid the real risk that it will overspend on the 2022/23 budget.** There have been significant financial pressures on public services for some time before the cost of living crisis. The current high level of inflation means that the Scottish Government faces higher public-sector pay and other costs, at the same time as it faces increasing demand for support from people impacted by the crisis. The budget was set when inflation was lower, and the Scottish Government is unlikely to receive additional funding to address this issue in the near future.

If the Scottish Government were to overspend against its budget, this money could be clawed back from the following year's budget. This would be the first such occasion since the creation of the Scottish Parliament.

- **The Scottish Government has limited room for manoeuvre to make changes to balance the 2022/23 budget, and will face difficult choices setting the 2023/24 budget.** Within the year, much of the Scottish budget is committed, which means that there is limited flexibility available to the Scottish Government in the short term. Setting the 2023/24 budget will be challenging, and the UK Government's spending and tax decisions will impact on this. A balance must be struck between short-term necessities and longer-term priorities, and the Scottish Government will need to revisit its priorities if the economic and fiscal conditions worsen.
- **The pace and scale of reform required across the public sector needs to increase.** While the Scottish Government must continue to react to immediate events and financial pressures, this must not distract from the immediate need for broader reform. The Scottish Government's Resource Spending Review sets out its planned reforms and next steps. In the past, the Auditor General has highlighted an implementation gap between the Scottish Government's ambitions for reform and delivery on the ground. It is vital that these reforms are delivered effectively, and with public engagement, to deliver sustainable services that improve people's outcomes.

The cost of living crisis adds to the pressures on the Scottish budget

Sustainability pressures on Scotland's public finances pre-date the current cost crisis and the Covid-19 pandemic, and have worsened because of them

7. Significant risks to the financial sustainability of public services in Scotland are not new:

- In 2018, the Auditor General first stated that the NHS was not in a financially sustainable position.⁶ NHS boards were increasingly reliant on additional financial support from the Scottish Government or non-recurring savings to break even.
- The Accounts Commission has also highlighted for some years that councils in Scotland are also facing financial sustainability pressures. In the Local Government Overview published in June 2020, the Accounts Commission highlighted that councils making continued use of reserves to manage the funding gap was unsustainable.⁷

8. The long-term financial and operational effects of Covid-19 are still being felt. The pandemic has had a range of indirect and direct health and societal impacts, such as backlogs in NHS treatments and court cases.

9. No additional separate funding was provided by the UK Government for Covid-19 in 2022/23, although the overall Scottish budget has grown in comparison to pre-pandemic levels. The extra pressures caused by the pandemic are being funded through the core Scottish budget, placing more pressure on Scottish public finances.

The Scottish Government must meet any additional spending above UK measures from its existing budget

10. The current high levels of inflation bring further uncertainty and volatility to UK and Scottish government budgets. During the Covid-19 pandemic, the UK Government response included both direct support for individuals and businesses (for example, the furlough scheme) and also increased departmental spending, which led to increased funding for the Scottish

⁶ Audit Scotland, [NHS in Scotland 2018](#), October 2018

⁷ Accounts Commission, [Local government in Scotland: Overview 2020](#), June 2020

Government. As set out in [Scotland's financial response to Covid-19](#), the UK Government provided the majority of funding for the Scottish Government's £15.5 billion spending response to the pandemic in 2020/21 and 2021/22.

11. To date, the main financial responses to the cost crisis have been in reserved rather than devolved areas, which do not directly impact the Scottish budget. To help manage energy costs, the UK Government has announced the Energy Price Guarantee (for households) and the Energy Bill Relief Scheme (for non-domestic customers). Both these schemes were expected to cost £60 billion in 2022/23 across the UK when they were announced.⁸

12. Funding from the UK Government provided through the block grant is the main source of funding for the Scottish budget. This gives Scotland a proportion of the amount that the UK Government allocates to its departments for spending on devolved issues (such as health and education). The block grant only changes in response to UK Government decisions, and is not automatically uprated for inflation.

13. The UK Government has not changed its departmental spending this year to account for the higher costs facing the public sector, meaning that if the Scottish Government wishes to spend more money to support individuals and business through the cost of living crisis, this must be funded from the existing Scottish budget, rather than through additional Barnett consequentials.

14. Increased inflation means the public pound buys less than was expected when the budget was set. As part of the Programme for Government, the First Minister highlighted that because of inflation, the Scottish 2022/23 budget is worth £1.7 billion less than it was when it was set in December.⁹

15. The Comprehensive Spending Review (CSR) sets out the UK Government's intended spending over the medium term and was announced when forecasts for inflation were much lower. The CSR projected 3.3 per cent real-terms growth in its departmental resource budgets between 2021/22 and 2024/25. In August 2022, the Institute for Fiscal Studies estimated that the real terms growth in spending over that period has now dropped to 1.9 per cent.¹⁰ Any increased costs must be met through the original spending envelope given to UK Government departments – and consequently, that given to the Scottish Government.

16. The UK Government has announced that it will deliver an Autumn Statement on 17 November. This will contain important information for the Scottish Government to consider as it sets its 2023/24 budget.

⁸ UK Government, [The Growth Plan](#), September 2022

⁹ Scottish Government, [Programme for Government 2022-2023: First Minister's speech](#), 6 September 2022

¹⁰ Institute for Fiscal Studies, [The inflation squeeze on public services](#), 10 August 2022. This is based on levels of inflation for the GDP deflator as opposed to the Consumer Price Index. Please see the article for more information.

The Scottish Government must manage the increased costs of running the public sector on an ongoing basis

17. Although inflation is not forecast to stay high over the long term,¹¹ the like-for-like increased costs are locked in for future budgets, and will not fall back to their previous levels. As a result, the Scottish Government must manage these higher unit costs permanently, or change the way it operates. Examples of the rising costs the Scottish Government faces are set out in [Exhibit 1](#).

Exhibit 1 Examples of cost pressures on the public sector



The enhanced pay offers that have been made to date total over £700 million.¹² Agreement has yet to be reached with unions in some key areas of the public sector.



Electricity costs through the National Framework Agreement have increased by 27.5 per cent over the last year.



Gas prices through the National Framework Agreement have increased by 197 per cent over the last year.¹³



Food costs are estimated to increase by five per cent over the next year. Councils currently spend around £86 million on food each year.¹⁴



The costs of capital projects are also increasing, with councils reporting increases of around 30 per cent on anticipated costs.¹⁵ This is likely to be reflected more widely across the public sector.

Source: Audit Scotland

18. Wages are the most significant of these costs, accounting for over £22 billion across the devolved public sector (including local government).¹⁶ The Scottish Government pay policy set in December 2021 reflected inflation of 3.1 per cent,¹⁷ but by the time of the next Medium-term Financial Strategy in May, this had increased to nine per cent.¹⁸

¹¹ Bank of England, [Monetary Policy Report](#), August 2022

¹² Deputy First Minister, [Letter to the Finance and Public Administration Committee](#), September 2022

¹³ Scottish Parliament Written Answer, [S6W-07596](#), March 2022

¹⁴ COSLA/SOLACE/CIPFA Directors of Finance Section, [Finance and Public Administration Committee consultation response](#), August 2022

¹⁵ COSLA/SOLACE/CIPFA Directors of Finance Section, [Finance and Public Administration Committee consultation response](#), August 2022

¹⁶ Scottish Government, [Scotland's Fiscal Outlook](#), May 2022

¹⁷ Scottish Government, [Scotland's Fiscal Outlook](#), December 2021. This is CPI inflation.

¹⁸ Scottish Government, [Scotland's Fiscal Outlook](#), May 2022

19. Public-sector trade unions have called for pay rises that match inflation.¹⁹ The Scottish Government, local government, and trade unions agreed a deal over the summer. Funding for any future pay deals will need to be found from the 2022/23 budget.

The costs of supporting people through the crisis have increased

20. Social security spending is a key channel through which the Scottish Government provides support to individuals, and in 2022/23 accounts for approximately ten per cent of the Scottish Government budget.²⁰ The Scottish Fiscal Commission (SFC) forecast that higher inflation will increase social security spending by £156 million in 2023/24 and by £213 million in 2026/27, compared to their forecast in December 2021.²¹ Social security spending is forecast to rise from £5,072 million in 2023/24 to £6,490 million in 2026/27.

21. The Scottish Child Payment (SCP) will also be increased from £20 per week to £25 when it is rolled out to households with children aged 6–15 in November 2022. From 2024/25 onwards the benefit is forecast to cost around £25 million more than forecast in May 2022, because of higher inflation.²²

22. It is not clear if the current environment will lead to more people being eligible and applying for benefits. In their latest SCP costing from September, the SFC has not changed its assumption of the number of families receiving qualifying benefits or the underlying forecasts of unemployment. These will be updated in the SFC's next forecasts which will be published to accompany the Scottish Government's 2023/24 budget announcement. This could mean further cost pressures if the economic position were to worsen as social security spending is demand-led and needs-based.

23. The Scottish Government has also announced other new support in response to the cost of living crisis, including an extra £21.75 million to provide free school meals to eligible children over the school holidays²³ and the expansion of home energy schemes, including £161 million for the Warmer Homes Scotland scheme, Area Based schemes, and Home Energy Scotland.²⁴ The Scottish Government has also committed to doubling the quarterly bridging that will be paid in December to children and young people in receipt of free school meals.²⁵

¹⁹ STUC, [Scotland Demands a Pay Rise](#), 2022

²⁰ The Scottish Fiscal Commission, [Scotland's Economic and Fiscal Forecasts](#), May 2022

²¹ The Scottish Fiscal Commission, [Scotland's Economic and Fiscal Forecasts](#), Figure 5.11, May 2022

²² The Scottish Fiscal Commission, [Supplementary Costing – Scottish Child Payment](#), September 2022

²³ Scottish Government, [Summer support for children](#), July 2022

²⁴ Scottish Government, [Cost of living support](#), July 2022

²⁵ Scottish Government, [Extra winter cash for children and young people in receipt of free school meals](#), October 2022

The Scottish Government faces tough choices for the 2022/23 and 2023/24 budgets

Without very close management of the budget, there is a real risk the Scottish Government overspends against its 2022/23 budget

24. The Scottish Government has reported balanced budgets since devolution was introduced in 1999. Early in 2022/23, the Scottish Government was forecasting a significant budget gap for the financial year, which was larger than could be managed through its usual budget processes. The Scottish Government identified the need for more substantial changes to spending, which were announced through the Emergency Budget Review process. The fiscal environment continues to be uncertain, and the Scottish Government must closely manage its budget for the rest of the financial year.

25. The Scottish Government has recognised that the financial situation it faces is by far the most challenging since devolution. An overspend on the budget would be a new development for Scottish public finances. The potential consequences and how this would take shape are unclear at this stage. Our understanding is that HM Treasury rules mean that any overspend against the 2022/23 budget would be deducted from the following year's block grant.²⁶ This would mean that there is less funding available for spending on next year's budget, exacerbating existing pressures on future public spending.

26. As set out in the fiscal framework, the Scottish Government can borrow to cover a temporary cash shortfall in year. Borrowing powers available to the Scottish Government are limited, and those available for resource borrowing must be paid back over three to five years. Ultimately, the Scottish Government's finances will not be sustainable if its spending commitments cannot be met by its funding and its tax raising powers.

²⁶ HM Treasury, [Statement of Funding Policy](#), October 2021

Savings have already been found from the 2022/23 budget

27. In September, the Scottish Government has announced £560 million of additional income and savings to the 2022/23 budget to fund the increased cost of public sector pay deals.²⁷ In November, a further £615 million of savings were identified through the Emergency Budget Review process, the majority (£400 million) of which were changes within the health portfolio to support the proposed pay offer.²⁸

28. At just under £1.2 billion, these changes include nearly £200 million of income and funding not expected at the time the budget was set and of the remainder, £300 million relates to capital changes, and £700 million relates to day to day spending.

29. The details of these changes are set out below, and in [Exhibit 2 \(page 11\)](#):

- **Changes to capital:** This includes deferral and reprofiling of capital spending, as well as some changes as result of reduced demand. An example includes £120 million of capital reprioritisation identified from multiple portfolios and transferred to local government to increase their overall resources available to support the local government pay offer.
- **Deferral of funding:** spending can be delayed into future years' budgets. For example, ring-fenced UK funding has been deferred for the Rural Affairs and Islands portfolios, and £70 million of Social Care and National Care Service (NCS) spending has been re-profiled.
- **Increased income and additional consequential funding:** additional funding has been applied to cover increased costs. For example, in September the Scottish Government applied £56 million of funding generated by the ScotWind clearance process to the 2022/23 budget, and has received an additional £82 million in Barnett consequentials.
- **Demand changes:** Where demand is less than expected, underspends are redeployed. Examples include a cut of £37 million in funding for concessionary fares, a £20 million reduction in further education student support, based on a forecast reduction in demand, and a reduction in justice spending based on a lower than anticipated requirement for services within the justice system as it recovers from backlogs. The Scottish Government notes that this does not impact on service delivery.
- **Reduced spending:** this includes a reduction of £53 million in funding for employability schemes, and £38 million of mental health spending that has been reprioritised to support the NHS pay offer.

²⁷ Deputy First Minister, [Letter to the Finance and Public Administration Committee](#), 7 September 2022

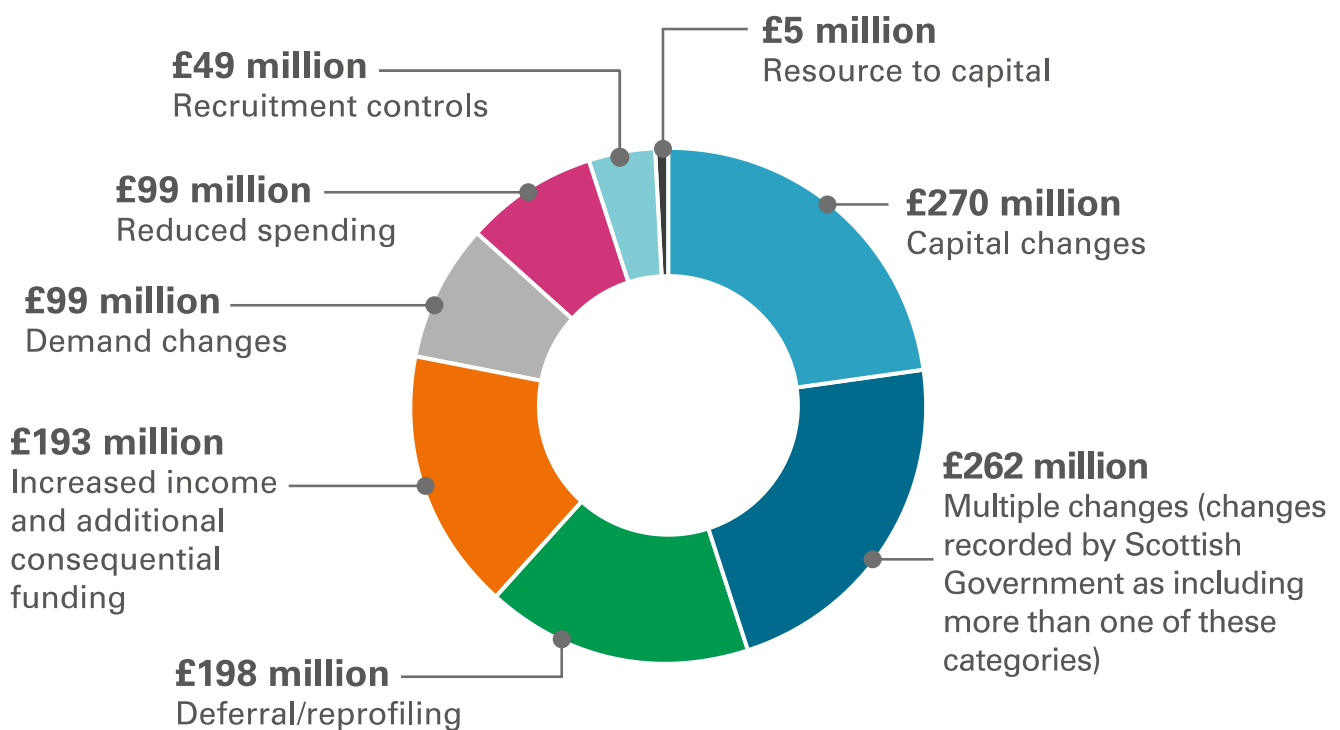
²⁸ Scottish Government, [Emergency Budget Review 2022/23](#), 2 November 2022

- **Recruitment controls:** restrictions in hiring across a range of public bodies.
- **Resource to capital switches:** resource spending is being replaced by capital spending, for example, within the Education and Skills portfolio for Gaelic support.

30. The EBR notes that as a result of the ongoing uncertainty, there remains a risk to balancing the 2022/23 budget.²⁹

Exhibit 2

Breakdown of types of savings and reductions included in 2022/23 savings announced to date



Source: Scottish Government, Audit Scotland analysis. September changes come from the Deputy First Minister's letter to the Finance and Public Administration Committee, dated 7 September, and the November changes come from the Emergency Budget Review.

The Scottish Government has tools available to manage its budget, but its options are limited

31. The Scottish Government's options – its ability to flex its budget in response to events – comes from multiple sources, as set out in the following paragraphs.

²⁹ Scottish Government, [Emergency Budget Review](#) 2022/23, 2 November 2022

Fiscal framework tools and powers

32. The Fiscal Framework agreed between the Scottish and UK governments in 2015 includes levers that the Scottish Government can use to manage volatility in its budget. However, these were largely designed to address volatility that arises from forecasting error and were not designed to help balance the budget.

33. The Scotland Reserve is used to manage spending across years. In his letter to the Finance and Public Administration Committee, the Deputy First Minister confirmed that all the available funds from the reserve have been allocated to support spending in the 2022/23 budget.³⁰ As highlighted in [Scotland's new financial powers: Operation of the Fiscal Framework 2018/19](#), when the Government plans to use the Scotland Reserve to carry forward significant amounts of budget and spending power from one financial year to the next, this will limit the extent to which the reserve is able to operate as a buffer against budget pressures, and this money can only be spent once.

34. The fiscal framework also included borrowing powers. As set out in [paragraph 25](#), the in-year cash management borrowing powers can only be used to fund a temporary shortfall in cash flow or working capital, and do not enable the Scottish Government to spend beyond the funding as set in the budget.³¹

35. The Scottish Government also has capital borrowing powers. While capital borrowing cannot be used to support revenue spending, in the wider public sector (for example, local government) certain types of capital spending could be moved to resource spending. For example, during the Covid-19 pandemic, the Scottish Government identified a package of financial flexibilities for councils, including permitting the use of capital receipts received to fund day-to-day costs.³² In such a scenario, the Scottish Government could use its capital borrowing powers to offset this, and to restore capital funding available. This would need to be done in line with HM Treasury's Consolidated Budgeting Guidance.

36. Taxes are another source of funding for the Scottish Government budget, and higher inflation can lead to higher tax takes as prices or wages grow faster than tax thresholds. However, Scotland's tax revenues will not change significantly for the rest of 2022/23, because the contribution that Scottish Income Tax, (which accounts for 94 per cent of Scotland's tax revenues)³³ makes to the 2022/23 budget was fixed in cash terms when the budget was agreed. The income tax policy for 2023/24 will be announced alongside the budget in December.

³⁰ Deputy First Minister, [Letter to the Finance and Public Administration Committee](#), 7 September 2022

³¹ For more information, see Audit Scotland, [Operation of the Fiscal Framework](#), October 2018

³² Scottish Government, [Local Government Finance Circular No 2/2021](#), February 2021

³³ This is the share of Scottish Income Tax, Land and Building Transaction Tax and Scottish Landfill Tax. It does not include Non-domestic Rates revenues.

Controllable and non-controllable costs

37. Reducing budgets in an unmanaged way can have significant impacts on the quality of services provided, how accessible services are, and on people's long-term outcomes. The Scottish Government and other public bodies will need to understand well in advance what constraints there are to their flexibilities to cut spending. Examples include statutory services and duties that must be provided by law (for example, statutory targets for net zero commitments), the Scottish Government's human rights duties, and commitments such as no compulsory redundancies.

38. In addition, in the short term, much of the budget is fixed and committed, and there are limits to what can be changed without significant disruption. Much of the public spending incorporated in the Scottish budget is for areas such as staff costs that are difficult to change quickly.

39. The Scottish Government will need to understand where it is most able to quickly alter spending, and understand what options are available to it in responding to budget fluctuations. Public bodies are also likely to be required to budget more flexibly as a result. For example, to fund the local government pay deal agreed in August, the Scottish Government allowed councils to take some funding that had previously been ringfenced for another use and use this to cover the cost of the pay agreement.

40. In the medium to long term, fewer costs are fixed and more can be changed. This means there is more opportunity for reforming public services, as discussed in more detail in [section 3](#).

Wider public sector flexibilities

41. Some public bodies, such as councils and integration health and social care authorities, also have reserves that can be used to carry funding over from one financial year to the next. However, funding held in reserves can only be spent once and cannot be reliably used to cover recurring costs. As highlighted in [Scotland's financial response to Covid-19](#), some of the money held in council and integration authority reserves has been earmarked for specific purposes, such as the ongoing response to Covid-19. The Scottish Government has requested that some funding which is currently allocated for Covid-19 in integration authority reserves is now used for wider Covid-19 purposes.

42. As the Auditor General has highlighted in previous section 22 reports on the audit of the Scottish Government Consolidated Accounts,³⁴ there remains a need for a public consolidated account to provide a comprehensive and transparent assessment of the state of Scotland's public finances. This is important for decision-making over the longer term as it will provide information about the impact of past decisions on future budgets, the potential risks to financial sustainability and the scale of assets and liabilities, including those held by publicly owned companies. The report on the 2021/22 audit of the Scottish Government Consolidated Accounts will update on this matter when it is published later in 2022.

³⁴ Auditor General for Scotland, [The 2020/21 audit of the Scottish Government Consolidated Accounts](#), December 2021

The Scottish Government will have to consider UK Government policies when setting the 2023/24 budget

43. The level of funding that will be available to the 2023/24 Scottish Budget is not yet known. There is ongoing uncertainty around UK Government policy on spending, tax, and social security, with the Chancellor of the Exchequer stating that ‘nothing is off the table’ in terms of changes to tax and cuts to public spending. Changes to UK Government spending in devolved areas impacts the size of the Scottish budget, and reductions to the budgets of public services such as the NHS in England will reduce the funding available to the Scottish Government. The Scottish Government will need to manage this uncertainty when setting the 2023/24 Scottish Budget.

44. While most of the changes to UK tax policy announced in the September mini-budget have been reversed, the changes that had been announced to Stamp Duty have been retained and will impact on the Scottish budget. While the Scottish Government is responsible for setting its own equivalent to Stamp Duty in the form of the Land and Buildings Transaction Tax (LBTT), changes to UK Government tax policy impact the net benefit to the Scottish budget as a result of this devolved tax. If the Scottish Government chooses to retain the existing rates and thresholds for LBTT, then UK Government changes to Stamp Duty would result in additional funding of approximately £65 million for the Scottish Budget in 2023/24.³⁵

45. In March 2022, the UK Government announced that working age benefits would rise in line with inflation for 2023/24. It is unclear if this is still the UK Government’s intention.³⁶ If the UK Government chooses not to increase benefits to fully cover inflation this has implications for Scottish social security spending.

46. If the UK Government decides to uprate the reserved benefits by less than inflation in April 2023, the devolved Scottish benefits that are administered by the Department for Work and Pensions (DWP) may need to be updated by the same rate. This is because of an agreement between the Scottish Government and DWP to ensure payments are consistent while clients are transferred to Scotland.³⁷

47. In addition, this means that there would be less funding available for the benefits that are now administered by Social Security Scotland (such as Adult Disability Payment and Child Disability Payment) because the Block Grant Adjustment that the Scottish Government receives from the UK Government would increase at the lower rate. There is a statutory requirement in the Social Security Scotland Act (2018) to consider the effect of inflation and respond if

³⁵ Deputy First Minister, [Letter to the Convener of the Finance and Public Administration Committee](#), 3 October 2022

³⁶ House of Commons Work and Pensions Committee, [Letter to Chancellor of the Exchequer](#), October 2022

³⁷ For example, please see: the Secretary of State for Work and Pensions and the Scottish Ministers, [Agency Agreement in respect of Personal Independence Payment for people resident in Scotland](#), 2020

that effect is, in the opinion of the Scottish Government, material. The Scottish Government has not yet published its report on the effect of inflation on benefits for 2023/24 so it is not clear what rates it will apply in 2023/24.

The Scottish Government has been developing its approach to managing financial sustainability risk

48. The Scottish Government recognises the issues and risks relating to the sustainability of the public finances over the medium term, and is changing how it manages its financial sustainability risks.

49. The Director-General Scottish Exchequer is responsible for managing the financial sustainability risks to the Scottish Government, and the core purpose of the Scottish Exchequer Directorate is 'a fiscally sustainable Scotland'. The directorate is developing its strategy for fiscal sustainability, with the goal of balancing the 2023/24 Budget. The Scottish Government has informed us that the work being undertaken aims to ensure there is an understanding of fiscal risks across the whole of the Scottish Government, and an early priority of this work is to strengthen the spending data available.

50. In [Scotland's financial response to Covid-19](#), the Auditor General and the Accounts Commission highlighted that when the Scottish Government is understanding spending and performance information across several portfolios, it should consider the lessons learned from Covid-19, when the Scottish Government had difficulties in tracking actual spending because its budget processes were not designed to separate specific spending in areas across portfolios.

51. It will be important that the results of the Scottish Government's fiscal sustainability work are transparently shown to improve scrutiny of the financial position, and to highlight risks early.

The financial pressures faced may have implications for the scale, range and types of public services that can be provided

52. Worsening economic conditions will increase demand for public services. The Scottish Government may be in the difficult position of deciding what spending programmes and areas of government it will deliver differently, deliver less of, and which programmes it may need to stop delivering completely.

53. The Scottish Government set out four priority spending areas in the Resource Spending Review (RSR) published in May:

- tackling child poverty
- addressing the climate crisis
- securing a stronger, fairer, greener economy
- delivering excellent public services.³⁸

³⁸ Scottish Government, [Resource Spending Review](#), May 2022

54. If spending in these areas is protected, then reductions and changes to services will have to be applied to non-priority areas. In the RSR, the Scottish Government planned real-terms decreases in spending to areas such as local government, the police, prisons, justice, universities and rural affairs over the spending review period.

55. The current new financial realities mean that if the economic or fiscal environment continues to worsen, the Scottish Government may need to revisit all current priorities and policy commitments. Even if spending in priority areas is protected, services may be under significant pressure due to higher demands, especially on top of backlogs and challenges caused by Covid-19.

The Scottish Government needs to understand how its decisions will affect different groups

56. Recent research by the Glasgow Centre for Population Health has indicated that there is an increasing body of UK and international evidence attributing falls in life expectancy in the UK between 2011 and 2019 to reductions in UK Government spending, particularly in relation to social security, during that period.³⁹ To minimise the negative impacts from the any future changes to public spending on people's outcomes, the near-term pressures on the budget must be managed while maintaining a focus on long-term priorities.

57. This will be difficult in the current context, when it may be unavoidable that some of the choices that need to be made will negatively impact on wider work to improving outcomes. The more challenging the financial situation, the larger the impact this is likely to have on people and outcomes.

58. The Scottish Government and public bodies must understand how the decisions they make will impact on different groups in society. In advance of the Emergency Budget Review, several gender equality organisations wrote to the Deputy First Minister to highlight the importance of analysing the impact that the budget will have on women, children, and other marginalised groups.⁴⁰ Alongside the Emergency Budget Review, the Scottish Government published a summary of the evidence on equality and fairness of the Emergency Budget Review. This considers the evidence at a high level and focuses on the most substantial changes, but is more limited than a full Equality Impact Assessment.⁴¹

³⁹ Walsh D, Wyper GMA, McCartney G, [Trends in healthy life expectancy in the age of austerity](#), Journal of Epidemiology and Community Health 2022

⁴⁰ Engender, [Gender Budget Analysis in Budgetary Reviews](#), letter to DFM, October 2022

⁴¹ Scottish Government, [Emergency Budget Review: equality and fairness – evidence summary](#), November 2022

Reforms to public services are now required

Failure to make the necessary changes to how public services are delivered will likely mean further budget pressures in the future

59. In the long term, the economic and fiscal outlook means that continuing to make small-scale budget cuts is unfeasible. The Auditor General and the Accounts Commission have continued to underline the importance of reforming public services to manage the sustainability of public finances.

60. Reforming public services means changing how services are delivered to people in a way that more effectively meets both their needs and the Government's policy aspirations. Reform is most successful when it is planned and targeted – in contrast with flat budget reductions across the board which reduce spending across the public sector, without considering the impact on wider ambitions.

61. The significant pressures which require immediate reform are even greater than when medium-term plans were last set out by the Scottish Government. The Medium-term Financial Strategy (MTFS) published in December 2021, projected that by 2026/27 there would be a £3.5 billion gap between its central funding and spending scenarios.⁴² The MTFS was then updated in May 2022 and published alongside the RSR.⁴³ This reflected a balanced medium-term position, where the central funding scenario and central spending scenario align, closing the previously identified funding gap. A key part of how the Scottish Government planned to close the funding gap was by making necessary budgetary savings through public service reform.

62. The RSR includes reference to four main types of reform, summarised in [Exhibit 3 \(page 18\)](#).

⁴² Scottish Government, [Medium Term Financial Strategy](#), December 2021

⁴³ Scottish Government, [Medium Term Financial Strategy](#), May 2022

Exhibit 3**Public service reforms included in the RSR**

Type of reform	Summary from RSR
New approaches to public services	<p>Key reforms over the course of this Parliament include:</p> <ul style="list-style-type: none"> • the establishment of the National Care Service • keeping the Promise (as set out following the Care Review), including by investing £500 million in preventative spend through the Whole Family Wellbeing Funding • the Vision for Justice in Scotland – the future justice system • Education Reform – replacing existing education bodies • National Strategy for Economic Transformation.
Public sector capacity and pay	<p>The RSR includes plans to:</p> <ul style="list-style-type: none"> • from 2023/24, a broad aim to keep the total cost of the overall annual pay bill the same as 2022/23 • a broad aim to return the total size of the devolved public sector workforce to around pre-Covid-19 levels by 2026/27, through effective vacancy and recruitment management • continued development of the use of technology within the public sector to support hybrid and flexible working.
Efficiencies for the public sector	<p>Recurring annual efficiencies of at least three per cent will be required from public bodies. Planned efficiencies include:</p> <ul style="list-style-type: none"> • further use of shared services • management of the public sector estate (around 30,000 properties) • effective procurement (current levels of procurement spending stood at £13.3 billion in 2020/21, or around a quarter of the Scottish budget) • management of public sector grants.
Reform to public bodies	<p>The RSR notes that there are currently 129 public bodies in Scotland, and notes 'reform is inevitable'.</p>

Source: Audit Scotland, Scottish Government

63. The cost of living crisis, and the pressures on public spending and public services, mean that these reforms are more necessary than they were even when the RSR was announced earlier this year.

In the past, delivery of the reform of public services has not matched the original ambition

64. Both the Auditor General and the Accounts Commission have highlighted previously how difficult it is to reform public services, for example in their papers on health and social care integration, Scotland's colleges, drug and alcohol policy, and police and fire reform.

65. Reflecting on the progress made ten years on since the Christie Commission, the Auditor General commented that, "concerted action has been taken to try and implement progressive policies... But audit work consistently shows a major implementation gap between policy ambitions and delivery on the ground."⁴⁴

66. For example, social care reforms aimed to offer people more choice and control about the services they received. A 2017 progress audit on self-directed support found that, after seven years, there was no evidence that authorities had made a transformation in services.⁴⁵

67. The recent [Social care briefing](#) sets out key learning points from past public service reforms, including:

- realistic costs in financial memorandums accompanying parliamentary bills for legislative change
- a comprehensive business case, clearly setting out the purpose and objectives of reform
- evidence to support major changes and being clear about how they will improve outcomes, options, appraisals and economic modelling
- governance, accountability, roles and responsibilities in the new structure.

68. These points will be more important during a period of tight budgets to ensure reform achieves maximum value for money. Investing in good processes and data for reform may be challenging in the current context when money and capacity is restricted, but learning from previous reforms will help ensure reforms deliver the expected outcomes.

69. Audit Scotland has raised concerns about the approach being taken to some of the reforms currently planned. For example, in the recent Social care briefing paper, the Auditor General and the Accounts Commission noted that the proposals were not fully costed and there is much to do to establish the true costs of reform.⁴⁶ This briefing paper also noted the importance of strong, stable, and collaborative leadership. In recent years, the Auditor General and

⁴⁴ Auditor General for Scotland, [Christie's clarion call can't wait another decade](#), September 2021

⁴⁵ Auditor General for Scotland, [Christie's clarion call can't wait another decade](#), September 2021

⁴⁶ Auditor General and the Accounts Commission, [Social care briefing](#), January 2022

the Accounts Commission have reported on the leadership capacity across the public sector, emphasising the critical need for effective leadership at a time of increasing pressures and change. Public bodies, including councils, integration authorities and the NHS are experiencing a high turnover in senior staff and are competing not only with each other for the best quality leaders but also with the private and third sectors.

70. In the face of the financial challenges, the pace and scale of reform needs to increase, and this will require a sense of urgency from the Scottish Government, at a time when it is also pressing to resolve short-term issues facing the budget.

71. If this does not happen, it will become increasingly difficult for the Scottish Government to manage the pressures on the budget, meaning that the cuts to spending necessary to balance the budget will become larger, and the quality of public services delivered will worsen.

72. Following the publication of the RSR, the Scottish Government has set up a new Public Spending Portfolio Board, to ensure the delivery of the RSR across directorates, identify links across workstreams, and provide advice across Scottish Government as needed. This aims to link the RSR both to the Emergency Budget Review and to the 2023/24 budget.

73. The board has met three times since June, and is at the early stages of its role of overseeing the implementation of the required reforms, and has focused so far on the workstreams (such as public sector pay and the reform of public bodies) which will feature in the 2023/24 budget. A Public Spending Analytical Unit has also been set up to monitor public spending and support the reform agenda.

74. To be effective, the Scottish Government's new approaches will need to clearly set out what reform intends to deliver, how it intends to track and monitor both savings and other financial impacts and the impacts on outcomes, and how these link across the public sector.

A shift to preventative spend is essential alongside meeting immediate challenges

75. The recent [Social care briefing](#) reflected that the Christie Commission stated that one of the major barriers to increasing preventative spending – that is, public spending that aims to prevent negative social outcomes from occurring in the first place – was the extent to which resources are currently tied up in dealing with short-term problems. The report warned that without a shift to preventative action, increasing demand would swamp public services' capacity to achieve outcomes.

76. This still holds true, over a decade later. Although it will be difficult, investing in preventative spending will be necessary to meet some of the Scottish Government's core outcomes. Recently the Auditor General and the Accounts Commission have reported on two areas where preventative spend in priority areas may be under pressure because of the cost of living crisis:

- The Scottish Government had significantly increased in investment in employability support for parents to reduce child poverty. In September 2022, this spending was reduced from £81 million to £29 million as part of the Emergency Budget Review statement.⁴⁷
- The Accounts Commission's recent briefing on Scotland's councils' approach to addressing climate change reported that the cost of living crisis could lead to climate change activity being deprioritised or delayed by councils.⁴⁸

77. In the recent [Drug and alcohol services](#) update, we highlighted that public health prevention programmes are cost-effective in drug and alcohol services, but it was not clear what percentage of spending in this area was targeted on early intervention and prevention. The Auditor General noted that over the last ten years since the Christie Commission report the focus has still been on short-term metrics for public services.⁴⁹ Preventative spend, like the reform agenda, will stop the problems Scotland is facing now from growing over time.

Covid-19 has shown that public bodies can change how services are provided – and at speed

78. The Covid-19 pandemic and the lockdowns that were implemented to reduce the spread of the virus completely changed what was possible in terms of providing public services, at the same time as individuals and communities needed entirely new forms of support.

79. In our work on public services' response to the pandemic, we have highlighted that public bodies worked well together to deliver new funding and work in different ways. As reported in the [Covid-19: Vaccination programme](#) briefing paper, excellent progress was made in rolling out the Covid-19 vaccination programme, and new digital tools were developed at pace to support this. In the [Local government in Scotland: Overview 2021](#), the Accounts Commission noted that councils' working practices changed at a pace and scale 'that would have been considered impossible in the past'.

80. Since the pandemic, the number of challenges has multiplied, and uncertainty can make it harder to focus on the longer term and reform. However, the pandemic response has shown that change can be achieved quickly, and decisions can be taken in different ways with wider public participation ([paragraph 85](#)).

⁴⁷ Auditor General for Scotland and the Accounts Commission, [Tackling child poverty](#), September 2022

⁴⁸ Audit Scotland, [Scotland's councils' approach to addressing climate change](#), September 2022

⁴⁹ Auditor General for Scotland, [Christie's clarion call can't wait another decade](#), September 2021

The public should be fully involved in the key decisions about how public services will need to change

81. The changes required to public services are significant, will be long standing, and will impact on people's lives. As such, it is important that citizens and communities are informed about the scale of the challenge and have a say in how services change.

82. The Accounts Commission's community empowerment and Best Value audit work has noted limited progress in citizen participation in budget processes, particularly for marginalised groups, for example in relation to participatory budgeting. The recent [Tackling child poverty](#) briefing paper reported that not enough involvement of children and families with lived experience of poverty are hindering the development of sufficiently targeted policies for tackling child poverty.

83. We have however found good examples of public engagement from our work on social security.⁵⁰ The programme continues to learn from existing benefit recipients through user experience panels and engagement with targeted client groups to inform its design decisions.

84. Empowering communities to participate in democratic processes can help to reduce disadvantage and inequality and improve outcomes for communities and individuals. There are many benefits of getting community empowerment and public participation right, as set out in our [Principles of community empowerment](#) work with scrutiny bodies in 2019. However, good public participation needs a lot of investment and capacity building to include a cross-section of the community, not just the most vocal, articulate, or resourced.

85. The [Community empowerment: Covid-19 update](#) found communities played a crucial role in the response to the pandemic. Public bodies can learn from this by encouraging public participation and adopting new ways of working. Issues to consider include:

- designing flexible governance and decision-making processes best suited to the communities they serve
- implementing more local decision-making structures with active local participation
- reducing the digital divide and continue to learn from and improve digital engagement with communities.

⁵⁰ Auditor General for Scotland, [Social Security: Implementing the devolved powers](#), May 2019

It must be clear how changes in budgets affect performance if value for money is to be attained

86. It is important that it is clear how spending is affecting the outcomes the Scottish Government wants to achieve. In [The 2020/21 audit of the Scottish Government Consolidated Accounts](#), the Auditor General noted that based on the current information published on Scottish Government spending and outcomes, it is hard to form an overall picture of the performance of the Scottish Government and assess whether the national outcomes are being achieved.

87. In its recent paper on the National Performance Framework (NPF), the Finance and Public Administration Committee (FPAC) set out some recommendations to better link budgets to outcomes. This highlighted the need to consider how money can be allocated (including through procurement and grants) based on the intended impact of the programmes it will fund and how these will contribute to the NPF. It also recommended looking at how funding can be used to incentivise different parts of the public sector to work together.⁵¹

Linking performance and budgets requires good quality data

88. To understand how to best target support and monitor how reform and change is affecting people, it is essential that public bodies have access to good quality and up-to-date data.

89. A lack of data limits public bodies' ability to target spending to where it is needed, as it is harder to understand and predict where demand for services will come from. For example, in recent outputs both the Auditor General and the Accounts Commission have highlighted some significant gaps in the outcome data available:

- The [NHS in Scotland 2021](#) report (February 2022) highlights a lack of robust data in relation to health inequalities and the need for intersectional equality data. Without this data it will be hard to measure the impact of the cost of living crisis and find appropriate ways to target support.
- The Accounts Commission's [Local government in Scotland: Overview 2022](#) highlights that a lack of up-to-date, publicly available data makes it difficult to assess the extent to which council activities have returned to pre-pandemic levels, the level of demand for services and levels of unmet need.

90. The national indicators that underpin the NPF give a measure of national wellbeing. Ideally, these indicators could be monitored in real time to evaluate the impacts of budget changes and prioritisations on the people of Scotland. However, many of the indicators reflect data from the pre-pandemic period, or have no data available at all.

⁵¹ Finance and Public Administration Committee, [Report on the National Performance Framework: Ambitions into Action](#), October 2022

91. Given that outcomes are long-term in nature, milestones are helpful in judging progress. The current lack of milestones for National Outcomes will make monitoring how changes to budgets impact on people and longer-term goals much more difficult. It also makes it harder for parliament and other bodies to scrutinise the work of public bodies and have assurance that spending is providing maximum value for money.

92. The [Planning for outcomes](#) briefing paper published in 2019 noted that for equalities and poverty outcomes, public bodies should consider whether the data they have is sufficient to measure the impact of decisions about services, funding and taxation on different equality groups affected.

93. Collecting this data will require both time and money, but will be an important step towards mapping spending to the aspirations of the Scottish Government. We have recently published a [blog on data](#) and the radical action needed in Scotland's public sector.

Conclusion

94. At the time of writing, the picture for the Scottish public spending is still developing. The UK Autumn Statement is expected 17 November, with the Scottish Budget 2023/24 budget to be announced in December. The Spring Budget Revision in the new year will set out the final budget for 2022/23. In March 2023, the Scottish Fiscal Commission will publish its first Fiscal Sustainability Report, which will give a long-term outlook for the Scottish Government's finances.

95. Audit Scotland will continue to monitor how the Scottish Government's financial position develops, through both financial audit work and performance audit work. The Auditor General will shortly publish the 2021/22 audit of the Scottish Government Consolidated Accounts, which will contain key information from the 2021/22 Consolidated Accounts and explain what they show about the Scottish Government's management of its budget.

96. This paper has set out the urgent case for the reform of public services. The Auditor General and the Accounts Commission will return to these issues through the forward work programme in the coming months. Examples of relevant planned work for 2023/24 includes performance audits relating to:

- Early learning and childcare
- Drug and alcohol services
- Social care
- Climate change.

97. For more information on planned outputs, please see [our work programme](#). This is dynamic and regularly updated, meaning that we can respond to changing circumstances as required.

Scotland's public finances

Challenges and risks

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Local government in Scotland

Financial bulletin 2021/22



ACCOUNTS COMMISSION 

Prepared by Audit Scotland
January 2023



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Audit team

The core audit team consisted of: Blyth Deans, Adam Bullough, Chris Lewis and Martin Allan under the direction of Carol Calder.

Key messages

Local government finances for 2021/22

- 1** Despite additional Covid-19 funding, councils continued to face significant financial challenges during 2021/22, requiring significant savings to deliver balanced budgets and increasingly difficult choices to be made about spending priorities.
- 2** In 2021/22, councils' savings performance continued to improve and total usable reserves increased, which councils have used to contribute towards meeting budget gaps arising from service demand and budget pressures.
- 3** In 2021/22, Scottish Government revenue funding to councils increased by 5.3 per cent in real terms. This represented the first real-terms increase on the 2013/14 revenue funding position since 2015/16 (excluding one-off Covid-19 money). In 2021/22, revenue funding levels for local government and other parts of the Scottish Government budget (excluding Covid-19 funding) have converged back to a level similar to eight years ago.
- 4** An increasing proportion of local government funding is now either formally ring-fenced or provided with the expectation it will be spent on specific services. We calculate this to be 23 per cent of total revenue funding in 2021/22. Ring-fenced and directed funding helps support delivery of key Scottish Government policies but removes local discretion and flexibility over how these funds can be used by councils.

- 5 Councils have noted that Covid-19 and inflationary costs are having an impact on capital projects. If these issues persist, they will present risks to councils' capital programmes which form a necessary component of modernising services to deliver improved outcomes for local communities.

Outlook for local government finances

- 6 Councils face the most difficult budget-setting context seen for many years with the ongoing impacts of Covid-19, inflation and the cost of living crisis. They will need to continue to make recurring savings and also make increasingly difficult choices with their spending priorities, including, in some cases, potential service reductions.
 - 7 Two-thirds of councils intend to use reserves to help bridge the 2022/23 gap between anticipated expenditure and revenue (budget gap) of £0.4 billion but this reliance on non-recurring reserves is not sustainable in the medium to long term. Delivering recurring savings and reducing reliance on using reserves to fill budget gaps will be key to ensuring longer-term financial sustainability. This makes the case for a continued focus on service reform, based on strong engagement with communities, more important now than ever.
-

About this report

- 1.** This bulletin provides a high-level independent analysis of the financial performance of councils during 2021/22 and their financial position at the end of that year. It also sets out some of the longer-term financial challenges facing councils in the context of the Scottish Government's Resource Spending Review and the cost of living crisis.
- 2.** The Accounts Commission's wider local government overview report will be published in May 2023 and will include further analysis of the financial information presented in this bulletin along with wider commentary on the financial and performance challenges facing local government.
- 3.** Our primary sources of information for the financial bulletin are councils' 2021/22 audited accounts, including management commentaries and the 2021/22 external annual audit reports, where available. We have supplemented this with data collected as part of a data set request issued to local auditors in October 2022.
- 4.** The Covid-19 pandemic has again created challenges that have affected the preparation of this report. The rescheduling of audit timetables meant that audited accounts did not require certification until 30 November 2022. Ten sets of accounts were certified by the revised deadline, with a further 16 signed off thereafter. As at 20 December 2022, five councils' accounts are still to be certified; therefore, analysis in this report is based on 27 sets of audited accounts and five sets of unaudited accounts.
- 5.** We refer to 'real-terms' changes in this bulletin. This means that we are showing financial information from past and future years at 2021/22 prices, adjusted for inflation so that they are comparable. To make that comparison we use gross domestic product (GDP) deflators to adjust for inflation, which are published quarterly by HM Treasury. GDP deflators are the standard approach adopted by both the UK and Scottish governments when analysing public expenditure. As a result of the way that GDP is calculated, Covid-19 resulted in volatility across 2020/21 and 2021/22. To compensate for this, and to provide meaningful comparisons between years, we have used an average GDP growth rate across 2020/21 and 2021/22 in our calculations to separate inflation (changes in prices) from changes in outputs and those largely attributable to Covid-19 spending.
- 6.** We also refer to figures in 'cash terms' in this bulletin. When we use this term it means that we are showing the actual cash or money paid or received.

1. Councils' financial summary 2021/22

Total revenue funding and income

7. Total revenue funding and income to councils was £20.3 billion in 2021/22, a £0.3 billion (or one per cent) decrease on the previous year in real terms (one per cent increase in cash terms) ([Exhibit 1, page 7](#)). The majority (55 per cent) of this funding comes from the Scottish Government, with the remaining balance from other sources, see Exhibit 1 for a full breakdown.

8. Councils have received a range of new and additional funding amounting to £1.3 billion in 2020/21 and £0.5 billion in 2021/22 to support them in dealing with the financial impacts of the Covid-19 pandemic. This additional Covid-19 funding has decreased as a proportion of overall council funding as the pandemic has progressed, from six per cent of total funding received in 2020/21 to three per cent in 2021/22.

9. The Scottish Government also provided councils with £90 million to allow them to freeze council tax levels in 2021/22.

10. Excluding Covid-19 related funding, revenue funding and income saw a £0.5 billion (or three per cent) real-terms increase in 2021/22 on the previous year, from £19.3 billion to £19.8 billion.

The average Council Tax collection rate across Scotland increased during 2021/22. It is now more in line with pre pandemic levels

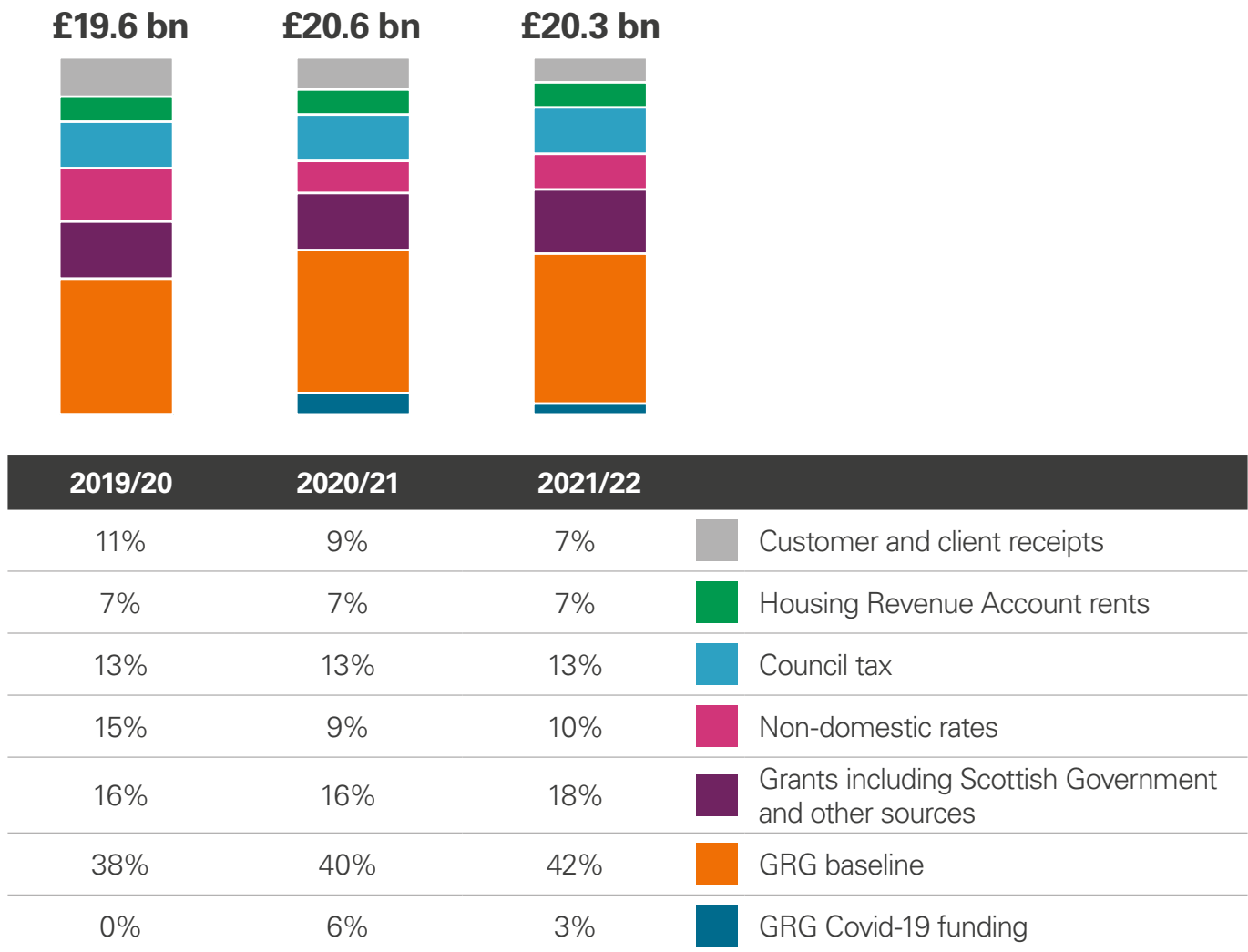
11. The in-year collection rate (for 2021/22 charges) increased from an average of 94.8 per cent in 2020/21 to 95.7 per cent, which is broadly in line with pre-pandemic collection rates (95.8 per cent in 2019/20). Collection rates rose across all councils apart from Midlothian which remained static and Orkney which fell by 2.5 per cent. The total amount of council tax billed, taking account of council tax reductions, was £2.7 billion. Of this total, £2.6 billion was collected by 31 March 2022.

Revenue funding and income saw a 3 per cent real terms increase in 2021/22, once Covid-19 related funding is excluded

Exhibit 1.

Sources of funding and income 2019/20 and 2021/22

Total revenue funding and income to councils was £20.3 billion in 2021/22, a £0.3 billion (or one per cent) decrease on the previous year in real terms (one per cent increase in cash terms).



Source: Audited financial statements 2019/20, 2020/21 and 2021/22

Scottish Government funding

12. In 2021/22 councils received total revenue funding of £12.1 billion from the Scottish Government. This consisted of General Revenue Grant funding of £8.7 billion; Non-Domestic Rates distribution (NDR) of £2.1 billion, specific grants of £0.8 billion and non-recurring Covid-19 funding of £0.5 billion. Total revenue funding to councils from the Scottish Government increased by 1.1 per cent in cash terms and decreased by 1.6 per cent in real terms in 2021/22 compared to the previous year ([Exhibit 2, page 8](#)).

Exhibit 2.

Changes in Scottish Government revenue funding in 2021/22

Scottish Government revenue funding fell by 1.6 per cent in real terms in 2021/22, although when non-recurring Covid-19 funding is taken out there is an increase of 5.3 per cent.

	2020/21 £ million	2021/22 £ million	Cash change %	Real terms change %
General revenue grant	8,099	8,682	7.2	4.4
Non-domestic rate income	1,868	2,090	11.9	8.9
Specific revenue grants	710	776	9.3	6.5
Non-recurring Covid-19 funding	1,254	515	-58.9	-60.0
Total revenue funding	11,931	12,063	1.1	-1.6
Total revenue excluding Covid-19	10,677	11,549	8.2	5.3

Source: Finance circulars and Scottish Government budget documents

13. When non-recurring Covid-19 funding is excluded, the increase in funding from the previous year is 8.2 per cent in cash terms and 5.3 per cent in real terms.

An increasing proportion of local government funding is now either formally ring-fenced or provided with the expectation it will be spent on specific services

14. Within the £12.1 billion Scottish Government revenue funding, an element is identified by the Scottish Government as specific revenue grants, set out in the annual settlement to councils. This ring-fenced funding, totalling £0.8 billion in 2021/22 (£0.7 billion in 2020/21), must be used to fund identified policies, such as:

- Early Learning and Childcare Expansion (£546 million)
- Pupil Equity Fund (£120 million)
- Criminal Justice Social Work (£86 million).

15. In addition to specific revenue grants, other funding is directed for national policy initiatives, though not formally ring-fenced, this funding is provided with the expectation that it will be spent on specific services.

16. Collectively, ring-fenced and directed funding totalled £2.7 billion, representing 23 per cent of total revenue funding (18 per cent in 2020/21). £1.61 billion of this was allocated at the start of the year with a further £1.04 billion allocated throughout the year through budget revisions ([Exhibit 3, page 10](#)). A large amount of this was to support elements of education and social care service provision.

2021/22 funding levels from the Scottish Government to local government (excluding Covid-19 funding) increased in real terms for the first time since 2015/16 and converged with other Scottish Government revenue funding

17. In previous overview reports, we have commented that Scottish Government funding to local government has not kept pace with relative increases in the levels of funding allocated to other parts of the Scottish Budget. Previous overview reports have also highlighted that for many years now councils have had to make efficiency savings, redesign services, and use reserves to meet budget gaps arising from service demand and budget pressures.

18. Revenue funding from Scottish Government to local government between 2013/14 and 2021/22 increased by 6.1 per cent (in real terms) whereas Scottish Government revenue funding to other parts of the Scottish Government budget increased by a significantly higher figure of 27.2 per cent over the same period. This, and previous differences in relative funding, has largely arisen as a result of Scottish Government policy to protect funding for the NHS.

19. Over the period 2013/14 to 2021/22, after two years of relatively static funding local government saw its real-terms revenue funding fall between 2015/16 and 2020/21 (excluding Covid-19 funding) with 2021/22 being the first year of real-terms growth (excluding Covid-19 funding) since 2015/16. In 2021/22 funding levels for local government and other parts of the Scottish Government budget (excluding Covid-19 funding) have converged back to a level similar to eight years ago.

20. The large increases in the Scottish budget in 2020/21 and 2021/22 were a result of Covid-related **Barnett consequentials**. Given these were exceptional sources of funding we have analysed the underlying Scottish Government and local government revenue funding position with Covid-19 funding excluded ([Exhibit 4, page 11](#)). Under this analysis, over the same period, Scottish Government revenue funding to local government increased by 1.6 per cent and Scottish Government revenue funding to other parts of the Scottish Government budget increased by 0.8 per cent.


Barnett consequentials

The Barnett formula is the way the UK Government ensures that a share of additional funding – allocated only to England – is provided fairly to Scotland, Wales, and Northern Ireland. The formula delivers a fixed percentage of additional funding allocated in England to services which are devolved. Each devolved administration can allocate these funds as it believes appropriate.

Exhibit 3.

Ring-fenced elements of Scottish Government revenue funding

The proportion of funding which is ring-fenced and directed or provided for specific services has increased, with around £1 billion allocated during the year in 2021/22.

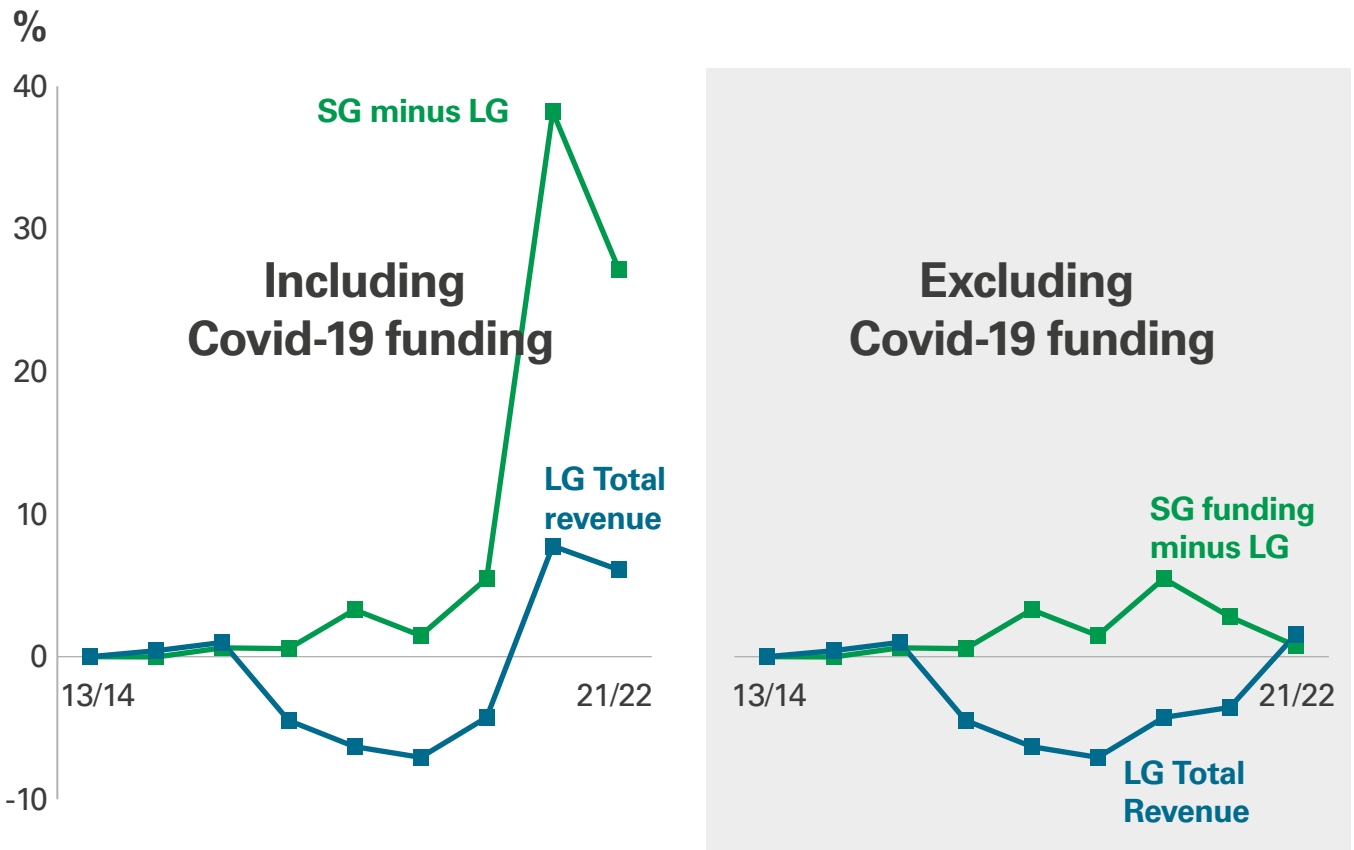
 Source	2020/21 £ million	2021/22 £ million
Specific Revenue Grant from finance circular	709.8	775.9
Measures outlined in initial circular narrative	606.3	347.4
Transfers from other portfolios in Scottish Budget	188.1	488.1
Redeterminations in further circulars	48.0	544.8
Transfers from other portfolios in Autumn budget revision	350.5	395.7
Transfers from other portfolios in Spring budget revision	42.9	104.0
Total ring-fenced/expected to be spent on specific services	1,945.5	2,655.8
Total revenue funding	10,667.8	11,549.0
Percentage ring-fenced/expected to be spent on specific services	18.2%	23.0%

Source: Scottish Local Government Finance Circulars and budget documents. Some elements of funding appear in circulars and Scottish Budget so have been removed to avoid double counting.

Exhibit 4.

A comparison of real-terms changes in revenue funding in local government and other Scottish Government areas (including and excluding Covid-19 funding)

Revenue funding from Scottish Government to local government between 2013/14 and 2021/22 increased by 6.1 per cent when Covid-19 funding is included, and by 1.6 per cent when Covid-19 funding is excluded.



Source: Finance circulars and Scottish Government budget documents

Council budgets and outturn 2021/22

In 2021/22, budget gaps were largely consistent with previous years

21. In 2021/22, Scotland's 32 councils had a budgeted net expenditure of £15.2 billion. At the time of budgeting, councils identified **budget gaps** totalling £0.4 billion (three per cent), which was broadly consistent with the gap identified in the two previous years (£0.5 billion in 2020/21 and 2019/20). The budget gap at a council level varied between one per cent and 22 per cent ([Exhibit 5, page 12](#)).

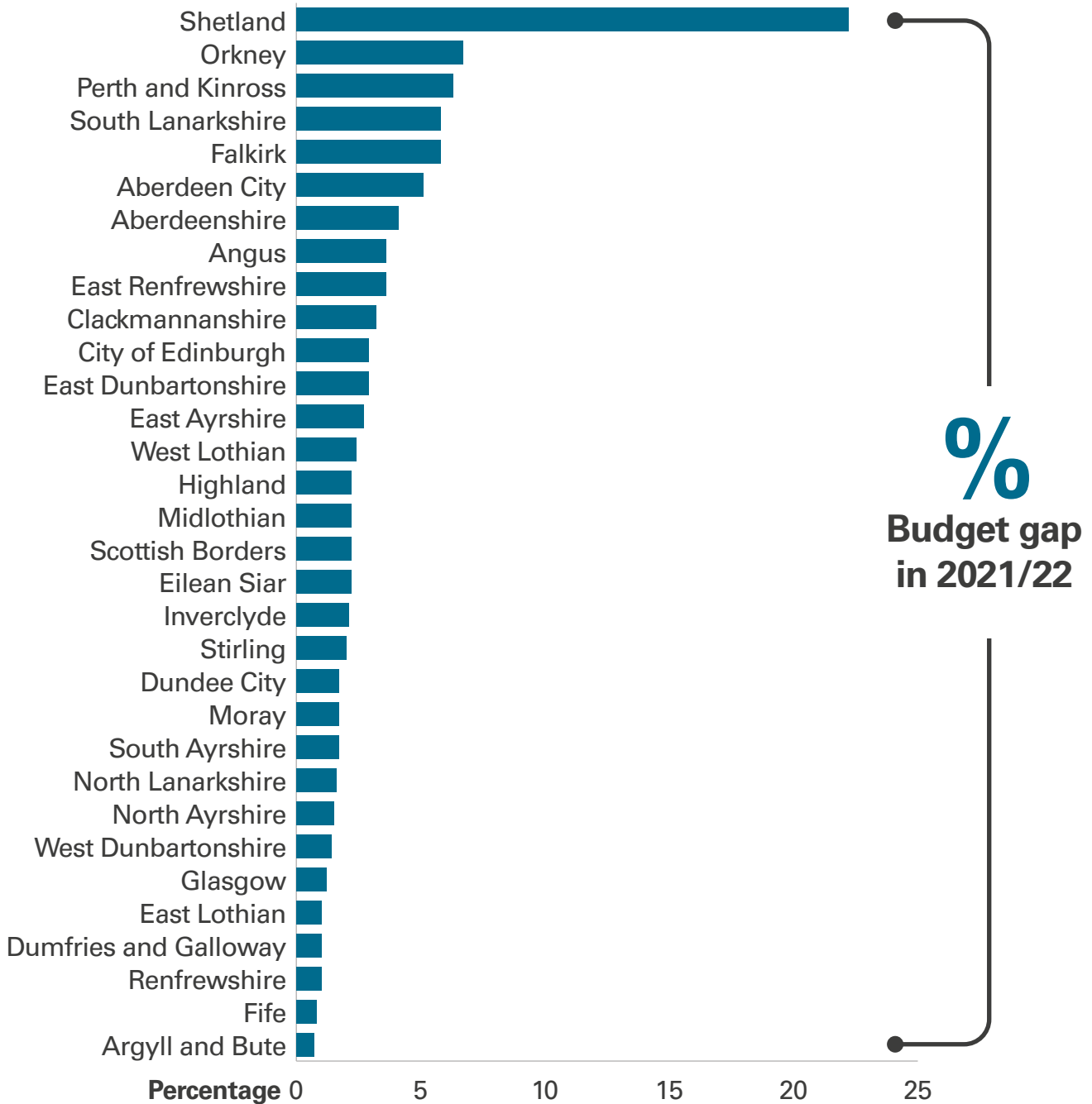
Budget gap

This describes the difference between anticipated expenditure and revenue at the time of setting the budget.

Exhibit 5.

Budget gap as a proportion of net cost of services for all 32 councils in 2021/22

The budget gap at a council level varied between one per cent and 22 per cent.



Source: Council budget papers, Auditor data return

22. Recurring savings were expected to contribute 37 per cent of the £0.4 billion budget gap in 2021/22 along with Scottish Government funding to allow councils to freeze council tax (20 per cent), use of reserves (17 per cent), non-recurring savings (eight per cent), financial flexibilities (four per cent) and a range of other specific actions (12 per cent).

Savings performance improved in comparison to previous years

23. Councils had set themselves savings targets totalling £0.2 billion in 2021/22. Ninety-four per cent of these savings were achieved (84 per cent in 2020/21), with 76 per cent on a recurring basis. Fourteen councils achieved their savings targets in full on a recurring basis, whereas five councils had over half of their savings being delivered on a non-recurring basis. Four councils had no savings targets in place for 2021/22 ([Exhibit 6, page 14](#)).

Total usable reserves increased by £0.3 billion to £4.1 billion in 2021/22

24. In 2021/22, almost three quarters of councils (23) reported an increase in usable reserves. This compares to all 32 councils reporting an increase in 2020/21, largely as a result of additional Covid-19 funding carried forward. Total usable reserves now stand at £4.1 billion, representing an increase of £0.3 billion (seven per cent) on the previous year. This compares to an increase of £1.2 billion in 2020/21 compared to 2019/20. [Exhibit 7 \(page 15\)](#) details the increase in councils' usable reserves during 2021/22.

25. General fund reserves, excluding Housing Revenue Account (HRA), have increased by £0.3 billion to £2.7 billion. The vast majority of this relates to increases in committed balances (that is reserves have been allocated for a specific purpose) which increased by £0.3 billion to £2.3 billion in 2021/22, and is more than half of the total usable reserves balance. Uncommitted reserves (money not earmarked for a specific purpose) have decreased from £0.5 billion in 2020/21 to £0.4 billion in 2021/22. These reserves are used to mitigate the financial impact of unforeseen circumstances. [Exhibit 8 \(page 16\)](#) shows the nature and value of usable reserves in 2021/22.

General fund reserves

This is the main revenue account which summarises the cost of all services provided by a council.

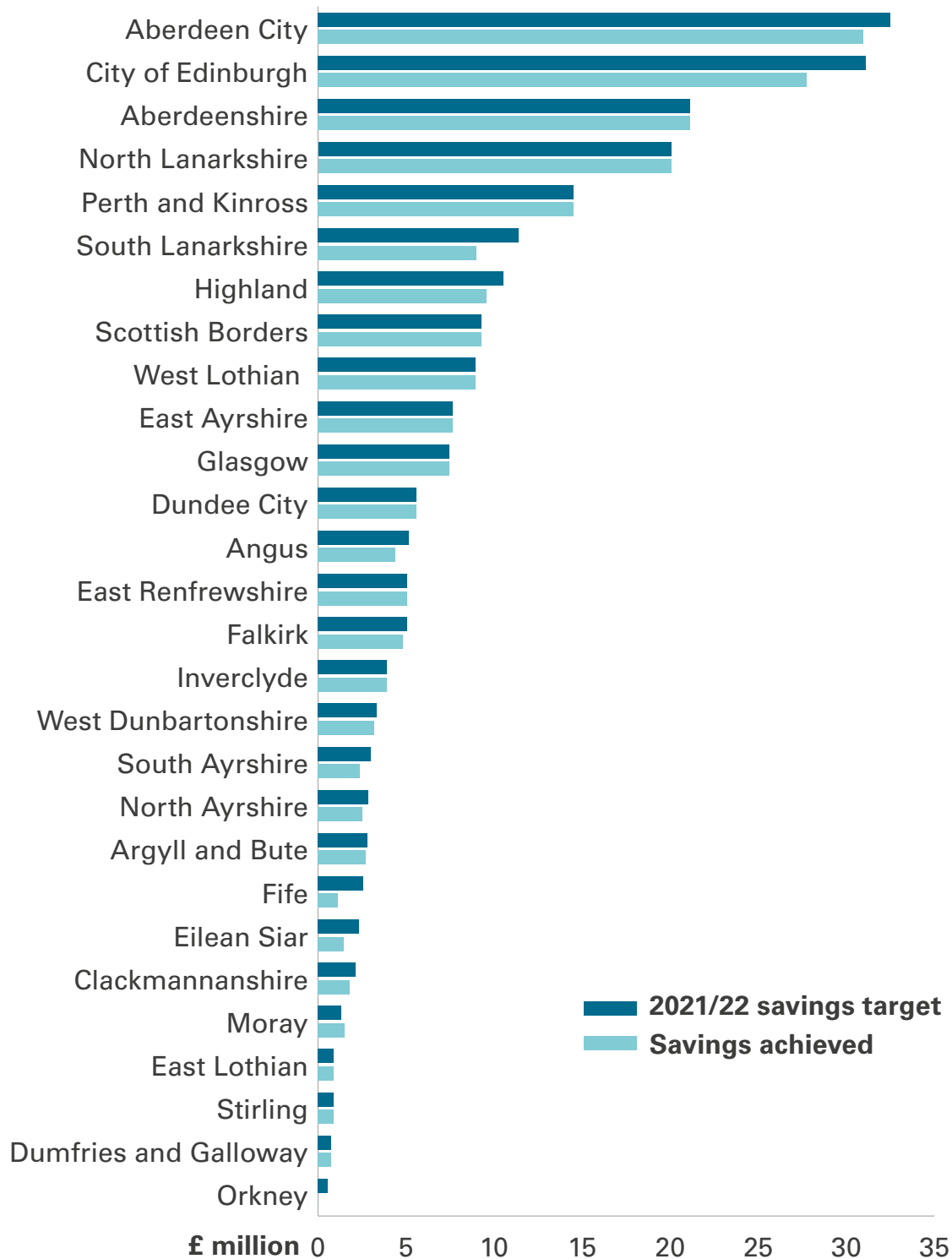
Councils have improved the way in which Covid-19 funds are disclosed in their accounts, but the level of detail varies

26. Elements of Covid-19 funding that have been carried forward in general committed and uncommitted reserves total £0.6 billion, 23 per cent of the total general fund balance. However, at a council level this varies between 49 per cent of the total general fund balance (Moray and West Lothian) to eight per cent (Dumfries and Galloway), ([Exhibit 9, page 17](#)).

Exhibit 6.

Councils' savings targets compared with savings achieved in 2021/22

Fourteen councils achieved their savings targets.



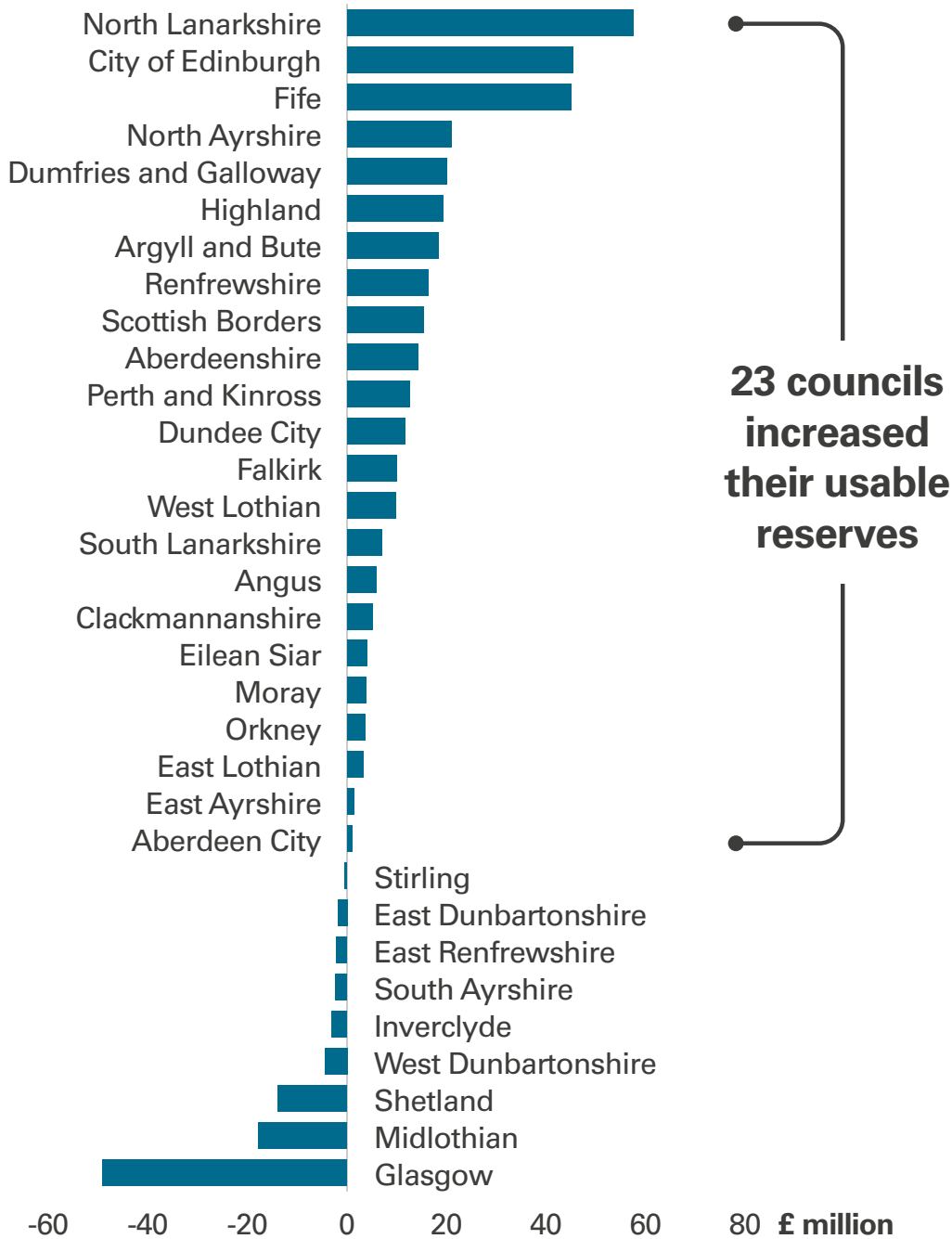
Note: Excludes East Dunbartonshire, Midlothian, Renfrewshire and Shetland due to not having savings targets in place for 2021/22.

Source: Audited financial statements 2021/22

Exhibit 7.

Changes in councils' usable reserves during 2021/22

Twenty-three councils increased their usable reserves.

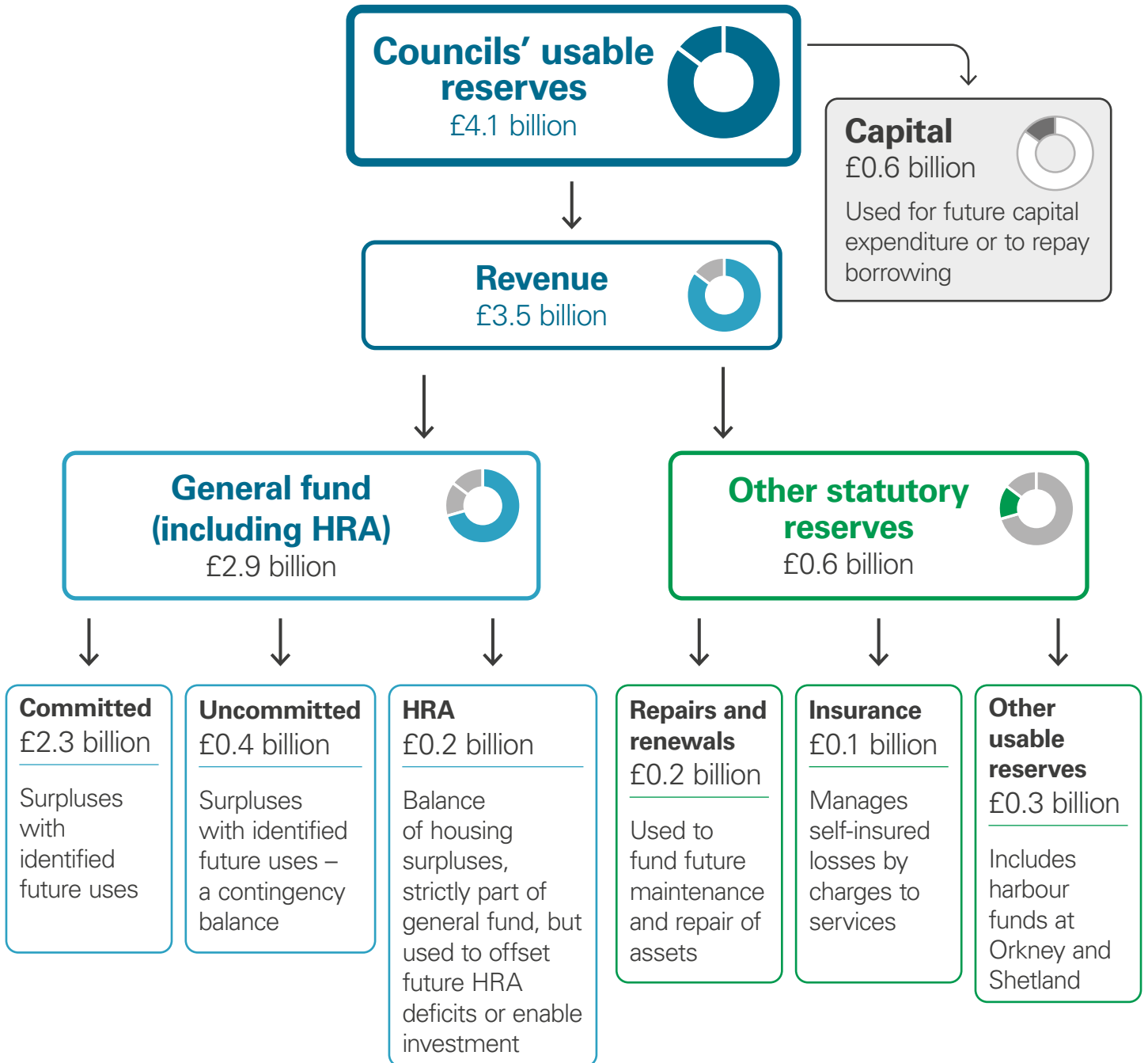


Source: Audited financial statements 2021/22

Exhibit 8.

The relative size and nature of councils' usable reserves

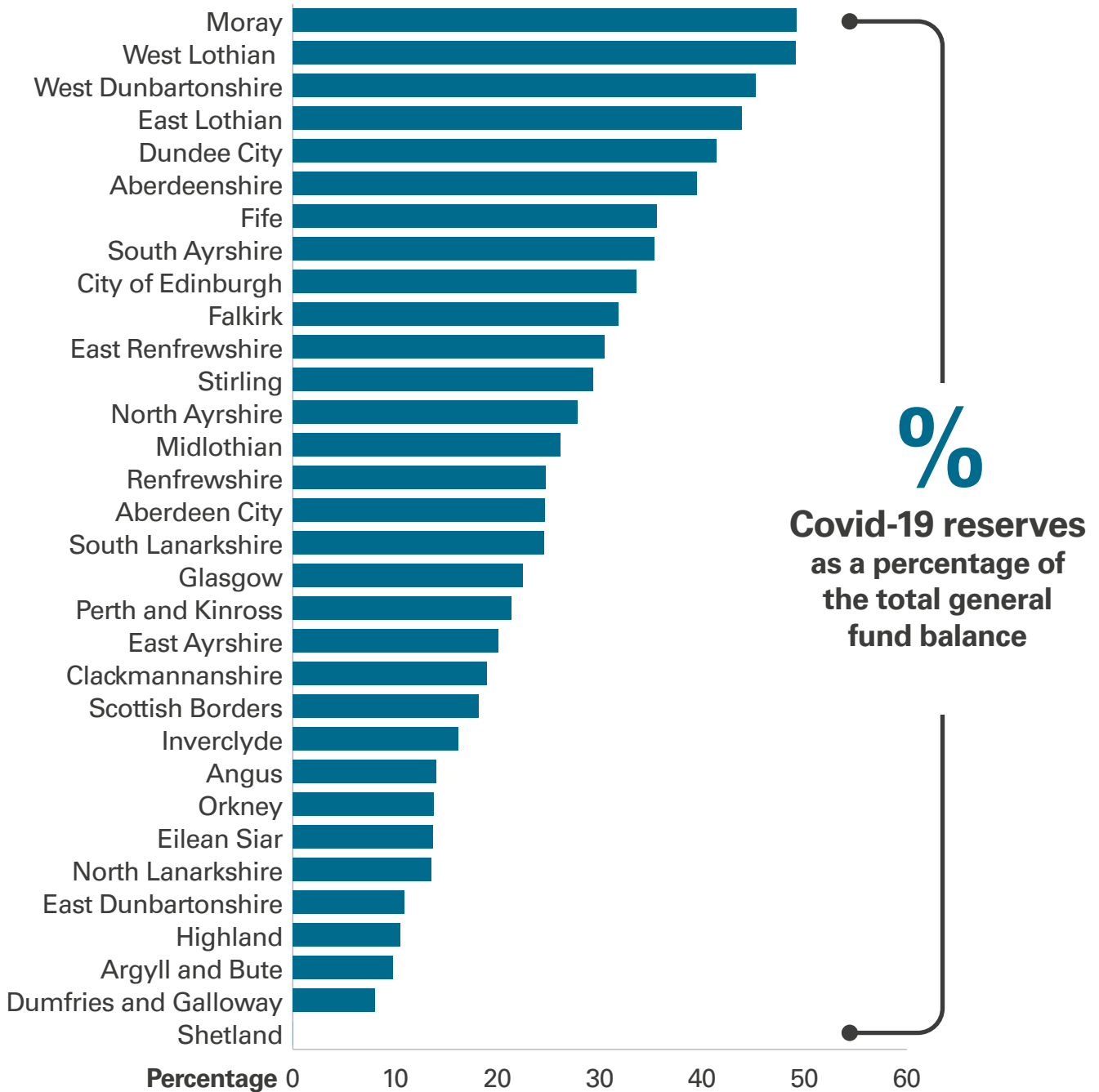
In 2021/22, usable reserves held by councils totalled £4.1 billion.



Source: Audited financial statements 2021/22

Exhibit 9.

Total Covid-19 reserves as a percentage of the total general fund balance for 2021/22



Note: Excludes Shetland as they do not have any Covid-19 related reserves carried forward.

Source: Audited financial statements 2021/22

27. In last year's [Local government in Scotland: Financial overview 2020/21](#) we noted that within the general fund, councils' accounts had not always clearly identified the element arising from Covid-19 funding and recommended that elements of Covid-19 funding that are being carried forward into general reserves should be clearly identified. Councils have improved the way in which Covid-19 reserves are disclosed in their accounts. However, this varies, with nine councils only providing a single line narrative and the remaining councils providing varying levels of detail as to how the funds have been allocated (eg, education, housing, business support, mental health and equalities). Eilean Siar and Aberdeen City had the most detailed breakdowns.

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Capital

Capital expenditure increased in 2021/22 though was still below the level in 2019/20

28. Capital spending across Scotland increased by £0.7 billion in 2021/22, from £2.4 billion in 2020/21 to £3.1 billion ([Exhibit 10, page 19](#)). Capital spending in 2019/20 was £3.6 billion.

29. Twenty-six councils (81 per cent) reported higher capital expenditure in 2021/22 than in 2020/21. Only six councils spent less on their capital programmes in 2021/22 than 2020/21.

30. The main sources of capital financing are still government grants. These were largely unchanged from 2020/21 (£1.1 billion in 2021/22 compared to £1.2 billion the previous year), however, the overall increase in capital expenditure means that an increasing amount is financed by borrowing.

Covid-19, inflationary costs and shortages in construction materials had an impact on capital projects

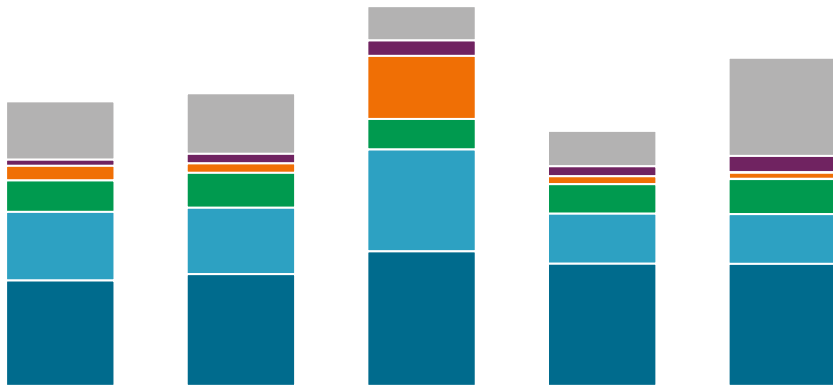
31. Auditors in councils reported slippage against capital projects and cited Covid-19, inflationary costs and shortages in construction materials as reasons for this. If these issues persist they will present risks to councils' capital programmes which are a necessary component of modernising services to deliver improved outcomes for local communities. There were some exceptions, for example in West Lothian where expenditure on capital was £141.3 million, an increase of £14.8 million against its original budget. Acceleration of £13.1 million for new developer-funded schools at Winchburgh was the most notable example.

Capital
spending
across
Scotland
increased in
2020/21 to
£3.1 billion

Exhibit 10.

Capital expenditure analysed by sources of finance 2017/18 to 2021/22

Capital expenditure increased in 2021/22 although an increasing proportion was funded through an increase in borrowing.



2017/18	2018/19	2019/20	2020/21	2021/22	
21%	21%	9%	14%	30%	An increase in borrowing
2%	3%	4%	4%	5%	Other contributions and Public Private Partnership (PPP)
5%	3%	17%	3%	2%	Capital receipts
11%	12%	8%	12%	11%	Capital Funded from Current Revenue (CFCR)
24%	23%	27%	20%	15%	Internal Loans fund repayments available to reinvest
37%	38%	35%	48%	37%	Government grants
2,687	2,749	3,605	2,408	3,099	Total expenditure (£ million)

Source: Audited financial statements 2017/18 – 2021/22

Further information about how councils may borrow money to fund capital expenditure can be found at [Local government borrowing: factsheet](#).

32. Slippage against capital projects was noted at some councils in 2021/22:

- **Dundee City Council:** Capital works costing £57 million were completed in 2021/22 against a budget of £117 million, representing slippage of 51 per cent. This was highlighted as a risk to the council delivering against strategic objectives.
- **East Dunbartonshire Council:** General services capital spending was £69 million compared with an initial budget of £96.3 million, which was subsequently revised downwards to £76.1 million for projects impacted by Covid-19. The main area of slippage was related to a new additional support needs school (£3.5 million) which has been rescheduled to 2022/23. Housing capital expenditure totalled £15.9 million against a revised budget of £17.5 million.
- **East Lothian Council:** The general services capital budget for 2021/22 was £97.7 million. A significant element of the £32.7 million underspend has been reprofiled to 2022/23. In addition to the issues and challenges arising from Covid-19, supply chain problems and the war in Ukraine were reported as having increased certain costs as well as the council's risk exposure for capital investment. The HRA capital budget for 2021/22 was £29.7 million. The overspend of £1.2 million reflects accelerated new build council housing, the costs of which have been partially offset by additional grant funding above the budgeted figure.

Net debt has increased by £0.2 billion since 2020/21

33. Total net debt (total debt less cash and investments) has increased across councils by £0.2 billion to £16.4 billion. Fifteen councils have increased their net debt in 2021/22. This compares to eight councils in 2020/21.

34. Councils' total debt has increased by £0.3 billion to £19 billion; this may be related to the increased need to borrow to fund capital expenditure, with 19 out of 32 councils having increased long-term borrowing from the previous year and 15 councils with increased short-term borrowing compared to the previous year.

Local government pension funds

2021/22 Pension Fund investment returns, although largely positive, were 62 per cent lower than in the previous year

35. Ten of the 11 main Scottish Local Government Pension Funds experienced positive investment returns in 2021/22. Orkney Islands Pension Fund recorded a loss on investment activity, representing 2.7 per cent of the net investment assets brought forward into 2021/22.

36. Although Pension Fund investment returns were largely positive, net returns on investments were 64 per cent lower than in 2020/21 (in cash terms). The net returns on investments, as a proportion of the brought forward net investment assets total, varied between a reduction of 2.7 per cent and an increase of 11 per cent in individual funds.

Scottish Pension Fund's funding positions have generally improved since the last triennial valuation

37. Scottish Pension Funds recorded a cumulative **funding level** of 104 per cent, ranging from 92 per cent to 118 per cent, per the triennial actuarial review figures as at 31 March 2020. At the time of this valuation, four of the 11 Scottish Local Government Pension Funds recorded liabilities as being greater than assets. Although four of the funds recorded liabilities in excess of assets, the 2020 position represented an improvement since the 2017 triennial valuation.

38. Auditors reported that the Covid-19 pandemic had a significant impact on Scottish Pension Fund's funding position and asset valuations, as indicated in the **triennial valuation** as at 31 March 2020. Auditors have indicated that since the valuation, asset values have largely recovered.

39. Preparation is under way for the next triennial valuation covering the period to 31 March 2023. Any changes to employer contributions as a result of the next valuation will not take effect until 2023/24.

Funding Level

This describes the pension fund assets as a proportion of the liabilities, arising from pension benefits payable.

Triennial valuation

Every three years an actuarial valuation is carried out to monitor the assets of the fund against the liabilities of the pension benefits payable.

2. Councils' financial outlook

Councils are having to deal with a number of significant financial challenges and will need to make some difficult decisions with their spending priorities

40. In last year's [Local government in Scotland: Financial overview 2020/21](#) we noted that the longer-term funding position for councils remained uncertain, with significant challenges ahead as councils continued to manage and respond to the impact of Covid-19 on their services, finances and communities.

41. At a time when councils and their communities are still feeling the impact of the Covid-19 pandemic, councils are now having to deal with the cost of living crisis and inflationary pressures. Councils consistently identified short- and long-term cost pressures in their initial 2022/23 budget papers, including:

- pay inflation and living wage costs
- costs associated with Covid-19 recovery
- energy inflation
- non-pay inflation (including cost of materials, construction costs and contract inflation)
- demand for and price sensitivity of chargeable services and the related impact on income from fees and charges.

42. Common themes across management commentaries from councils unaudited accounts for 2021/22 are that councils continue to face significant financial challenges going forward and will need to deliver consistent recurring savings and use reserves to deal with the immediate and on-going financial impacts. They also note that elected members will need to make increasingly difficult choices, which could include having to consider service reductions. Further commentary and analysis on the future funding position of councils and the associated challenges will be included in the wider local government overview being published in May 2023.

[Local government in Scotland: Financial overview 2020/21](#)

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The future funding settlements set out in the Scottish Government's Resource Spending Review reflects flat cash funding settlements for 2022/23 to 2025/26

43. In May 2022 the Scottish Government published the first multi-year Resource Spending Review (RSR) in Scotland since 2011, outlining its resource spending plans to the end of this Parliament in 2026/27. The RSR assumes an overall cash-terms increase to the Scottish Government spending envelope of £5.7 billion over the period 2022/23 to 2026/27. The estimated increase in local government funding over this period would be £0.1 billion. This reflects flat cash funding levels for 2022/23 to 2025/26, with a small uplift in 2026/27. However, the outlook of the RSR may look different after the Scottish Government's 2023/24 budget.

44. The Fraser of Allander Institute [reported](#) in May 2022 that the RSR provides welcome insight on government priorities, and highlights a scale of challenges facing public services. However, spending plans are expressed at 'level 2' for the four years of the Spending Review period. That means financial information is at a less detailed level than public bodies would ideally like for planning purposes. It also noted that at the time of their review the RSR implies that the local government budget will decline by seven per cent in real terms between 2022/23 and 2026/27. The Convention of Scottish Local Authorities (COSLA) has expressed concerns that a flat cash settlement will result in fewer jobs and cuts to services.

45. Following the RSR, in December 2022, the Scottish Government presented their [proposed spending and tax plan for 2023/24](#) to the Scottish Parliament. In this updated position, the Scottish Government sets out that there will be an increase of over £570 million in additional revenue and capital funding available to councils for 2023/24. They also confirmed that they would not seek to freeze or set a cap on council tax increases, giving council's full flexibility to vary rates locally.

46. The recent Scottish Parliament Information Centre (SPICe) [publication](#) reports that, once adjustments are made for the in-year funding councils will receive for free school meals, the additional funding for 2023/24 was just under £640 million. SPICe report that this will represent a £223 million real terms increase in funding, based on 2022/23 prices.

47. COSLA had previously estimated a [£1 billion gap](#) for councils in 2023/24 and argue that the uplift amounts to £71 million once national policy commitments are taken into account. They welcome the flexibility to set their own council tax rates but state that the scope to do this will be limited due to the cost of living crisis.

Budgets for 2022/23

Councils intend to bridge the budget gap of £0.4 billion for 2022/23 with planned savings and reserves, but the reliance on non-recurring reserves is not sustainable in the medium to long-term

48. At the time of budgeting, councils identified budget gaps totalling £0.4 billion in real terms, which represented three per cent of the 2021/22 net cost of services. This is consistent with the gap identified in the previous years. The 2022/23 estimated budget gap as a proportion of 2021/22 net cost of services varied across councils from an anticipated surplus of 0.2 per cent to a gap of 23 per cent ([Exhibit 11, page 25](#)).

49. The majority of the estimated budget gap for 2022/23 was planned to be funded through the following ([Exhibit 12, page 26](#)):

- agreed recurring savings (36 per cent)
- use of reserves (32 per cent)
- increases in Council Tax (16 per cent).

50. Sixty-six per cent of councils intended to use reserves to help bridge the 2022/23 budget gap, however, the use of reserves is not sustainable in the medium to long term. The achievement of recurring savings and a movement away from the reliance and use of non-recurring reserves will be key to ensuring longer-term financial sustainability. This makes the case for a continued focus on service reform, based on strong engagement with communities, more important now than ever.

2022/23 funding settlement

Scottish Government revenue funding in 2022/23 decreased by 0.1 per cent in real terms when non-recurring funding elements are excluded

51. In [paragraphs 43 to 47](#) we have outlined the longer-term Scottish Government spending plans which were set out in the RSR. The initial local government revenue settlement from the Scottish Government in 2022/23, before taking into account non-recurring elements, increased by 3.9 per cent (cash terms) from 2021/22 to £12.0 billion. This was a real terms decrease of 0.1 per cent ([Exhibit 13, page 27](#)).

52. Non-recurring Covid-19 funding provided to councils in 2021/22 was £0.5 billion, the last year of this funding. In 2022/23, an additional £0.25 billion has been allocated to reduce council tax bills.

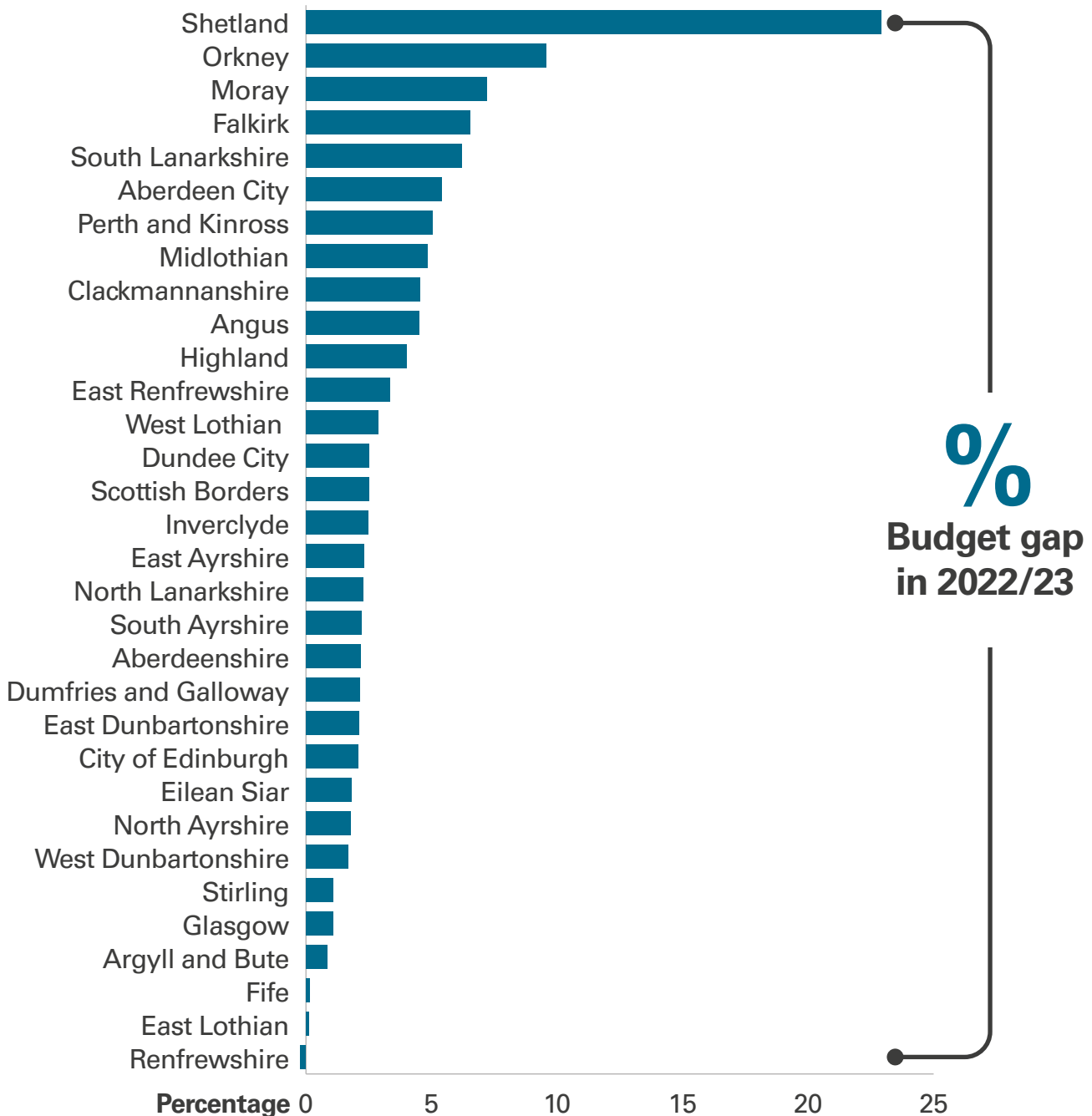
53. Total revenue funding in 2022/23 was £12.3 billion. This is a 2.4 per cent real-terms reduction on the 2021/22 position.

Councils identified budget gaps totalling £0.4 billion (3%) in real terms, of the 2021/22 net cost of services

Exhibit 11.

Budget gap as a proportion of net cost of services for all 32 councils in 2022/23

The budget gap at a council level varied between a 0.2 per cent surplus and a 22 per cent gap.

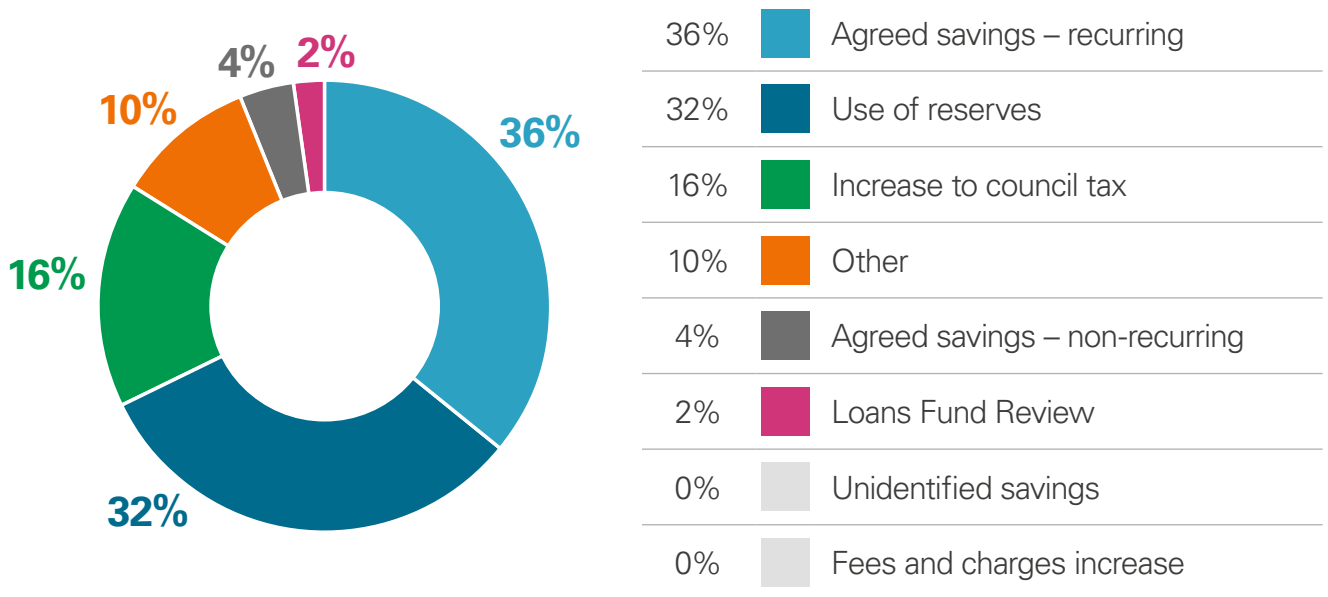


Source: Council budget papers, Auditor data returns

Exhibit 12.

Aggregate analysis of all 32 councils' proposed ways to meet the budget gap for 2022/23

The majority of the estimated budget gap for 2022/23 was planned to be funded through agreed recurring savings, use of reserves and increases in Council Tax.



Source: Auditor data returns

Exhibit 13.

Changes in Scottish Government initial revenue funding from 2021/22 to 2022/23

Total revenue funding will fall by 2.4 per cent in real terms in 2022/23.

	2021/22 £ million	2022/23 £ million	Cash change %	Real terms change %
General revenue grant	8,682	8,450	-2.7	-6.5
Non-domestic rate income	2,090	2,766	32.3	27.2
Specific revenue grants	776	785	1.1	-2.8
Non-recurring Covid-19 funding	515			
Cost of living funding		250		
Total revenue funding	12,063	12,250	1.5	-2.4
Total revenue excluding Covid-19/ cost of living	11,548	12,001	3.9	-0.1

Source: Finance circulars and Scottish Government budget documents

54. Scottish Government funding will not include Covid-specific allocations from the UK Government in 2022/23, however, there will be an increase in the overall Scottish Government budget. If we remove Covid-19 funding in 2021/22 from our analysis, the Scottish Government budget is set to increase by seven per cent in real terms, as opposed to a real-terms cut in local government funding of 0.1 per cent. However, if we include Covid-19 funding in the 2021/22 Scottish Budget, in 2022/23 it falls in real terms by ten per cent, a bigger fall than local government.

Capital funding

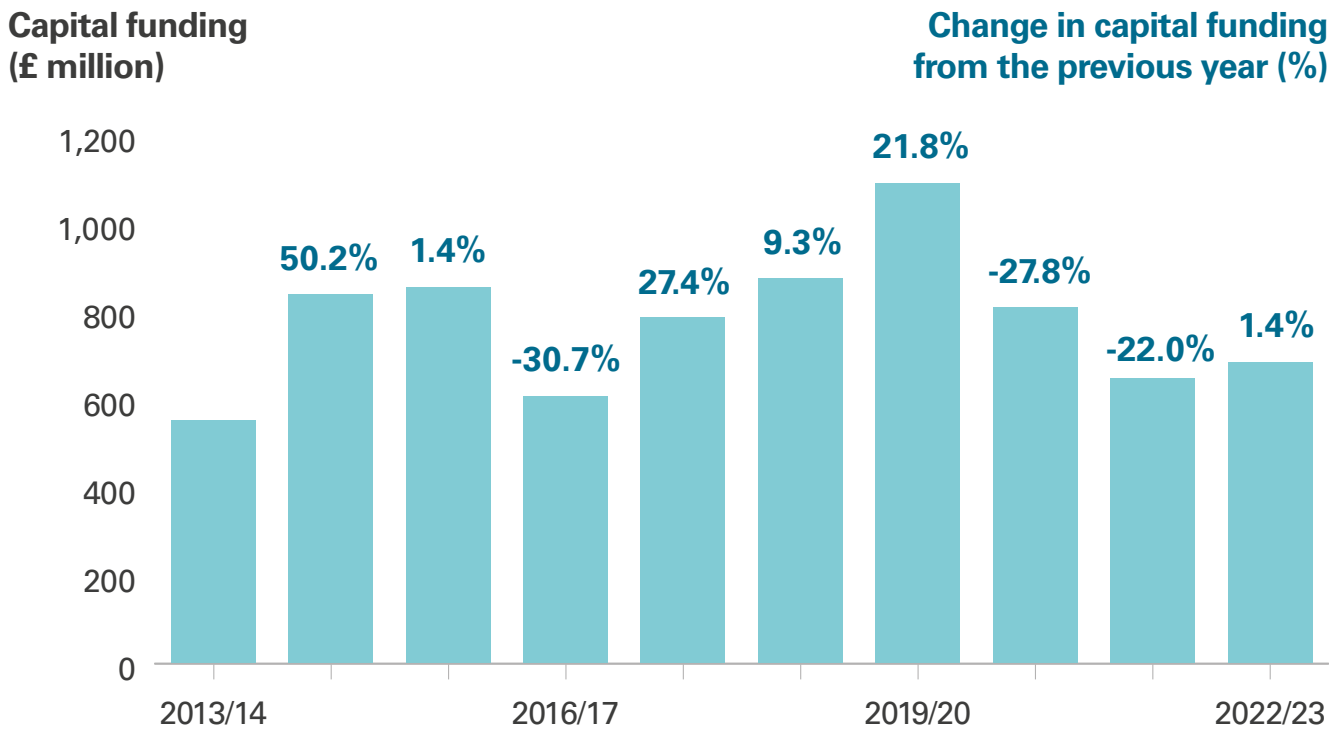
The Local Government capital settlement in 2022/23 increased from £649 million in 2021/22 to £685 million

55. Capital funding has increased by 1.4 per cent in real terms between 2021/22 and 2022/23. Capital funding had experienced significant increases up to 2019/20 before falling in 2020/21 and 2021/22. Real-terms total capital funding has now returned to levels closer to those seen in 2016/17 ([Exhibit 14, page 28](#)).

Exhibit 14.

Real-terms Scottish Government capital funding between 2013/14 and 2022/23

Scottish Government capital funding will increase slightly in 2022/23, but this follows two years of decreases over 20 per cent.



Source: Finance circulars and Scottish Government budget documents

56. Higher interest rates and inflationary costs will present risks to councils' capital programmes going forward. The affordability of capital spend will be significantly impacted by changes in interest rates. Some councils have anticipated costs will double, which has meant they will need to consider the affordability of their capital programmes going forward.

Local government in Scotland

Financial bulletin

2021/22

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Key messages

Growing financial pressures present a real risk to the investment needed to recover and reform NHS services

The general trend of health spending in Scotland is one of growth. Despite this, the NHS in Scotland faces significant and growing financial pressures. These include inflation; recurring pay pressures; ongoing Covid-19 related costs; rising energy costs; a growing capital maintenance backlog; and the need to fund the proposed National Care Service. These pressures are making a financial position that was already difficult and has been exacerbated by the Covid-19 pandemic, even more challenging. This could limit investment in recovery and reform.

It is difficult to accurately measure the progress of the Scottish Government's NHS Recovery Plan

Financial pressures, workforce shortages, pressures on the social care system and the ongoing impact of Covid-19 are making progress extremely difficult. The plan commits £1.26 billion of funding to help reduce the healthcare backlog and redesign services, and sits alongside a range of other initiatives that support reform. But it is a high-level, top-down document and does not contain the detailed actions that would allow overall progress to be accurately measured. Meanwhile, the backlog of care that built up during the pandemic continues to grow. More people are being added to waiting lists than are being removed from them, and people are waiting longer for treatment. There have been delays in opening three new National Treatment Centres - a key element in increasing activity levels in planned care. Delays in getting social care support for patients who are ready to leave hospital continue to limit the availability of beds.

Workforce capacity remains the biggest risk to the recovery of NHS services

Some progress has been made against the recruitment targets set out in the NHS Recovery Plan, but boards are finding it challenging to grow their workforce numbers to the required level. The NHS workforce remains under severe pressure and there are concerns over staffing levels, wellbeing and retention. These workforce issues predate the pandemic. But the NHS Recovery Plan was not informed by robust modelling and there is a risk workforce targets will not be achieved. The NHS continues to experience high vacancy and turnover rates, higher than usual sickness absence and gaps in the workforce.

The Scottish Government needs to be fully transparent on recovery progress and how long people will have to wait for treatment

The challenges facing the NHS in Scotland are unprecedented. The Scottish Government will have to make difficult choices and prioritise which ambitions it can deliver against. It needs to be more transparent about what progress is or is not being achieved. Information on expected waiting times for treatment must be clear and meaningful. This will allow the Scottish Government to better manage the public's expectations about what can be delivered with the resources available. There are early signs that the Scottish Government is working to drive forward innovation and reform. It is essential that this work progresses at pace, for the sustainability of health and care services and to continue improving people's lives.

Recommendations

The Scottish Government should:

- publish a revised medium-term financial framework (MTFF) for health and social care that clearly aligns with the medium-term financial strategy (MTFS) for the entire Scottish Government, as soon as possible after the next MTFS is published, to determine what financial resources will be available and to give a clear understanding of potential financial scenarios ([paragraph 18](#)).
- as soon as possible, complete work on modelling demand and capacity in the NHS in Scotland to inform planning for future service delivery, taking into consideration demographic change, service redesign options and anticipated workforce capacity ([paragraph 75](#)).
- revisit its NHS Recovery Plan commitments annually and use its annual progress updates to report clearly and transparently on what progress has been made and whether those commitments, or the targets and delivery timeframes related to them, need to change and why ([paragraph 86](#)).
- ensure that targets for tackling the backlog of care are clear, publish accessible and meaningful information about how long people will have to wait for treatment, and urgently explore all options to provide support to the most vulnerable people waiting for treatment to minimise the negative impact on their health and wellbeing ([paragraphs 71, 101 and 106](#)).
- publish annual progress updates on the reform of services, showing the effectiveness and value for money of new innovations and ways of delivering NHS services ([paragraph 136 to 138](#)).

The Scottish Government and NHS boards should:

- work with partners in the social care sector to progress a long-term, sustainable solution for reducing delayed discharges from hospital ([paragraph 39](#)).
- ensure focus on staff retention measures is maintained, including wellbeing support, and continually look at ways to increase the impact of these measures ([paragraph 50](#)).
- work together more collaboratively on boards' delivery, financial and workforce plans to maximise boards' potential to achieve the ambitions in the NHS Recovery Plan, by balancing national and local priorities against available resources and capacity and setting realistic expectations for the public ([paragraph 78](#)).

- urgently implement a programme of engagement with the public to enable an open discussion about the challenges facing the health sector in Scotland and help inform future priorities and how the delivery of services will change ([paragraph 139](#)).
-

Introduction

1. In our [NHS in Scotland 2020](#) and [NHS in Scotland 2021](#) reports we examined how the Scottish Government and NHS boards had responded to the Covid-19 pandemic. We also considered the impact of the pandemic on how NHS services were delivered, and on the financial position of the NHS in Scotland.

2. The Covid-19 pandemic continues to affect the delivery of NHS services. A huge backlog of people waiting for healthcare has built up since the pandemic began, as planned care was paused for a while, and activity levels are not yet fully back to pre-pandemic levels. Scotland's healthcare system remains under severe pressure, operationally and financially.

3. Scotland's NHS is not alone in facing these issues. Across the globe, healthcare systems face similar pressures. Many of the factors contributing to the extremely difficult situation facing the NHS in Scotland are not specific to health services, and many are not within the control of the Scottish Government or NHS boards. But it is crucial that both the Scottish Government and NHS boards are realistic in their ambitions and are clear about what has been and can be achieved.

4. The Scottish Government has begun efforts to help NHS services recover from the impact of the Covid-19 pandemic. It published its NHS Recovery Plan 2021-2026 in August 2021. This outlined the ambitions for recovering health services to better than pre-pandemic levels and clearing the backlog of care. This follows previous measures to progress recovery from Covid-19. In our 2021 briefing on the [Covid 19: Vaccination programme](#) we reported on the Scottish Government's successful implementation of the vaccination programme.

5. The NHS Recovery Plan is ambitious. Our [NHS in Scotland 2021](#) report identified several risks to its successful implementation. In this report we:

- take a further look at those risks and comment on progress against relevant recommendations from our [NHS in Scotland 2021](#) report
- consider the financial and operational pressures facing the NHS in Scotland and what that means for progress against the Scottish Government's recovery ambitions
- assess progress in the first year of implementation of the Recovery Plan.

6. Our audit methodology is set out in Appendix 1. We plan to carry out separate performance audits of adult mental health services and drug-related deaths and, therefore, do not go into detail on these issues in this report.

7. NHS boards are largely responsible for implementing the actions set out in the NHS Recovery Plan. To better understand how the plan affects NHS boards and whether they are likely to achieve the ambitions set out within it, we conducted case studies of three contrasting boards. They are NHS Ayrshire and Arran, NHS Highland and NHS Lothian. Throughout the report we refer to evidence gathered from these NHS boards to provide insight from a local perspective on the NHS Recovery Plan.

The NHS in Scotland faces unprecedented challenges

Delivering on the Scottish Government's recovery ambitions for the NHS will be extremely difficult due to financial and operational pressures

8. Before assessing progress in the first year of the Scottish Government's NHS Recovery Plan 2021-2026, it is important to provide context on the challenges facing the system. Across the world, healthcare systems are under extreme pressure. Global and local factors are creating very difficult operating conditions for the NHS in Scotland.

9. In previous reports we outlined how the NHS in Scotland was not being run in a financially or operationally sustainable way, even before the Covid-19 pandemic. Our [NHS in Scotland 2019](#) report highlighted the need for reform in the NHS to ensure services are sustainable. Reform would mean changes to the way health services are delivered, to improve efficiency, effectiveness and value for money. It should lead to high quality services being delivered within the resources available.

10. Factors such as Scotland's ageing population, growing demand and rising costs meant the system was already under pressure. This situation has been exacerbated by the Covid-19 pandemic, rising inflation and the cost-of-living crisis. The Scottish Government faces significant challenges in recovering services and delivering reform.

The response to Covid-19 and a range of emerging financial pressures have exacerbated the financial position of the NHS in Scotland

11. The Covid-19 pandemic brought substantial additional cost pressures for the NHS in Scotland. We highlighted the additional Covid-19 related funding allocated across Scotland's health sector in our [NHS in Scotland 2020](#) and [NHS in Scotland 2021](#) reports. In 2020/21, £2.9 billion of additional Covid-19 related funding was allocated across health and social care in Scotland. This fell to £2.6 billion in 2021/22.

12. This additional funding came from the UK Government in the form of Barnett consequentials.¹ In our report on [Scotland's financial response to Covid-19](#) we point out that the UK and Scottish budgets for 2022/23 do not include any specific Covid 19 funding. There will be no further Barnett consequentials for Covid-19 related spend, but Covid-19 related costs will remain, such as the cost of vaccinations. These costs must now be met from the Scottish Government's existing health and social care budget.

13. The Scottish Government is taking steps to reduce Covid-19 costs in core areas, such as personal protective equipment (PPE), vaccinations, and Test and Protect, through its Covid Costs Improvement Programme (CCIP). It is working with NHS boards to forecast their costs, identify savings and deliver services in a more sustainable way. The Scottish Government has given each NHS board a Covid-19 funding budget for 2022/23 and instructed them to keep Covid-19 costs within it.

14. Each of our case study boards initially predicted that their actual Covid-19 costs would be higher than the amount in their budgets, but are working hard to bring costs in line. NHS Lothian now predicts that it will stay within its Covid-19 budget this year but will have a recurring funding gap next year when Covid-19 funding is further reduced. Total Covid-19 related spend in 2022/23 across the Scottish Government health and social care directorate, NHS boards, and Health and Social Care Partnerships (HSCPs) is currently expected to be around £723 million.

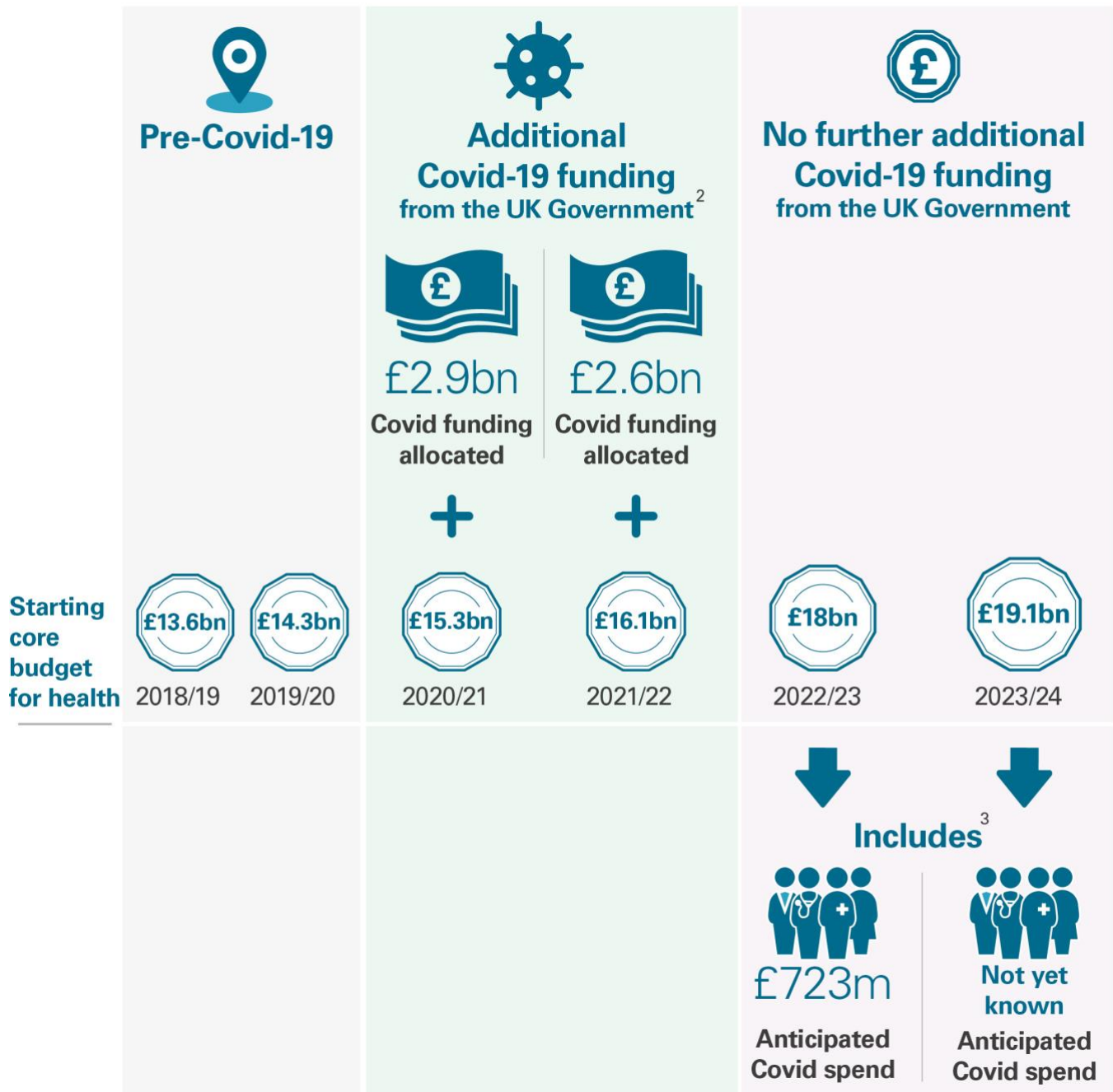
15. We have previously set out the need for transparency over Covid-19 spending, but also the difficulty in defining what is Covid-19 spending in our [Scotland's financial response to Covid-19](#) report. Moving forward, the Scottish Government's health and social care directorate will not monitor Covid-19 related costs separately, particularly as there is no longer a separate Covid-19 funding stream.

16. As [Exhibit 1 \(page 11\)](#) shows, the Scottish Government's health budget has increased by £4.4 billion since 2018/19. The UK Government provided significant additional funding for Covid-19 related spend in 2020/21 and 2021/22, but remaining Covid-19 related costs must be met from the Scottish Government's core health and social care budget from 2022/23 onwards. The general trend in health spending in Scotland is one of growth. In the Scottish Budget: 2023-24 the total allocation for health and social care is £19.1 billion.² This increase is earlier than anticipated, with the Scottish Government having previously committed to increasing its health and social care budget to £19 billion by 2026/27.³

17. The financial position of the NHS in Scotland is concerning. As well as Covid-19 related costs, a range of additional financial pressures (outlined below) have grown or emerged in recent years. Our three case study boards all confirmed these pressures will impact on their financial sustainability.

18. The Scottish Government also recognises the challenges these pressures bring to the NHS in Scotland. Recent economic instability, in the UK and internationally, has made it difficult to predict its income and expenditure. The Scottish Government is working on its revised medium-term financial framework (MTFF) for health and social care. It should ensure this aligns with its medium-term financial strategy (MTFS) for the entire Scottish Government and publish the MTFF for health and social care as soon as possible after the MTFS is published in May 2023.

Exhibit 1.
Health funding in Scotland 2018/19 to 2023/24¹



Notes:

1. These figures do not take into account inflation.
2. Additional Covid-19 funding from UK Government via Barnett consequentials.
3. Covid-19 related expenditure met from the existing Scottish Government health and social care budget. No additional funding was provided by the UK Government.

Source: Scottish Government

UK inflation has increased substantially in the last two years

19. Inflation in the UK has reached levels that are unprecedented in recent times, reaching 10.5 per cent in December 2022.⁴ This is up from 5.4 per cent in December 2021 and from 0.6 per cent in December 2020. NHS services are not immune to inflation and the NHS will face rising costs for everything from food to medicines. Prices are much higher than they were before the Covid-19 pandemic, when the NHS already faced significant financial challenges. The NHS, with a high number of large buildings that need heat and energy, is badly affected by the large increase in energy costs in 2022.

20. A new pay offer for NHS staff remains unresolved, adding to financial uncertainty. The cost-of-living crisis has created strong demand for pay increases from workers across the public sector. The Scottish Government made an average pay increase offer of 7.5 per cent for NHS staff in November 2022. This equates to a £515 million commitment. The Unison and Unite trade unions have accepted this offer. But it has been rejected by the GMB union, the Royal College of Nursing and the Royal College of Midwives, and the threat of industrial action cannot be ruled out. The Scottish Government must meet this commitment from its existing budget.

The NHS capital maintenance backlog is likely to have increased

21. We last reported on the NHS capital maintenance backlog in our [NHS in Scotland 2020](#) report. At that time the figure stood at £1.03 billion. The Scottish Government plans to double investment in capital backlog maintenance over the next five years. But it will have to balance capital investment with the other financial pressures it faces. Any reduction in the planned capital investment will mean that the Scottish Government will have to prioritise which projects will go ahead. This could affect progress in recovering services and increasing capacity, and therefore have a negative impact on patients.

The proposed National Care Service will place a huge strain on the health and social care budget

22. The Scottish Government introduced the National Care Service (Scotland) Bill in June 2022. The Scottish Parliament Information Centre (SPICe) published a briefing on the National Care Service Bill in October 2022.⁵ According to SPICe's analysis of the Bill's Financial Memorandum, the estimated costs of implementing the Bill in the period 2022/23 to 2026/27 are between £644 million and £1.26 billion.

23. These amounts cover the direct costs of implementing the legislation and do not include costs associated with any policy decisions that may accompany the Bill, for example pay increases for social care staff or investment in digital and data solutions. As a result, the overall cost of implementing the legislation and supporting it with necessary policy decisions could be much higher than those estimates. This represents a significant unknown financial commitment to be met from the Scottish Government's health and social care budget. The Scottish Government has committed to spending an additional £840 million on social care, an increase of 25 per cent, by 2026/27.⁶

NHS boards predict an extremely challenging financial position

24. Analysis of NHS boards' 2022/23 financial plans shows that of the 14 territorial boards, only three are predicting to break even in 2022/23 if their savings targets are met. Seven of the eight national NHS boards are predicting to break even in 2022/23 if their savings targets are met. In total, boards need to make £620.6 million of savings to break even in 2022/23 (Appendix 2).

25. In 2020/21 and 2021/22 the Scottish Government provided non-repayable financial support to ensure all NHS boards delivered financial balance due to the exceptional financial challenges brought about by the Covid-19 pandemic. This arrangement stopped at the end of 2021/22 with boards again expected to operate within one per cent of their total core revenue funding. This is a return to a commitment agreed as part of the MTF in 2018.

26. NHS boards have returned to medium-term financial planning and have prepared three-year financial plans covering the period 2022/23 to 2024/25. The one per cent flexibility is contingent on NHS boards producing a credible financial plan and repayment of this flexibility in the three-year period. Common concerns identified in the financial plans of our three case study boards include:

- predicted growing levels of deficit in the medium-term
- difficulty reducing continuing Covid-19 costs
- uncertainty around funding pay increases for staff.

27. Territorial boards' planned efficiency savings are not enough to close the predicted financial gap in 2022/23. The Scottish Government has brought back financial support, known as brokerage, for boards predicting a financial deficit. The Scottish Government will discuss repayment options with individual NHS boards following the development of a credible financial plan.

28. Our November 2022 briefing, [Scotland's public finances: Challenges and risks](#), highlighted that the Scottish Government has limited room for manoeuvre to make changes to balance the 2022/23 budget and is facing difficult choices setting the 2023/24 budget. A balance must be struck between short-term necessities and longer-term priorities, and the Scottish Government will need to revisit its priorities if the economic and fiscal conditions worsen. Faster reform is needed to protect public services in the long term and improve people's lives.

The healthcare system remains under extreme pressure

29. As well as financial pressures, there are several other factors contributing to an increasingly difficult operating environment. Workforce shortages and pressures on the social care system are affecting the flow of patients through hospitals. The impact of these pressures can be seen across the healthcare system, in increased Accident & Emergency (A&E) waiting times, longer ambulance turn-around times and the growing number of delayed discharges. The NHS in Scotland also faced severe winter pressures in 2022/23.

Performance against the A&E waiting times target is considerably below target

30. Ninety-five per cent of people attending A&E should be seen and admitted, discharged, or transferred within four hours. This target has not been hit since July 2020, and performance declined further in 2022. In August 2021, performance fell below 80 per cent and has remained there since. In December 2022, performance on this measure fell to 62.1 per cent. The number of people experiencing an extremely long wait (more than eight, or more than 12 hours) increased in 2022.⁷

Pressure has increased on remote services

31. The NHS in Scotland has introduced new ways for people to access health services remotely. NHS 24 provides health information and advice through its 111 telephone service and via the NHS Inform website. These services identify the most appropriate way for people to access services and help to reduce the number of people attending GP practices and A&E in person.

32. The use of these services has increased as pressure has grown on wider health services. December 2022 saw a higher than usual number of calls to NHS 24 and a high volume of traffic to the NHS Inform website ([Exhibit 2, page 16](#)).⁸ NHS 24 is progressing with the planned recruitment of 200 new staff by March 2023 to help cope with increasing demand on its services.

33. Patients who call NHS 24 may be referred to a Flow Navigation Centre (FNC). FNCs, introduced as part of the Redesign of Urgent Care (RUC) programme, are now in place in each NHS board to help identify the best pathway of care for patients within their community. Other services, such as the Scottish Ambulance Service, GPs, or pharmacies, can also access FNCs.

The Scottish Ambulance Service is losing staff time due to increased turnaround times at hospitals and increased time at the scene of calls

34. The Scottish Ambulance Service (SAS) is experiencing long waits when it arrives at A&E departments with patients. Hospital turnaround times have increased due to the lack of available beds in hospitals. SAS is also spending more time at the scene of calls, as patients often have more complex needs compared to before the Covid-19 pandemic. Over the winter, the number of emergency incidents dealt with by SAS increased substantially, reaching more than 16,000 in the last week of December 2022. This was 11 per cent higher than the average of the previous four weeks.⁹

35. SAS has successfully recruited 458 new staff to increase its capacity. It has also implemented a range of measures to manage demand and reduce the number of people attending A&E. It introduced an Integrated Clinical Hub to support patients with urgent rather than emergency care needs ([Case study, page 15](#)). SAS is working with NHS boards to optimise their flow navigation arrangements.

Case study

The Scottish Ambulance Service introduced an Integrated Clinical Hub to support patients with urgent care needs

In 2022, SAS introduced an Integrated Clinical Hub, with the aim of supporting patients with urgent, rather than emergency, care needs. The hub brings together senior clinicians, such as GPs, Advanced Nurse and Paramedic Practitioners, and Paramedic Clinical Advisors. Many patients with urgent care needs can benefit from a detailed conversation with a senior clinician to identify the best treatment pathway for them. That could be an ambulance, referral to another part of the urgent care system, or self-care advice.

This means patients are directed towards the most appropriate part of the service for their needs and receive support and reassurance. Patients with the most acute or urgent needs are identified and prioritised. It also helps to make sure resources are used more efficiently throughout the healthcare system.

SAS Advanced Practice Clinicians consult with up to 15 per cent of 999 demand, with 50 per cent of these calls not requiring a 999 ambulance. This avoids over 100 ambulance dispatches per day with patients being directed to more appropriate sources of support for their needs.

Source: Scottish Ambulance Service

Delayed discharges remain a barrier to patient flow through hospitals

36. Delayed discharge occurs when a patient is clinically ready to leave hospital but continues to occupy a hospital bed. This is usually because the support necessary to allow a patient to leave hospital is not in place. In our [Social care briefing](#), from January 2022, we highlighted pressures on the social care system and on social care funding. These pressures are making it difficult to find appropriate care packages for patients ready to leave hospital. This is causing an increase in delayed discharges, resulting in fewer beds becoming available for new patients entering the system. In early January 2023, the Scottish Government reported that hospital bed occupancy across Scotland was above 95 per cent.¹⁰

37. Our [NHS in Scotland 2021](#) report highlighted how the Scottish Government's rapid discharge strategy resulted in a substantial drop in delayed discharges in the early stages of the Covid-19 pandemic. But delayed discharges reached pre-pandemic levels again by September 2021, and in 2021/22 the annual average length of stay in hospital increased to the highest level since 2014/15 (provisional figures).¹¹ In December 2022, the average number of beds occupied each day by patients whose discharge was delayed was 1,878 (23.4 per cent higher than in December 2021).¹²






38. In early January 2023, the Scottish Government announced £8 million of funding to purchase 300 interim beds in care homes, paying 25 per cent above the national care home contract rate.¹³ This is in addition to 600 interim care home beds already in operation. The additional care home beds are intended to

provide transitional care to patients awaiting social care support, and to provide some temporary assistance in reducing the number of people occupying hospital beds who are clinically ready to leave hospital.

39. We recommended in our [NHS in Scotland 2021](#) report that the Scottish Government and NHS boards should work with partners in the social care sector to develop a long-term, sustainable solution for reducing delayed discharges from hospital. The Scottish Government and NHS boards have progressed several measures aimed at reducing delayed discharges. These include measures to increase the number of patients that can be seen remotely, which have been successful in saving hospital bed days. They also include improving discharge planning arrangements and additional investment in social and community care. Despite these measures, the number of delayed discharges continues to grow. The Scottish Government and NHS boards should continue to seek a sustainable, long-term solution, working jointly with partners in the social care sector.

Exhibit 2.

The healthcare system remains under extreme pressure

		Dec 2019	Dec 2020	Dec 2021	Dec 2022
	Percentage of A&E attendances seen within 4 hours	83.8%	86.3%	75.7%	62.1%
	Average number of beds occupied each day due to delayed discharges	1,465	1,076	1,522	1,878
	Number of people in hospital with Covid-19 (7-day average at end of Dec)	-	1,190	833	1,267
	Number of calls made to NHS 24 111 service	-	-	182,200	217,989
	NHS Inform website page views (core service, excludes Covid-19)	-	-	10.7m	12.4m

Source: Public Health Scotland and NHS 24

Covid-19 and other respiratory viruses continue to put pressure on health services

40. New waves of Covid-19 have affected hospital capacity and staff availability, sometimes leading to further temporary pauses or reductions in services. Although NHS Scotland was officially stood down from an emergency footing in April 2022, the pandemic and its impact on health services is ongoing.

41. The number of patients in hospital with Covid-19 is still putting pressure on the NHS in Scotland. These patients require isolation from other patients for infection control purposes and this has an impact on hospital capacity. In 2022, the number of patients in hospital with Covid-19 peaked in April, but smaller peaks followed in July and October. Towards the end of the year the average number of people in hospital with Covid-19 began to rise again rapidly. In the last week of December 2022 there were, on average, 1,267 patients in hospital with Covid-19.¹⁴

42. Scotland experienced extraordinary levels of winter flu at the end of 2022. There was also an outbreak of Strep A infections and an increase in other respiratory viruses at this time. This further increased pressure and demand on health services. NHS Borders and NHS Greater Glasgow and Clyde paused routine non-urgent elective procedures due to the pressures faced in the NHS system in January. NHS Ayrshire and Arran paused inpatient planned care.¹⁵ The majority of other boards also reported daily cancellations due to staffing and bed pressures at this time.

The NHS workforce remains under severe pressure and there are concerns over staff capacity, wellbeing and retention

43. The Scottish Government introduced a new National Workforce Strategy for Health and Social Care (2022) to address the significant pressures facing the NHS workforce.¹⁶ The workforce remains under severe pressure. High staff turnover rates, higher than normal sickness and vacancy rates, and gaps in the workforce continue to have an adverse effect on workforce capacity.

44. Although the number of NHS staff is at a record high, the staff turnover rate has increased ([Exhibit 3, page 18](#)). The vacancy rate for Allied Health Professionals (AHPs) has increased from 3.9 per cent in March 2017 to 8.7 per cent in September 2022. The vacancy rate for nursing and midwifery has increased from 4.5 per cent to 9 per cent over the same period. The sickness absence rate for NHS Scotland in 2021/22 was 5.7 per cent, the highest rate reported in ten years.

45. High levels of workforce vacancies in nursing have led to increased expenditure on nursing bank and agency staff. Spending on bank and agency nursing staff increased by 36 per cent in 2021/22 and has increased by 92.9 per cent since 2017 ([Exhibit 3](#)). Although expenditure varies widely among boards, total nursing bank and agency spending was £321 million in 2021/22.

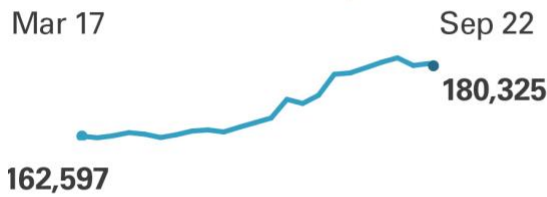
Exhibit 3. NHS workforce data

Headcount

September 2022

180,325

↑ 0.6% increase since September 2021



Whole-time equivalent

September 2022

155,913.5

↑ 1.0% increase since September 2021



Staff joining

2016/17

9,712.1

2021/22

16,580.3



Staff leaving (turnover rate)

2016/17

6.3%

2021/22

8.1%



Vacancy rates

September 2022

Nursing and midwifery

9.0%

↑ Up from 4.5% in March 2017

Allied Health Professionals

8.7%

↑ Up from 3.9% in March 2017

Temporary staffing costs¹

2021/22

Nursing bank

£232.2m

↑ Up from £142m in 2016/17

Sickness absence

2021/22

5.7%

↑ Up from 5.2% in 2016/17

Nursing agency

£88.9m

↑ Up from £24.5m in 2016/17

Note: 1. Nursing agency and bank staff expenditure figures do not take into account inflation.

Source: NHS Education for Scotland

46. Case study boards' expenditure on nursing agency staff reflect these national trends. In NHS Ayrshire and Arran, nursing agency expenditure increased by 90.8 per cent (from £3.5 million to £6.7 million) in 2021/22. Over the same period, expenditure within NHS Highland increased by 90.5 per cent (from £1.8 million to £3.5 million) and expenditure within NHS Lothian increased by 57.2 per cent (from £4.7 million to £7.4 million).

47. Despite the increases in bank and agency nursing staff working on the frontline, nursing staff are still under pressure. The results of the Royal College of Nursing (RCN) 2022 survey on staffing levels across the UK found that 86 per cent of nurses in Scotland thought that the number of nursing staff in their last shift was not sufficient to meet the needs of patients safely and effectively. Sixty-three per cent of nurses reported feeling exhausted and negative over staffing levels, and 59 per cent reported feeling demoralised. Only 37 per cent reported being able to take the breaks they were supposed to take.¹⁷

48. The 2022 General Medical Council (GMC) National Training Survey of trainer and trainee doctors found that 37 per cent of Scottish trainees reported feeling burnt out to a very high or high degree because of their workload. Sixty-two per cent of trainees who answered the burnout questions were measured to be at high or moderate risk of burnout. Forty-three per cent reported working beyond their rostered hours daily or weekly.¹⁸

49. General Practices are under pressure. The British Medical Association (BMA) carried out a survey of General Practices in Scotland in October of 2022, of which 46 per cent of practices responded. Eighty-one per cent of respondents said that demand for GP services was exceeding capacity, and 42 per cent said that demand was substantially exceeding capacity. Thirty-four per cent of practices reported having at least one GP vacancy.¹⁹

The Scottish Government is continuing to invest in the mental wellbeing of NHS staff, but physical wellbeing remains a concern

50. In our [NHS in Scotland 2021](#) report, we outlined the measures that the Scottish Government was taking to support staff wellbeing. For example, staff now have access to the National Wellbeing Hub, a digital platform that provides a range of self-care and wellbeing resources. The Workforce Specialist service provides confidential mental health assessment and treatment. Work on these continues and we recommend that focus on staff retention and wellbeing is maintained.

51. We also noted that the Scottish Government told us that there is not a culture of seeking help in the health and social care sector. The Scottish Government is taking steps to change this by putting in place wellbeing coaches for staff in managerial roles to encourage their teams to access wellbeing resources. It is also planning to implement its 'Leading to Change' programme to help staff proactively manage culture changes with the aim of retaining more staff.

52. It is unclear how much physical wellbeing provision there is for frontline NHS Scotland staff. The Scottish Government has funded boards to create rest spaces for staff in hospitals. But, because of the high intake of patients, delayed discharges and unscheduled care pressures, rest spaces for staff are often

being used for other purposes. The Scottish Government has made some progress in establishing physical provisions for healthcare staff working in community settings. But there is a further opportunity for it and NHS boards to work together to prioritise creating rest and break facilities and providing hot food and drink for staff in hospitals to prevent staff burn out and improve staff safety and wellbeing.

Progress in tackling the backlog of care has been slow; waiting times and waiting lists continue to grow

53. When Covid-19 struck the UK in March 2020, NHS Scotland was placed on an emergency footing and all non-urgent care was paused. These emergency measures allowed hospitals to focus on caring for people who were seriously ill with Covid-19, but also helped to reduce transmission of the virus within hospitals.

54. Waiting time standards set the maximum amount of time a patient should wait for healthcare. Before the Covid-19 pandemic, NHS boards were already struggling to meet waiting times standards for planned care, and performance has deteriorated further since [\(Exhibit 4, page 21\)](#). Performance during the pandemic will have been influenced by several factors, including clinical prioritisation of patients and the pausing of services at different times.

55. Between 2014 and 2019, waiting lists for planned care were generally increasing year-on-year, although the new outpatient waiting list had begun to level off in 2017. The disruption to health services since the start of the pandemic has caused a much sharper build-up in the number of people waiting. More people are now waiting to be seen at each stage of the referral to treatment pathway than ever before. Planned care waiting lists have continued to grow in the last year [\(Exhibit 5, page 22\)](#).

56. Some specialties, such as ophthalmology and general surgery, have particularly large waiting lists. These two specialties combined account for a quarter of all people waiting for a new outpatient appointment. Nearly half of those on the inpatient/day case waiting list are waiting for an orthopaedic procedure or general surgery.

57. Inevitably, patients are waiting longer for planned care than they were before the pandemic. Most people still waiting for care have been waiting for longer than the national waiting times standards. In some cases, people have been waiting much longer. For example, at the end of September 2022:

- 37,947 (8.0 per cent) had been waiting more than a year for a new outpatient appointment, with 2,114 (0.4 per cent) waiting more than two years.²⁰
- 35,337 (24.9 per cent) had been waiting more than a year for inpatient/day case treatment, with 7,612 (5.4 per cent) waiting more than two years.²¹

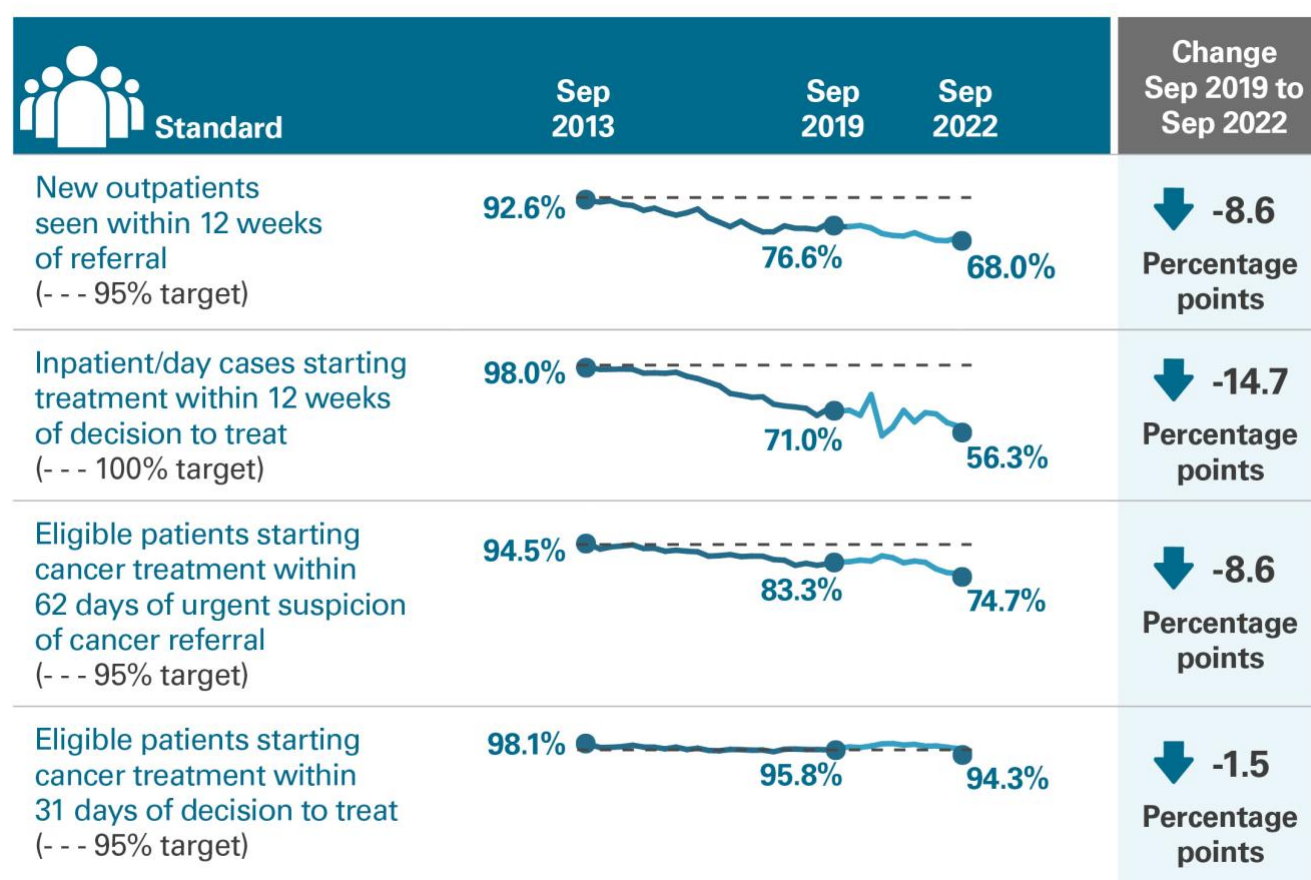
- 5,458 (3.4 per cent) had been waiting more than a year for a diagnostic test or investigation. Most of these people were waiting for an endoscopy.²²

Before the pandemic it was unusual for people to wait more than a year for planned care.

Exhibit 4.

Performance against planned care and cancer waiting times standards, quarter ending September 2013 to September 2022

Before the Covid-19 pandemic, NHS Scotland was already struggling to meet planned care and cancer waiting times standards, and performance has deteriorated.

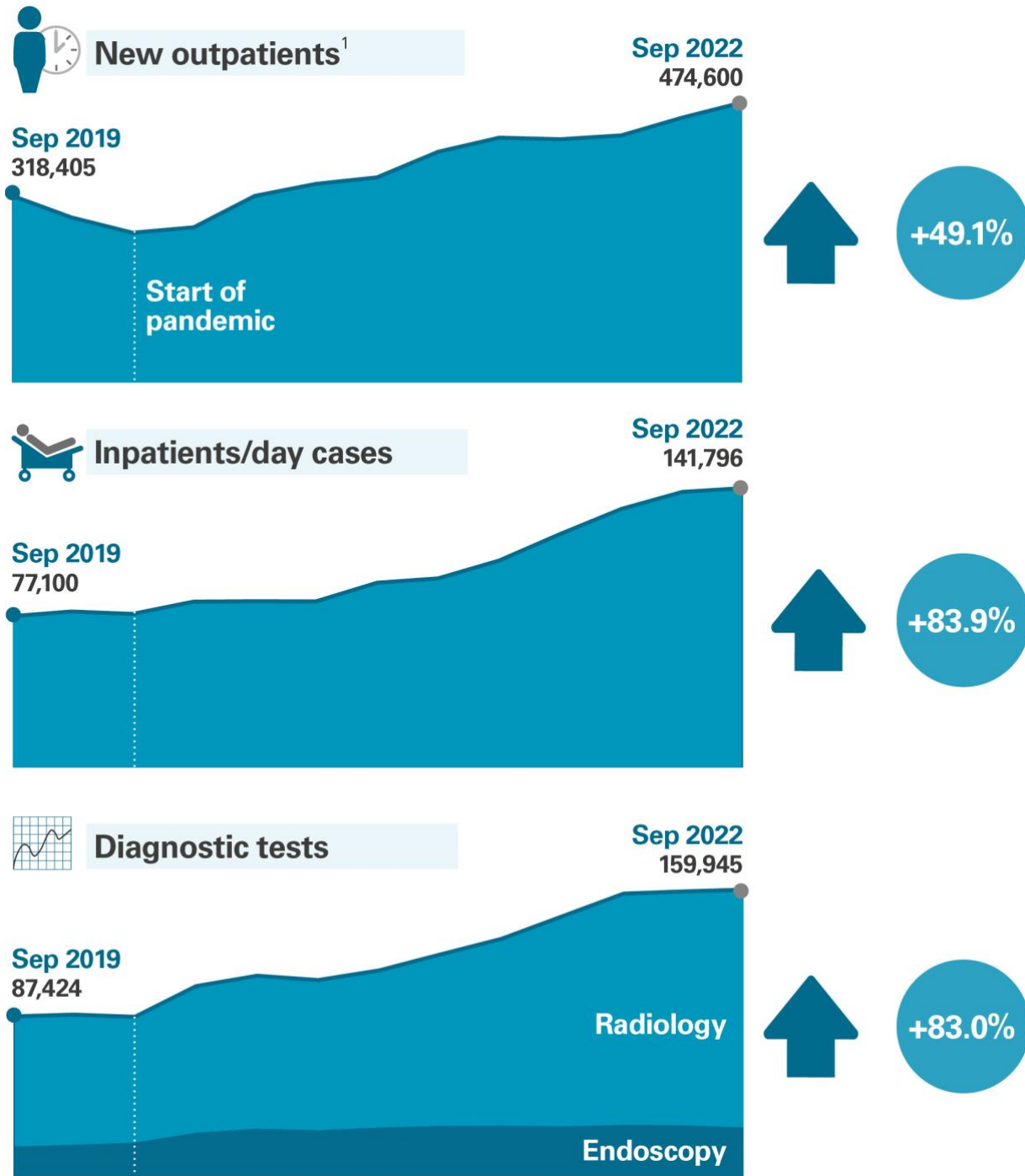


Source: Public Health Scotland

Exhibit 5.

Number of people waiting for planned care, quarter ending September 2019 to September 2022

Waiting lists for planned care within NHS Scotland are larger than ever and continue to grow.



Note: 1. Before October 2019, some patients waiting for a key diagnostic test were included in the new outpatient waiting list. From 1 October 2019, people waiting for these tests were no longer covered by this standard. This largely explains the pre-pandemic decrease in the outpatient waiting list towards the end of 2019.

Source: Public Health Scotland

Waiting times vary among specialties and NHS boards

58. The length of time people are waiting for planned care varies by specialty. It also varies according to the type of appointment required. Among the 20 specialties with the largest outpatient waiting lists, gastroenterology has the highest proportion of patients who have been waiting a long time (more than a year) for an appointment. In the case of inpatient/day case treatment, the specialties with the highest proportions of patients waiting more than a year include paediatric surgery, neurosurgery, ear, nose and throat, urology, orthopaedics, plastic surgery, gynaecology and general surgery. The diagnostic test with the highest proportion of patients waiting more than a year is lower endoscopy.

59. Waiting lists have grown markedly in most NHS boards since the start of the Covid-19 pandemic. However, across and within boards waiting times vary. Our case study boards confirmed that they face different local challenges with specific outpatient specialties and diagnostic services. These mainly relate to local workforce challenges and constraints in physical space. Tackling inpatient/day case waiting lists is made more difficult by several key issues:

- high vacancy rates in key areas (particularly theatre staff)
- pressures associated with unscheduled care activity
- lack of acute care beds due to delayed discharges
- financial constraints
- other issues relating to geography, demographics and the specific health needs of boards' local populations.

Activity is still below pre-pandemic levels and does not meet NHS Recovery Plan targets

60. Waiting list activity is measured by looking at the number of people added to and removed from a list within a certain time frame. People are usually removed because they have attended an appointment or been admitted for treatment. However, removals can occur for other reasons, for example because treatment is no longer required. NHS boards review waiting lists on a regular basis to ensure that patients are removed where appropriate.

61. Waiting list additions and removals, and attendances/admissions fell dramatically when NHS Scotland was placed on an emergency footing in March 2020. Despite some recovery, across NHS Scotland all three measures remain lower than before the pandemic.²³



62. One of the main objectives of the NHS Scotland Recovery Plan 2021-2026 is to increase planned care activity and capacity beyond pre-pandemic levels. The Scottish Government plans year-on-year increases by opening ten National Treatment Centres (NTCs) and redesigning care pathways. Redesigning care pathways means changing and improving how patients access health services. By the end of 2022/23, it was anticipated that annual activity would increase by 58,000 outpatient appointments and 27,500 inpatient/day case procedures.

Based on data available for the first six months of 2022/23, current activity is running well below NHS Recovery Plan targets ([Exhibit 6](#)).

Exhibit 6.

Planned care waiting list activity, 2019 quarterly average versus quarter ending September 2022

Waiting list activity is still below pre-pandemic levels.

New outpatient		2019 quarterly average	Jul - Sep 2022	Difference %
	Additions	449,109	414,537	↓ -7.7
	Removals	457,532	389,212	↓ -14.9
	Attendances	367,294	300,449	↓ -18.2
Inpatient/day case		2019 quarterly average	Jul - Sep 2022	Difference %
	Additions	86,514	69,998	↓ -19.1
	Removals	85,912	68,213	↓ -20.6
	Admissions	70,599	53,474	↓ -24.3

Source: Public Health Scotland

63. Since mid-2020, when NHS Scotland began to remobilise, the number of people being added to waiting lists has often been higher than the number being removed. This is causing waiting lists to continue to grow.

64. Planned surgical activity has not yet returned to pre-pandemic levels. An average of 21,230 planned operations were scheduled within NHS Scotland's theatre systems each month between April and September 2022. This is 23.5 per cent lower than the average number scheduled each month between April and September 2019.²⁴

Cancer screening programmes have resumed, and referrals are increasing, but performance against cancer waiting times standards is getting worse

65. At the start of the pandemic, the national cancer screening programmes (Bowel, Breast and Cervical) were paused, and cancer referrals decreased. These programmes have now restarted, and cancer referrals are increasing. Current standards for cancer waiting times are that 95 per cent of all eligible patients should wait no longer than 62 days from an urgent suspicion of cancer referral to start of first treatment, and no longer than 31 days from the decision to treat to start of first treatment. The number of eligible referrals for the 62-day

standard is now higher than pre-pandemic levels, but the number of eligible referrals for the 31-day standard is similar to pre-pandemic levels.

- Between July and September 2022, there were 4,161 eligible referrals for the 62-day standard (6.0 per cent higher than between July and September 2019).
- Between July and September 2022, there were 6,459 eligible referrals for the 31-day standard (1.5 per cent lower than between July and September 2019).²⁵

66. Eligible referrals only include patients who are subsequently diagnosed with cancer. They do not include referrals that do not result in a cancer diagnosis. Our case study boards confirmed that the number of patients being referred with an urgent suspicion of cancer (whether eligible or not) had increased noticeably in the last year.

67. Performance against cancer waiting times standards is getting worse ([Exhibit 4](#)). Performance against the 62-day standard is lower than ever. For NHS Scotland overall, the 31-day standard was not met in the most recent quarter (July-September 2022) and performance varied across NHS boards.

The number of people dying each year is still higher than average

68. Throughout the pandemic, the number of people dying each year has been higher than average. These are often called “excess deaths”. Many of these deaths are directly linked to Covid-19, but in 2020 and 2021 there were more deaths than usual from some other diseases. These were cancer, heart disease, digestive system diseases and external causes of death (such as drug-related deaths).²⁶ National data does not show whether these excess deaths are directly related to longer waiting times.

Longer waits are negatively impacting people’s health and wellbeing

69. The Scottish Government has acknowledged that people are waiting too long for treatment.²⁷ It also recognises the impact of increased waiting times on people’s physical and mental wellbeing.

70. There is some evidence that patients are presenting for care in a worse condition than before the pandemic:

- Evidence given to the Covid-19 Recovery Committee’s inquiry into excess deaths suggests that patients may be presenting for care in a more acute condition than before the pandemic.²⁸ Some of this evidence relates to the stage at which patients are being diagnosed with cancer. It is acknowledged that determining whether cancer patients are being diagnosed at a later stage of disease is complex. It will be some time before data will be available to answer this question fully. This view was echoed by Cancer Research UK.
- All three case study boards said that patients are presenting for planned care in a frailer condition than before the pandemic. This is particularly

the case for patients who are waiting for orthopaedic procedures, such as joint replacement.

- The Scottish Ambulance Service are finding patients often have more complex needs when they attend calls. They are also receiving a higher number of calls for seriously and critically ill patients.

71. A survey carried out between October and December 2020 by the charity Versus Arthritis highlights some of the negative impacts of waiting for joint replacement surgery.²⁹ Most survey respondents reported suffering increased levels of pain, reduced mobility and independence, and a deterioration in physical and mental health while waiting for treatment. These findings suggest that people who are waiting for a joint replacement may benefit greatly from additional support while they wait.

Progress has been slow against recovery ambitions

Current pressures threaten to derail the recovery of NHS services, while the backlog of care continues to grow

The Scottish Government's NHS Recovery Plan 2021-2026 is ambitious, and progress has been slow

72. The Scottish Government published its five-year NHS Recovery Plan in August 2021. The plan sets out how the Scottish Government aims to address the substantial backlog in planned care while continuing to meet ongoing urgent health and care needs by increasing activity and redesigning care pathways. The plan committed to increase elective care activity by 10 per cent compared with pre-pandemic levels in outpatient services and by 20 per cent in inpatient and day case services.

73. The Recovery Plan anticipates that most of the increases in outpatient appointments would be driven through NHS boards increasing capacity by redesigning care pathways. For inpatient and day case procedures, NHS boards are expected to deliver an additional 15,500 procedures per year. A network of National Treatment Centres is to provide an additional 40,000 procedures by the end of the plan in 2026.

74. The Scottish Government did not undertake detailed and robust modelling to inform the anticipated increases in activity levels set out in the Recovery Plan. It is currently undertaking an exercise to model capacity across the whole health system over the next ten years. This modelling is intended to integrate demand and capacity for planned and unscheduled care, considering bed capacity and different high-level scenarios.

75. The output from this modelling will help the Scottish Government and NHS boards better understand potential demand for services in the future, considering population demographics and the impact of patients waiting longer for treatment. This should be used to inform and implement service capacity increases at national level and board level that will enable waiting list sizes to decrease and services to be more sustainable in the longer term. It is not clear when this work will be complete, but the Scottish Government should progress it as quickly as possible.

The Scottish Government did not engage fully with NHS boards on the preparation of the Recovery Plan

76. The Scottish Government committed to publishing its NHS Recovery Plan within its first 100 days of office following the Scottish Parliament elections in May 2021. That timescale meant that NHS boards were not involved in setting the ambitions in the plan, despite being responsible for the operational delivery

of the ambitions. The Scottish Government did not ask NHS boards for information on possible increases in activity levels beyond those for National Treatment Centres. The Recovery Plan is a high-level national document and does not fully reflect the variation in challenges and priorities faced by different boards. But our case study boards found that the Recovery Plan gave them renewed focus on working to stabilise and recover services following the pandemic.

77. In April 2022, the Scottish Government asked NHS boards to produce Annual Delivery Plans (ADPs) to help plan their recovery. It asked boards to focus on five priorities. These priorities are:

- Recruitment, retention and wellbeing of the health and social care workforce
- Recovering and protecting planned care
- Urgent and unscheduled care
- Supporting and improving social care
- Sustainability and value.

Our case study boards have aligned their ADPs with their corporate strategies, national priorities and local need. NHS Highland extended the scope of its ADP beyond the five priorities given by the Scottish Government to reflect the need to plan recovery across the whole health and care system.

78. Recovery planning at both national and board level has been shaped by the Scottish Government. Our case study boards would like more autonomy to develop delivery plans based on their own priorities and within their resource constraints. The Scottish Government and NHS boards should develop an agreed approach to recovery planning that reflects both national and local priorities.

The Scottish Government has allocated over £1.2 billion of funding to deliver against its recovery ambitions

79. The NHS Recovery Plan outlines a commitment of £1.26 billion of targeted investment over the next five years ([Exhibit 7, page 29](#)). Since the publication of the plan, the Scottish Government has increased its investment in multi-disciplinary teams (MDTs) working with GPs from £150 million in 2021/22 to a recurring £170 million. It has also invested an additional £50 million to help boards redesign pathways for urgent and unscheduled care.

Exhibit 7.**The NHS Scotland Recovery Plan financial commitments**

Area of spend	Committed funding £ million
Primary care	172.5
Diagnostics	29.0
NHS Near Me	17.0
NHS 24	20.0
Cancer	174.5
Drug deaths	250.0
Staff wellbeing	40.0
Mental health	120.0
Scottish Ambulance Service	20.0
National Treatment Centres	400.0
Other	24.8
Total	1.26 billion

Source: NHS Scotland Recovery Plan 2021-2026

Boards are struggling financially to recover services and tackle the backlog of care

80. There is a tension between the service delivery targets of the NHS Recovery Plan and the finances available to boards to meet them. Boards are entering the financial year with large deficits. They are struggling to align service delivery targets with the costs of tackling the backlog of care, of dealing with increased numbers of unscheduled and urgent care patients, and of hiring agency staff to cover for vacant posts, all alongside continuing Covid-19 costs.

81. Territorial NHS boards submitted estimates to the Scottish Government of the funding needed to reduce waiting times and the backlog of planned care. Two of our three case study boards reported that the funding received from the Scottish Government falls short of what is needed in 2022/23 ([Exhibit 8, page 30](#)). NHS Lothian initially reported a shortfall of £5.3 million but has since been given confirmation that it will receive an additional £5.4 million from the Scottish Government. Although these shortfall figures are small relative to overall board funding, the situation highlights the competing financial pressures boards face

and the risk to recovery investment. Boards now face difficult choices to recover services without worsening their underlying deficit.

Exhibit 8.

Estimated shortfall in funding to reduce waiting times in 2022/23 in case study boards

Board	Estimated funding required £ million	Funding allocated by Scottish Government £ million	Shortfall £ million
NHS Ayrshire and Arran	13.0	7.8	5.2
NHS Highland	12.5	8.3	4.2
NHS Lothian	16.6	16.7	n/a

Source: NHS Ayrshire and Arran, NHS Highland, NHS Lothian

Reporting on progress against the Recovery Plan is unclear

82. The Scottish Government published its first NHS Recovery Plan: annual progress update in October 2022.³⁰ It recognises there was a need to pause work towards some of the recovery ambitions during the first year of the Recovery Plan due to the impact of the Omicron Covid-19 variant. But the progress update states that there has been significant progress in delivering on the ambitions of the Recovery Plan.

83. The progress update does not fully refer to the specific ambitions of the Recovery Plan and the level of progress is not always clear. The Recovery Plan did not include an action plan with detailed timescales and milestones, although there are some high-level timescales and milestones for some ambitions. Without a detailed action plan, it will be difficult to accurately measure progress.

84. The Recovery Plan ambitions are not clearly tracked and progress against key aims of increasing outpatient, diagnostic, and inpatient and day case activity is missing from the update. The Scottish Government stated in the Recovery Plan that the first milestones for those activity increases would be in 2023, and little progress was to be expected in year one of the plan. Appendix 3 shows ambitions to be delivered within the first year of the Recovery Plan and other key ambitions, whether they are reported on within the progress update, and what progress has been delivered against them.

85. The Scottish Government engaged with NHS boards on the Recovery Plan progress update report, but the update does not fully reflect how challenging it has been for NHS boards to recover. Our case study boards have highlighted a mismatch between the progress towards recovery described in the progress update and the recovery progress they have been able to make.

86. The Scottish Government should make sure annual progress updates clearly show what progress has or has not been achieved. It should revisit its recovery ambitions annually to ensure they remain relevant and achievable. It should be clear on any changes it makes.

Delays to the National Treatment Centre programme mean targets for increased activity are unlikely to be met

87. The NTC programme is key to the ambition to increase planned care activity. NTCs are to deliver 72 per cent of the increases in procedures by 2025/26 and were expected to deliver an additional 12,000 procedures by March 2023. The three NTCs that were due to open in 2022, in NHS Fife, NHS Forth Valley and NHS Highland, have been delayed and are now expected to open across the first half of 2023. Phase two of the Golden Jubilee University National Hospital expansion is expected to be complete in late summer 2023.

88. The Recovery Plan annual progress update states that timescales for the remaining NTCs are yet to be defined. Any further delays to the completion of the NTC programme will make it difficult to reach the target of 55,500 additional inpatient and day case procedures by 2025/26. Some NTCs are unlikely to open until late 2027 or early 2028.

89. There are national shortages of staff to fill some of the key roles needed for the delivery of inpatient and day case services, including theatre nursing staff and anaesthetic staff. The Scottish Government is helping NHS boards to recruit staff for NTCs internationally. It is also helping boards explore ways to upskill and redeploy staff into new roles to address gaps. If NTCs are not fully and sustainably staffed, there is a risk that the increases in activity set out in the Recovery Plan will not be fully achieved.

90. The NTCs are a national resource and will be hosted by NHS boards and treat patients from across Scotland, largely on a regional basis. In line with new targets to reduce long waits for treatment, NTC capacity for 2023/24 has been allocated on a regional basis to patients facing long waits for inpatient and day case procedures.

91. The variation between boards in the number of patients experiencing long waits means that host boards may receive a smaller allocation of their NTC capacity than they initially expected as they must prioritise long waiting patients from neighbouring board areas. The Scottish Government has developed a financial charging model. This outlines how boards will pay for the treatment of patients from their area when treated in a NTC located in another board area. This means host boards do not pay for the treatment of patients from other areas.

92. The Scottish Government has said that the approach to allocating NTC capacity will be monitored and adapted over time. It should develop a clear policy to ensure equitable access to NTC capacity across NHS boards beyond 2023/24.

There is a new focus on addressing longer waits

93. The Scottish Government introduced a new Framework for Clinical Prioritisation in November 2020.³¹ The framework outlined how NHS boards should prioritise care for patients on planned care waiting lists. It advised that patients with the most urgent clinical need should be seen first.

94. The framework helped NHS boards to prioritise the use of limited staff and theatre capacity when emergency Covid-19 measures were in place. But the focus on urgent cases resulted in many patients, with less urgent clinical needs, waiting longer to be seen.³²

95. By mid-2022, the Scottish Government and NHS boards realised that the approach to prioritising patient care needed to change. Recognising the impact of long waiting times on patients' health and wellbeing, the Scottish Government stepped-down the Framework for Clinical Prioritisation in July 2022. Instead, the Scottish Government gave NHS boards the flexibility to prioritise long-waiting patients, as well as patients with cancer and those who need clinical care most urgently.

96. On 6 July 2022, the Scottish Government announced new national planned care targets to eradicate long waits for new outpatients and inpatient/day cases in most specialties ([Exhibit 9](#)).³³

Exhibit 9. Planned Care Targets

New national targets to tackle long waits for planned care were announced in July 2022.

Length of wait to be eradicated	New outpatient target date	Inpatient/day case target date
Over two years	31 Aug 2022	30 Sep 2022
Over 18 months	31 Dec 2022	30 Sep 2023
Over one year	31 Mar 2023	30 Sep 2024

Source: Scottish Government

97. The new targets, although challenging, have given NHS boards a renewed focus for tackling the backlog in planned healthcare. But eradicating waits of over 18 months, and then a year, will be particularly challenging. The severe winter pressures NHS boards experienced in late 2022 and early 2023 will undoubtedly have some impact on their ability to meet these targets, although the full impact is not yet understood.

The wording of the new planned care targets is open to interpretation

98. The new targets are aimed at eradicating long waits in most specialties. But the number of people waiting for treatment varies significantly among specialties. In the case of low-volume specialties, long waits can be eradicated by treating a small number of people. In the case of other higher-volume specialties, clearing waiting lists would require many more people to be treated.

99. The wording of the new targets is open to interpretation. No specific information was given to the public about what was meant by “most specialties”. It may not be clear to long waiting patients that they may not be seen by a target date, particularly if waiting for an appointment or procedure in a high-volume specialty.

100. In practice, NHS boards have focused on reducing the number of people facing long waits across all specialties, alongside treating patients with cancer and those who need urgent clinical care.

101. The Scottish Government should ensure that the wording of any future waiting times targets is clear and lends to consistent and accurate reporting of progress in high- and low-volume specialties.

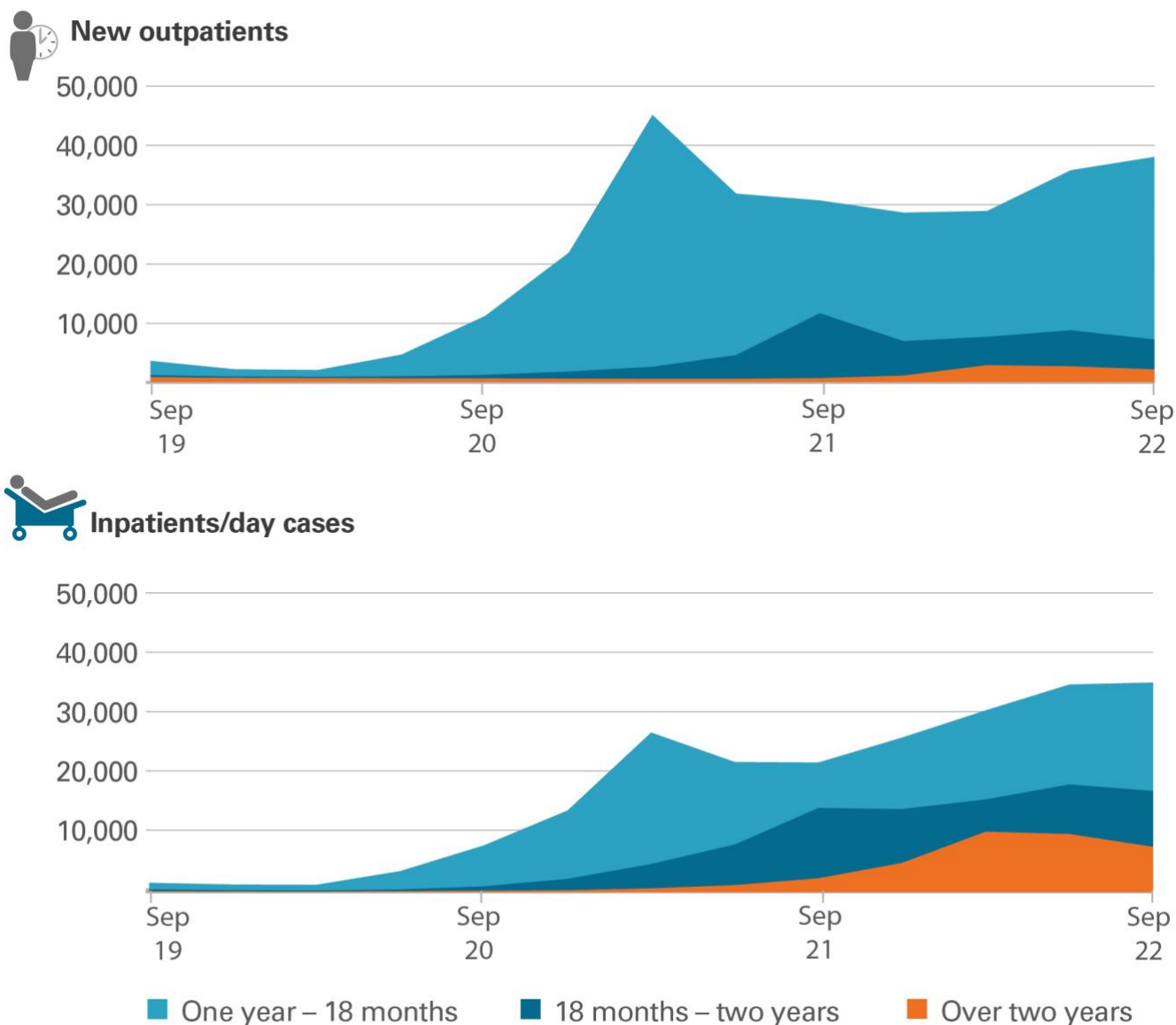
Some progress has been made in reducing long waits

102. The most recent waiting times information shows some progress in reducing waits of over two years for planned care ([Exhibit 10, page 34](#)). Despite this progress, the Scottish Government acknowledges that, in the case of some specialties, waits are still too long.³⁴

Exhibit 10.

Number of people on planned care waiting lists who have been waiting for more than a year, quarter ending September 2019 to September 2022

There has been some progress towards reducing the number of people waiting for more than two years.



Source: Public Health Scotland

Patients have not always been given clear information about how long they may need to wait for planned care

103. The Scottish Government has taken steps to ensure that patients have access to information about typical waiting times. In August 2022, the Scottish Government, in collaboration with Public Health Scotland and NHS 24, launched an online waiting times platform aimed at the public.³⁵ For each board

and specialty, the platform shows the median waiting time experienced by patients who were treated and came off the waiting list in the last calendar quarter. The median waiting time is the time in which half of the patients were seen; the remaining half will have waited longer.

104. The information on the new waiting times platform was not universally welcomed. Case study boards expressed strong concerns about the use of the median waiting time for patients who had been treated. Boards told us that this information, given in isolation, does not give people an accurate indication of waiting times. An official concern about the platform was raised with the Office for Statistics Regulation (OSR) by a member of the public and an MSP.

105. Responding to the concerns raised, the OSR concluded that information on the platform could potentially mislead some patients about the length of time they may have to wait.³⁶ For example, in some specialties, those with non-urgent clinical needs may experience a much longer wait than suggested by the figures. The Scottish Government and Public Health Scotland have confirmed they are taking steps to address these concerns and the platform will be reviewed and revised if necessary.³⁷

106. The Scottish Government should ensure that all future communication on expected waiting times gives clear and meaningful information about how long people can expect to wait for treatment.

There has been progress against some recruitment targets, but workforce remains the biggest risk to recovery

Significant recruitment targets were set out in the Recovery Plan that add to existing commitments

107. The recruitment targets in the NHS Recovery Plan cover both existing and new targets. The Scottish Government has made progress towards achieving some of these targets, but other key targets have not been met or remain at risk ([Exhibit 11, page 36](#)). The Scottish Government needs to provide evidence that achieved targets, such as the increased number of multi-disciplinary teams providing support to GPs, and additional mental health workers in the community, are having an impact on service delivery and efficiency.

108. One key target that is not on track is the Scottish Government's plans to increase the GP workforce by 800 (headcount) by 2027. In our 2019 report, [NHS Workforce Planning – Part 2](#), we provided modelling that showed that this target would be challenging to achieve. This remains a risk to the recovery of primary care. Since 2017, excluding GP trainees, the GP workforce has increased by 113 (headcount).³⁸ Public Health Scotland estimates that GP WTE decreased by 26.4 between 2017 and 2022.³⁹

Exhibit 11.**Key recruitment targets made in the NHS Recovery Plan, and their progress to date**

Some recruitment targets are on track or have been achieved, but other key targets have not been achieved or are at risk.

Key recruitment target	Progress	Status
1,000 additional mental health staff in primary care	Recruitment began in early 2022, but planned funding for primary care has been cut by £65 million, and mental health by £38 million, to fund proposed pay deals for NHS staff. ¹	At risk
1,500 new NTC staff	Management information indicates that by November 2022 around 30 per cent of the 1500 staff have been recruited. The Scottish Government has undertaken to publish workforce statistics on NTC recruitment in 2023.	On track
Providing general practices with more support from MDTs in the community to support the new General Medical Services contract	Although there is no specific target for this commitment, the number of healthcare professionals providing service to GPs has increased by 3220.1 WTE since 2018. ²	Progress made
Increasing the GP workforce by 800 (headcount) by 2027/28	Between 2017 and 2022, GP numbers (excluding performer registrar GPs/trainees) increased by only 113 (headcount). ³	Not on track
800 additional mental health workers in A&E, general practices, and police custody suites by 2022	At 1 April 2022, an additional 958.9 WTE mental health posts had been filled. ⁴	Target achieved
Training 500 additional advanced nurse practitioners (ANPs) by 2021	According to monitoring and evaluation information from NHS Education for Scotland, 536 ANP trainees had completed as of August 2021. ⁵ However, between September 2017 and September 2022, the overall ANP workforce increased by only 319 (headcount). ⁶	Target achieved

Notes:

1. Emergency Budget Review 2022-23, Scottish Government, November 2022.
2. Primary Care Improvement Plans, Summary of Implementation Progress at March 2022, Scottish Government, June 2022.
3. General Practice: GP Workforce and Practice List Sizes 2012-22, Public Health Scotland, December 2022.
4. Mental Health Workers: Quarterly Performance Reports, Scottish Government, July 2022.
5. Report to Chief Nursing Officer Directorate, NHS Education for Scotland, August 2021.

6. Advanced Nursing Practice census data covering March 2016 to September 2022, NHS Education for Scotland.

Source: Public Health Scotland, NHS Education for Scotland, and Scottish Government

The Scottish Government plans to increase undergraduate medical and nursing places to meet future healthcare demand

109. A key part of the Scottish Government's National Workforce Strategy for Health and Social Care is increasing undergraduate medical and nursing places. It increased funded places for nursing and midwifery in 2022/23 by over 8 per cent to 4,837 places. It is also set to increase the number of undergraduate medical school places by 500 by the end of this parliament. However, both the Scottish Government and NHS boards have expressed concern around take up and attrition rates for nursing places. Data from the University and Colleges Admissions Service (UCAS) and from the Scottish Government from the end of the 2022 cycle shows that 4,367 out of 4,837 nursing and midwifery places in Scotland have been filled, leaving 470 places unfilled.⁴⁰

110. There are concerns around medical supervision capacity for trainees. NHS Education for Scotland (NES) is working to increase capacity for supervision in GP practices because there are currently not enough practices approved to accommodate planned increases in trainees. A lack of supervision capacity within secondary care settings affects several different types and levels of trainees. NHS boards are recruiting internationally to fill short-term workforce gaps in medical posts. However, this will not address the medical supervision issue in the short-term and may actually place additional demands on medical supervision.

111. The National Workforce Strategy for Health and Social Care sets out a plan to mitigate the domestic supply shortfall in medicine and nursing over the next four to five years through international recruitment. This will be the Scottish Government strategy in the short- to medium- term until domestic training numbers are more sustainable. It is providing a recurring £1 million to support each board to help identify international staff who can complete training within three months of coming into the UK.

112. It costs around £12,000 to recruit an international nurse, and £10,000 for an AHP. Boards have expressed concerns over their ability to cover all the costs required to meet international recruitment targets, and over the value for money that international recruitment offers as a means to increase the registered workforce. The Scottish Government has met the up-front recruitment costs in full for the international recruitment targets announced in 2021 and 2022. But it argues that it achieves value for money as it does not pay for the undergraduate training costs for these staff.

113. NHS Ayrshire and Arran has been successful with international recruitment and in 2022/23 plans to recruit 43 nurses and ten radiographers from outside the UK. NHS Lothian is due to recruit 40 international nurses in 2022/23. NHS Highland found the process time-consuming and expensive, and the lack of affordable housing in the region made it challenging to implement.

114. As well as providing additional funding for boards, the Scottish Government has set up the Centre for Workforce Supply to advise boards on effective international recruitment models. It has also commissioned NES to develop and deliver preparation and training resources for their Objective Structured Clinical Examination (OSCE).

The Scottish Government and NHS boards must continue to focus on staff retention and workforce productivity as well as recruitment

115. The National Workforce Strategy for Health and Social Care outlines the 'Five Pillars of the Workforce Journey' to understand and build the health and social care workforce. The five pillars are: Plan, Attract, Train, Employ, and Nurture.

116. Measures to retain existing staff mentioned in the NHS Recovery Plan include: a four per cent, on average, pay rise in May 2021 for NHS Agenda for Change staff; NHS Scotland continuing to maintain competitive terms and conditions of service; and continued support for staff wellbeing through the National Wellbeing Hub and Helpline.⁴¹ In November 2022 the Scottish Government made a further pay increase offer of, on average, 7.5 per cent for NHS Agenda for Change staff ([paragraph 20](#)).

117. Further measures have been taken to retain staff. The Scottish Government has implemented a 'retire and return' programme, that allows recently retired doctors and nurses to return to the NHS to work on a more flexible basis. It has also devolved powers to NHS boards to help returning staff with pension taxation issues.

118. Our case study boards are successfully implementing a range of measures to improve workforce productivity and recruitment. NHS Ayrshire and Arran is working to redeploy staff hired on temporary contracts during the pandemic into vacant permanent posts and has made a capital investment in three staff wellbeing hubs at hospital sites. NHS Highland is consulting medical staff to determine if more use can be made of physician assistants and is exploring the possibility of creating a band 4 nursing associate role to take on some of the work currently carried out by doctors and nurses. NHS Lothian is assessing a redesign proposal that aims to improve the way in which MDTs work in wards and is also making it easier for band 2 and band 4 staff to take up vacant positions.

119. In our [NHS in Scotland 2021](#) report we recommended that the Scottish Government and NHS boards improve the availability, quality and use of workforce data to ensure workforce planning is based on accurate projections of need. We have seen little evidence of progress with this, and this recommendation remains relevant to project future need and monitor staff retention measures.

The Scottish Government and NHS boards must maintain momentum in embracing innovation

120. In our [NHS in Scotland 2021](#) report we called for the Scottish Government to build on the innovation seen during the Covid-19 pandemic to continue to reform services.

There are early signs of progress to drive forward innovation

121. The Scottish Government has arrangements in place to scale up and roll out innovation. In 2021, the Scottish Government commissioned NHS Golden Jubilee to establish the national Centre for Sustainable Delivery (CfSD). The role of the CfSD is to help Scotland's healthcare system recover through sustainable technological innovation, digital solutions, and the redesign of care pathways. The CfSD is also responsible for the overall governance and coordination of the Accelerated National Innovation Adoption (ANIA) Pathway. The ANIA Pathway allows tested innovations to be assessed for national rollout.

122. This pathway has contributed to the increased use of cytosponge, which is a new method of detecting oesophageal cancer, and to colon capsule endoscopy, a capsule with small cameras that provides a less invasive alternative to a colonoscopy. While there are currently a number of digital innovations being assessed through this pathway, including digital dermatology and theatre scheduling, it is still too early to tell how effective the ANIA pathway will be for transforming services at scale in a sustainable way.

123. The CfSD is working on several programmes designed to increase capacity in primary and secondary care. Examples include:

- Remote consulting, a pathway to support virtual appointments
- Active Clinical Referral Triage (ACRT), a pathway to help senior clinical decision-makers to refer patients to the most appropriate care by reviewing all relevant electronic patient records
- Discharge Patient Initiated Reviews, a pathway that enables patients to request routine follow-up appointments if they feel this is necessary, thus eliminating unnecessary appointments
- Accelerating the Development of Enhanced Practitioners (ADEPt), an initiative to facilitate the sharing and spread at pace of innovative workforce roles that add capacity to teams and services.

124. The Scottish Government is also investing in redesigned care pathways and new ways of working that move care closer to home. Since 2020, it has invested £8.1 million in the Hospital at Home programme. Its additional investment of £50 million for the Urgent and Unscheduled Care Collaborative has supported the Outpatient Parenteral Antimicrobial Treatment (OPAT) scheme and Respiratory Community Response Teams. Together, these programmes have created capacity for over 600 virtual beds. The OPAT programme treats an average of 250 people per week and has saved over 45,000 hospital bed days so far in 2022.

125. All our case study boards have benefitted from working with the CfSD to implement new ways of working. But generally, progress has been slow and varies across boards. Workforce shortages and a rise in urgent and unscheduled care demand have held back progress. To help maintain momentum in embracing innovations, the Scottish Government should work with boards to prioritise key innovations that are locally achievable. It must monitor their effectiveness and value for money once adopted.

Digital access to services is improving, but must not become the only option

126. The Scottish Government and COSLA published their Care in the Digital Age: Delivery Plan 2022-23 in November of 2022. This plan sets out a series of digital innovations and dates of delivery. This includes the increased use of digital therapies in mental health, digital prescribing in hospitals and the development of a ‘digital front door’ for health and social care services in Scotland. The Scottish Government also launched the National Digital Platform, a cloud-based service that has the aim of helping to integrate digital health and social care services across Scotland.

127. The digital ambitions in this delivery plan have the potential to contribute to more sustainable, efficient and cost-effective ways for people to access healthcare. These ambitions must be balanced against the Scottish Government and COSLA’s Digital Health and Care Strategy (2021), which aims to tackle digital exclusion and states that people will not be forced to use a digital service if it is not right for them.⁴²

128. The Scottish Government’s extension of the Near Me video consulting programme into 55 community hubs, including libraries and community health and care facilities, is an example of good practice in addressing digital exclusion. However, accessing NHS services by telephone and in person should remain as an option for those who prefer this. As digital innovations are scaled up across different services, the Scottish Government should provide evidence that they are being used effectively by the right services, for the right people.

A whole system approach to improving public health is essential

129. It is vital that the Scottish Government works now to lay the groundwork for a more sustainable future. It is important not only to reform how services are delivered, but also to reduce the demand for health services by improving public health.

130. Improving public health is not the sole responsibility of the health and social care sector. In November 2022 the Fraser of Allander Institute published a report entitled Health Inequalities in Scotland.⁴³ It highlighted that socioeconomic factors, such as income, housing and education, are significant drivers of health inequalities. In our [NHS in Scotland 2021](#) report we recommended that the Scottish Government take a cohesive approach to tackling health inequalities by working collaboratively with partners across the public sector and third sector.

131. It is vital that the Scottish Government facilitates cross-sector working, across its own directorates and with other partners and stakeholders, to tackle the numerous factors contributing to poor public health. There is a need for long-term policy and investment to improve public health and reduce health inequalities.

132. We recommended in our [NHS in Scotland 2021](#) report that the Scottish Government and NHS boards prioritise the prevention and early intervention

agenda as part of the recovery and redesign of NHS services, to enable the NHS to be sustainable into the future. There are signs of early progress with this through the Scottish Government's Care and Wellbeing Portfolio, which aims to coordinate work on improving public health outcomes and reducing health inequalities.

133. The Scottish Government intends this to be a cohesive portfolio of activity rather than a set of separate projects. Progress has been made in laying the groundwork for change. Governance arrangements are now in place to oversee the portfolio, including the establishment of a portfolio Board. The Scottish Government expects to be able to evidence early progress in the next six to 12 months.

134. The Scottish Government has set out its mission and objectives for the Care and Wellbeing Portfolio, as well as its intended outcomes and alignment with Scottish Government priorities. We reported last year that the portfolio is made up of four programmes: Place and Wellbeing; Preventative and Proactive Care; Integrated Planned Care; and Integrated Urgent and Unscheduled Care. The latter two have now been stood down with work on those areas continuing on a business-as-usual basis. A wider NHS Reform programme will take their place in the portfolio.

135. The enablers set out in [Exhibit 12 \(page 42\)](#) show the different functions the Scottish Government is focusing on to progress the Care and Wellbeing Portfolio mission. These show a recognition of the key areas of the health and social care sector that need to be aligned to achieve progress, such as workforce, finances, engagement, innovation, and digital and data.

Exhibit 12.
Care and Wellbeing Portfolio mission and objectives

Portfolio

Our mission to **improve Healthy Life Expectancy** and **achieve fairer outcomes** is underpinned by **3 key portfolio objectives**.

Improve population health and reduce health inequalities



Portfolio outcomes

The mission is achieved by taking a **person-centred approach** to delivering **clear outcomes** spanning the short, medium and long-term.



Scottish Government priorities

Many of the influences on health outcomes lie out with health and social care. The cross portfolio priorities **align with the Scottish Government's priorities** and enable us to maximise our reach and impact.



Portfolio programmes & enabling functions

Together the Care and Wellbeing programmes and enablers provide a comprehensive and **progressive health and social care reform package**.



The Scottish Government must be clear on what progress is being made in reforming health and care services and what can realistically be achieved

136. It remains to be seen whether reform can happen at the scale and pace needed. It is vital that measures are in place to monitor the impact of innovation and redesign and provide clarity on the effectiveness, efficiency and value for money of new ways of delivering services.

137. The Scottish Government and NHS boards must make sure health services can be delivered in a sustainable way. They must be clear on what resources are available and what can be delivered within financial and operational constraints. When driving forward innovation and redesign they should be clear on what success would look like and what timescales they are working to. That must be informed by reliable modelling and data.

138. Crucially, the Scottish Government and NHS boards must also monitor public awareness and acceptance of new ways of accessing services to ensure their effectiveness. In our [NHS in Scotland 2021](#) report we recommended that the Scottish Government and NHS boards work with patients on an ongoing basis to inform the priorities for service delivery and be clear on how services are developed around patients' needs. There is little evidence of this in the past year.

139. The Scottish Government and NHS boards must have an open conversation with the public about the challenges facing the NHS and what they mean for future service delivery. It should make clear to the public what can realistically be achieved and involve them in the difficult choices that may have to be made.

Appendix 1

Audit methodology

This is our annual report on the NHS in Scotland. The report focuses on the Scottish Government's NHS Recovery Plan 2021-2026. It covers:

- the challenges facing the Scottish Government and NHS boards as they try to recover services following the Covid-19 pandemic
- the scale of the backlog of care that built up during the Covid-19 pandemic
- the development of the NHS Recovery Plan
- progress against the NHS Recovery Plan ambitions, including workforce ambitions
- NHS reform and new ways of delivering services.

Our findings are based on evidence from sources that include:

- the NHS Recovery Plan and other relevant Scottish Government strategies
- the audited annual accounts and reports on the 2021/22 audits of NHS boards
- activity and performance data published by Public Health Scotland
- publicly available data and information including results from surveys
- Audit Scotland's national performance audits
- interviews with senior officials in the Scottish Government and some NHS boards
- interviews with third-sector organisations.

We also conducted case studies in three territorial NHS Boards to better understand how the NHS Recovery Plan is being implemented and the impact it has on boards. The case study boards are:

- NHS Ayrshire and Arran
- NHS Highland
- NHS Lothian.

Our case studies are based on evidence from sources that include:

- interviews with senior board officials
- NHS board delivery plans, financial plans and workforce plans.

Appendix 2

NHS boards' required savings and predicted deficit in 2022/23

NHS board	Total savings required to break even at start of 2022/23 (£000s)	Predicted deficit at end of 2022/23 (£000s)
NHS Ayrshire and Arran	(45,080)	(26,400)
NHS Borders	(23,723)	(12,223)
NHS Dumfries and Galloway	(32,399)	(19,899)
NHS Fife	(22,100)	(10,400)
NHS Forth Valley	(29,312)	0
NHS Grampian	(25,251)	(19,900)
NHS Greater Glasgow and	(181,500)	(51,500)
NHS Highland	(57,272)	(16,272)
NHS Lanarkshire	(43,209)	(14,868)
NHS Lothian	(45,598)	(28,432)
NHS Orkney	(6,909)	(2,003)
NHS Shetland	(3,096)	0
NHS Tayside	(51,234)	(19,596)
NHS Western Isles	(3,851)	0
NHS National Services	(17,001)	0
Scottish Ambulance Service	(17,400)	0
NHS Education for Scotland	(2,800)	0
NHS 24	(2,852)	(676)
NHS National Waiting Times	(4,510)	0
The State Hospital	(511)	300
Public Health Scotland	(4,470)	0
Healthcare Improvement	(477)	0
Total	(620,556)	(221,870)

Source: Scottish Government analysis of NHS boards' 2022/23 financial plans

Appendix 3

Progress with Recovery Plan ambitions

Recovery Plan Ambition	Timescale	Is the ambition covered in the Progress Update Report?	Reported Progress in the 2022 Recovery Plan Progress Update	Discrepancy
Implement a National Wellbeing Programme for NHS staff	Autumn 2021	Unclear	In addition to the National Wellbeing Hub and its Workforce Specialist Service (already in place at the time of publication of the Recovery Plan), the following staff services have been implemented: Coaching for Wellbeing, Reflective Practice, and the Workforce Development Programme.	
Recruit 800 new mental health workers	2022	Yes	An additional 958.9 whole time equivalent (WTE) mental health roles have been filled. This was an existing commitment.	
Increase number of GPs by 800	2028	Yes	An additional 277 GPs were recruited between 2017-21. At 30 September 2021 the number of GPs (headcount) was 74 more than in the previous year.	Further analysis on GP recruitment up to 2022 is provided in paragraph 108 . Excluding GP trainees, the number of GPs (headcount) increased by only 136 between 2017 and 2021 and by 56 in 2021. The increase of 56 is not

Recovery Plan Ambition	Timescale	Is the ambition covered in the Progress Update Report?	Reported Progress in the 2022 Recovery Plan Progress Update	Discrepancy
				<p>progress in the first year of the Recovery Plan as data is from 2021 not 2022. It is misleading to include GP trainee numbers within progress updates about meeting the target of 800 additional GPs.</p>
<p>Increase number of Advanced Nurses Practitioners (ANPs) by 500</p>	<p>2021</p>	<p>Yes</p>	<p>Completed a number of actions from the Integrated Workforce Plan, including ‘exceeding’ commitment to deliver an additional 500 Advanced Nurse Practitioners.</p>	<p>Neither the NHS Recovery Plan nor the progress update specifies that this target refers to financially supporting the training of an additional 500 ANPs. Although this training target was met, the additional trained ANPs has not translated into a similar increase in ANP workforce capacity, and so is misleading as a measure of additionality in ANPs.</p> <p>Exhibit 11 provides further detail on the number of ANPs trained and total increase in ANP workforce.</p>
<p>All 925 GP practices to have practice-based (or access to) nursing and pharmacy support</p>	<p>April 2022</p>	<p>Yes</p>	<p>95 per cent of practices have access to some health board delivered pharmacy support.</p> <p>75 per cent of practices have access to some health board</p>	

Recovery Plan Ambition	Timescale	Is the ambition covered in the Progress Update Report?	Reported Progress in the 2022 Recovery Plan Progress Update	Discrepancy
			delivered nursing support.	
Maximising multi-disciplinary team (MDT) capacity within the community		Yes	<p>Funding for MDTs increased to £170 million this year.</p> <p>Recruited over 3,220 primary care MDT members at end of March 2022.</p>	<p>The funding increase to £170 million was in line with inflation, as had been outlined against the original allocation of £155 million in the Primary Care Improvement Plan.</p> <p>The increase in MDT staff in 2021/22 was 793.2 WTE.</p>
Expansion of Pharmacy First Service and a new Pharmacy Women's Health and Wellbeing Service	Women's Health and Wellbeing Service in first year of Recovery Plan	Yes	<p>Pharmacy First delivered 2.9 million consultations in 2021/22.</p> <p>A new Pharmacy Women's Health Service was introduced.</p>	Pharmacy First had already been implemented at the time of Recovery Plan publication. The progress update does not specify how it has expanded or how much it has increased.
Increase outpatient activity by 10 per cent compared with pre-pandemic levels (140,000 additional appointments). 58,000 additional appointments by end of 2022/23.	2026 March 2023	No	<p>Target not referenced.</p> <p>Over 76 per cent of outpatient specialties had either no, or fewer than 10, patients waiting longer than 2 years for treatment, and the number of new outpatients seen in the quarter ending June 2022 was 7 per cent higher compared to the same quarter in 2021.</p>	<p>Further analysis on the progress on long waiting patients is provided in Exhibit 10.</p> <p>Despite an increase compared to 2021, outpatient activity for the quarter ending September 2022 shows that activity has not returned to pre-pandemic levels (see Exhibit 6).</p>

Recovery Plan Ambition	Timescale	Is the ambition covered in the Progress Update Report?	Reported Progress in the 2022 Recovery Plan Progress Update	Discrepancy
Increase of 90,000 diagnostic procedures. 78,000 additional procedures by end of 2022/23.	2026 March 2023	No	Target not referenced. In 2021/22, six new mobile magnetic resonance imaging (MRI) scanners and five new mobile computerised (CT) scanners will be deployed, and five additional endoscopy rooms will be opened.	It is unclear if these additional resources are in place, as the update states that this was to happen in 2021/22 but the language used implies that this work is ongoing.
Increase inpatient and day case activity by 20 per cent compared with pre-pandemic levels (55,500 additional procedures per year). 27,500 additional procedures by end of 2022/23.	2026 March 2023	No	Target not referenced. There has been 'significant progress' in that the number of scheduled operations in quarter ending June 2022 was 7.8 per cent higher compared with the third quarter of 2021, the quarter in which the Recovery Plan was published.	Despite the fact that the yearly target increases set out in the Recovery Plan relate to financial years, the update report refers to calendar quarters – this may be confusing when tracking progress against the original ambitions. Monthly averages of scheduled operations between April and September 2022 were 23.5 per cent lower than equivalent period in 2019 (see paragraph 64).
Of the 55,500 additional inpatient and day case procedures, 40,000 are to be delivered at NTCs.	2026 March 2023	No	Four NTCs are due to open in 2023. 12,250 procedures are expected to be delivered in 2023/24 (this figure includes some endoscopy activity to be delivered at the Golden Jubilee	No reference to these milestones or the delays to opening. 12,250 procedures are expected to be delivered in 2023/24 - this is a year later than the timescale for delivering the first

Recovery Plan Ambition	Timescale	Is the ambition covered in the Progress Update Report?	Reported Progress in the 2022 Recovery Plan Progress Update	Discrepancy
12,000 additional procedures to be delivered by NTCs by end of 2022/23.			University National Hospital).	milestone of 12,000 additional inpatient and day case procedures through NTCs. Timescales for other NTCs opening are not given but will be defined 'as part of ongoing business case development'.
1,500 new clinical and non-clinical staff to be recruited to NTCs	2026	Yes	Referenced in the steps the Scottish Government are taking, but no measurable progress in numbers so far.	
Redesign of Urgent Care Programme aims to reduce the numbers of people who "self-present" to hospital as a first port of call by 15 to 20 per cent		No	<p>Reduction in self-presentation attendances is not tracked.</p> <p>10.1 per cent of patients that called NHS 24 111 in July 2022 were referred to Flow Navigation Centres (FNCs).</p> <p>It is also reported that additional virtual capacity pathways, e.g., Outpatient Antimicrobial Therapy (OPAT) have saved 45,000 bed days this year.</p>	Although 10.1 per cent of NHS 24 111 callers in July 2022 were referred to an FNC, the update report does not specify how many of these patients did or did not attend A&E following the FNC, or how quickly, and therefore to what extent FNCs are helping to meet the aim of reducing self-presentations in A&E by 15 to 20 per cent or providing faster access to A&E for those who need it.
Publish a refresh of the Framework for Effective Cancer Management	September 2021	Yes	Published in December 2021.	

Recovery Plan Ambition	Timescale	Is the ambition covered in the Progress Update Report?	Reported Progress in the 2022 Recovery Plan Progress Update	Discrepancy
Meeting the 31- and 62-day cancer standards on a sustainable basis	Over the parliamentary term	Yes	<p>The report states that progress has been made in several areas:</p> <p>Three Rapid Cancer Diagnostic Services (RCDS) have been implemented.</p> <p>Funding has been provided to establish single points of contact for cancer patients and to improve diagnosis and treatment.</p> <p>A National Radiotherapy Plan has been published</p> <p>A Scottish Cancer Network has been established.</p> <p>The Scottish Government is committed to providing an additional £40 million to improve performance and to date this has been invested in additional diagnostic clinics and theatre provision for the most challenged care pathways.</p> <p>The report does not mention the fact that performance against the cancer targets is getting worse. It states only that the median wait for the</p>	<p>The three RCDS were already in operation at the time of the publication of the Recovery Plan.</p> <p>The additional £40 million was already committed in the Recovery Plan and it is unclear how much has been invested in the past year.</p> <p>Reference to median waiting time for only one cancer standard does not reflect the deteriorating performance against these standards.</p>

Recovery Plan Ambition	Timescale	Is the ambition covered in the Progress Update Report?	Reported Progress in the 2022 Recovery Plan Progress Update	Discrepancy
Introduce a paramedics students bursary	September 2021	Yes	A bursary was introduced for all students starting eligible courses in September 2021.	
Publish a National Workforce Strategy	End of 2021	Yes	Published in March 2022.	

31-day target is five days and that the number of patients coming through the 62-day pathway has increased by 4 per cent in the most recent quarter compared with the same quarter pre-pandemic.

Endnotes

- 1 The UK Government uses the Barnett formula to allocate funds to Scotland, Wales, and Northern Ireland when additional money is spent in areas that are devolved to the relevant administrations, such as health.
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- 31 Framework for Clinical Prioritisation, Scottish Government, November 2020.
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