

A meeting of the **Integration Joint Board Audit & Risk Committee** will be held on 28 June 2023 in The Board Room, First Floor, Carseview House, Stirling and hybrid via MS Teams

Please notify apologies for absence to:  
[fv.clackmannanshirestirling.hscp@nhs.scot](mailto:fv.clackmannanshirestirling.hscp@nhs.scot)

### AGENDA

1. **Apologies for Absence**
2. **Declarations of Interest**
3. **Minutes of previous meetings held on 08 March 2023 & 17 April 2023** **For Approval**
4. **Matters arising/urgent business brought forward by Chair**
5. **Internal Audit Progress Report** **For Noting**  
*Paper presented by Isabel Wright, Chief Internal Auditor*
6. **Internal Audit Annual Assurance Report 2022/23** **For Noting**  
*Paper presented by Isabel Wright, Chief Internal Auditor*
7. **Internal Audit Plan 2023/2024** **For Approval**  
*Paper presented by Isabel Wright, Chief Internal Auditor*
8. **2022/2023 Draft IJB Annual Accounts** **For Consideration and Agreement for Issue**  
*Paper presented by Ewan C Murray, Chief Finance Officer*
9. **Strategic Risk Register & Update on Risk Management Arrangements** **For Approval**  
*Paper presented by Ewan C Murray, Chief Finance Officer*
10. **Review of IJB Financial Regulations** **For Recommendation**  
*Paper presented by Ewan Murray, Chief Finance Officer*
11. **Relevant National Reports** **For Noting**  
**Local Government in Scotland: Overview 2023**  
**Integration Joint Boards: Financial Analysis 2021/22**  
*Paper presented by Ewan C Murray, Chief Finance Officer*
12. **Any Other Competent Business**
13. **Date of Next Meeting**  
 13 September 2023



**Draft Minute of the Clackmannanshire & Stirling IJB  
Audit and Risk Committee**

held on **Wednesday 8 March 2023, 2 pm – 4 pm** Suite 3, Carseview House, Stirling  
and hybrid via Microsoft Teams

**Present:**

**Voting Members**

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

**In Attendance:**

Annemargaret Black, Chief Officer  
Ewan Murray, Chief Finance Officer  
Isabel Wright, Internal Audit Manager, Falkirk Council  
(Chief Internal Auditor to IJB)  
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  
Councillor Janine Rennie, Clackmannanshire Council

On behalf of the Audit and Risk Committee, Mr Earl paid respects to Morag Mason who recently passed away, she was a dear colleague and a valued service user representative on the IJB.

**2. DECLARATION(S) OF INTEREST**

No declarations of interest were noted.

**3. MINUTE OF PREVIOUS MEETING HELD 16 NOVEMBER 2023**

The draft minute of the previous meeting held on 16 November 2022 was approved as an accurate record.

#### **4. MATTERS ARISING/URGENT BUSINESS BROUGHT FORWARD BY CHAIR**

##### **Non voting membership Audit & Risk Committee**

The Committee received one nomination from Narek Bido, Third Sector Representative, Stirling. Mr Murray confirmed that Mr Bido's appointment will require to be approved at the IJB meeting on 29 March 2023.

Ms Black advised there had been no update on Ms Cowan's position on the Committee, she agreed to raise this again with Ms Cowan.

##### **Risk Workshop**

A date had not yet been arranged for the risk workshop, the Committee agreed to discuss this at agenda item 9.

#### **5. INTERNAL AUDIT PROGRESS REPORT**

Isabel Wright, Internal Audit Manager, Falkirk Council presented the Internal Audit Progress Report to the Committee.

As this was Ms Wright's first Audit and Risk Committee, she introduced herself and was welcomed by the Committee.

Ms Wright provided an update on the remaining audit work from 2021/22, regarding the arrangements and preparation of the revised Strategic Commissioning Plan and the plans in place to complete the 2022/23 internal audit workload. She noted the Internal Audit Plan remained flexible to allow amendments should risks, priorities, resources, and/or operational capacity change significantly.

Mr Fairbairn raised a point that the audit report was about the Strategic Commissioning Plan which was due to go to the IJB in March, and the audit work relating to this was dated 2021/22. Ms Wright confirmed the work was carried out by Clackmannanshire Council and Stirling Council auditors and the IJB workload impacted the timeframes for the audit. Ms Wright also confirmed that as part of 2022/23 work, there would be a review to follow up on recommendations, this would ensure the Committee is aware of any work outstanding. Mr Murray confirmed the previous auditors delivered an annual internal audit report although the plan was not fully completed. Due to the importance of the Strategic Commissioning Plan, and because of the timing of the delivery of the internal audit report and this Committee meeting, the paper was presented to the Finance and Performance Committee to ensure there was sight of the recommendations and the limited assurance which were discussed in December.

The Committee agreed the recommendations had been appropriately responded to by management and the 2022/23 work clearly captured what had been addressed and the importance of getting back on track for the 2023/24 audit plan. Ms Wright agreed and explained she was focusing on

outstanding work and would hopefully have resources in place to enable work to be carried out for 2023/24 with an internal plan presented by the end of June.

Mr Fairbairn asked for some background on the 50 days timeframe, which was discussed at the meeting in November, and asked whether this was excessive. Ms Wright highlighted that delays could occur while gathering evidence however would improve the process as the work progressed over the year. She noted a commitment to build a good relationship with the Committee keeping them fully informed of any potential delays.

The Committee agreed it would be helpful if the 2023/24 plan was included in the summary of findings and added to the recommendations.

#### **The Audit and Risk Committee:**

- 1) Noted the progress being made with completing both the 2021/22, 2022/23 and 2023/24 Internal Audit Plans, taking into account that the Internal Audit Plans remained flexible and amendments may be required should risks, priorities, resources, and operational capacity change significantly; and
- 2) Noted the 'Summary of Findings Arising from Internal Audit Work' at Appendix 1 and final report at Appendix 2, including the 2023/24 plan.

## **6. PROGRESS UPATE 2021/22**

Mr Ewan Murray, Chief Finance Officer, presented the Progress Update 2021/22 to the Committee.

Mr Murray explained the Committee had considered the 2021/22 Annual Audit Report at the November meeting and agreed that a progress report would be brought to this meeting. For context, Mr Murray explained there remained an outstanding action from the internal audit report, which was to survey board members to understand the style of financial reporting they would wish to see.

He confirmed the delegation of services was complete and the prior year's recommendations, regarding performance reporting and targets, were still a work in progress. The revised performance report would go to the June IJB. Ms Black explained there were ongoing risks within the performance report regarding access to data, as work was carried out manually. The Committee recognised there may only be partial information reported but was happy with this provided there were explanations as to why all the information wasn't reported.

The next follow up recommendation was regarding management commentary within the accounts. Mr Murray confirmed he was continuing to review the style of management commentary as Audit Scotland previously commented this could be improved. He confirmed he would continue to work on the style to ensure it was clear and concise. In addition, they commented on the key performance indicator information within the Annual Performance Report and the availability of that in time for June, he confirmed this would not be

available. He would, however, set out the context of the Strategic Commissioning Plan priorities for the March IJB.

Financial sustainability was highlighted and the updated medium term financial plan, the current settlement, and how this was likely to impact finances over the medium term. Mr Murray confirmed this would be updated in the budget paper and explained that, in the NHS Scotland overview, there was a recommendation to Scottish Government around viewing and republishing the medium-term financial framework for Health and Social Care. He, therefore, suggested a more comprehensive update of the medium-term plan linked to when this was published.

Finally, he added that he would continue to work through updates to governance framework documents and the scheme of delegation noting that the Integration Scheme review may impact this.

#### **The Audit and Risk Committee:**

- 1) Noted and drew assurance from the progress update on the recommendations contained within the 2021/22 Annual Audit Report.
- 2) Noted that the 2022/23 Annual Audit Plan would be presented to the IJB on 29 March 2023.

## **7. REVIEW OF RESERVES POLICY AND STRATEGY**

Mr Ewan Murray, Chief Finance Officer, presented the Review of Reserves Policy and Strategy to the Committee.

Mr Murray explained that the annual process was part of good governance in terms of taking an active review of the IJB reserves, policies, and strategy. He didn't see a justification for the reduction of the level of reserves the IJB held. As there was limited scope for increasing these, Mr Murray's recommendation was to hold the existing policy and strategy which would be reflected through the budget paper due to go to the IJB in March.

To avoid confusion Mr Murray clarified that the Committee was being asked to review on the basis that the reserves policy was fit for purpose in terms of the environment the next revenue budget would be set within. Mr Fairbairn had concerns that he was not 100% clear on how the day-to-day finances worked for the IJB and whether there would be risks regarding changes to the money which were allocated from the constituent authorities. The Committee agreed that it would be helpful to include a paragraph explaining how reserves were decided, as it was a complex matter, and it would help provide a clearer understanding for new members of the IJB. They agreed to recommend to the IJB that this continued with the additional information, provided there was full discussion and understanding. It was agreed that a separate development session on reserves should be arranged before the next annual review.

## **The Audit and Risk Committee:**

- 1) Considered the reserves strategy and policy.
- 2) Recommended approval of the reserves strategy and policy to the IJB to be presented as part of the 2023/24 Revenue Budget.

## **8. DECISION MAKING MATRIX AND INTEGRATION GOVERNANCE PRINCIPLES**

Mr Ewan Murry, Chief Finance Officer provided the Committee with a verbal update on the Decision Making Matrix and Integration Governance Principles.

Work had been carried out by the Deputy Director of Finance within NHS Forth Valley around developing a Decision Making Matrix to demonstrate how decisions should be made and making sure decisions were appropriate, this was still being worked on. This was a process that was aligned with a similar approach that Falkirk IJB had taken. Mr Murray explained the importance of being compliant with the legislation going forward and providing relevant and appropriate assurance. This was due to go to the Senior Management Leadership Team (SMLT) in March to ensure managers also understood how the decision-making matrix should operate.

Ms Black explained that as the Health Board had been late to implement the Public Bodies Act, the Executive Leadership Team (ELT) within the NHS had been making some decisions which were actually the responsibility of the IJB. The decision making matrix would provide a process to transition from current position and where it should be in terms of the IJB making appropriate decisions.

Mr Fairbairn and Mr Earl asked whether this item should sit with the Finance and Performance Committee. Mr Murray confirmed he had also briefed the Finance and Performance Committee on progress.

## **9. UPDATE ON REVIEW OF RISK MANAGEMENT ARRANGEMENTS AND STRATEGIC RISK REGISTER**

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

Mr Murray explained that following discussions at the November meeting, regarding capacity at both Audit and Risk Committee and the IJB, a new risk had been added and scored. Three risks were removed as they were viewed as not representing Strategic Risks. In addition, he has set up a partnership wide risk management forum as there was a need to ensure there was risk management expertise as a support service.

There was still an outstanding action regarding organising the risk workshop. Mr Murray confirmed he had discussed this with Sara MacKenzie, Risk Lead for NHS Forth Valley who agreed to facilitate this. He explained it was key to link to priorities in the new Strategic Commissioning Plan alongside the IJB's

appetite for risk in terms of delivering the Strategic Commissioning Plan and in terms of looking at the longer term risks of the current environment. The Committee agreed it was important this was arranged.

Mr Fairbairn raised a concern that some of the information was unclear as to whether risks were associated with the IJB or HSCP and this should be discussed at the workshop. Ms Black agreed that it needed to be clearer and explained how the role of the Chief Officer and Chief Finance officer of the IJB supported the integration of services across the three constituent organisations to ensure they were effective and provided within budget.

Mr Earl suggested there were explanations added when a risk increased or decreased and questioned whether risk 6 should be increased. If not, he asked if an explanation can be added as this was raised by Ms Rennie at the previous meeting. The Committee agreed that an explanation would be emailed to Ms Rennie, CC Mr Earl and Mr Fairbairn.

The Committee agreed that an addendum should be added to the terms of reference, to highlight the distinction between the IJB and HSCP.

#### **The Audit and Risk Committee:**

- 1) Reviewed and approved the Strategic Risk Register.
- 2) Noted the Terms of Reference for the HSCP Risk Management Forum.

### **10. REVIEW OF TERMS OF REFERENCE AND PROPOSED WORKPLAN**

Mr Ewan Murray, Chief Finance Officer, presented the Review of Terms of Reference and Proposed Workplan to the Committee.

Mr Murray explained the Committee was required to review its terms of reference on an annual basis. However, due to the pandemic, this had not taken place for the Audit and Risk Committee since February 2019.

The purpose was to ensure the Committee had a more structured work plan for the next year, more streamlined assurance processes, and continuous improvement. There were proposed small changes around the membership, including the membership consisting 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 for voting members would be permitted however substitutes would also require to be members of the Integration Joint Board. 50% of the voting members from two constituent authorities being present would constitute a quorum.

The Committee had concerns about the wording regarding substitutes as it could be misinterpreted that both the Chair and the Vice Chair could be substituted at the same time. That would be of concern as they could be substituted with members with no knowledge of the Committee. The wording

should state that either the Chair or the Vice Chair needed to be present and only one could be substituted at a Committee meeting.

Ms Wright asked for clarification around the expectations of the Internal Auditor and Internal Audit sections in the work plan for 2023/24 and whether this should be combined into one section. Mr Murray agreed to check this and provide clarification to enable her to timetable this work with her schedule.

The Committee agreed it would be helpful to also include the 2024/25 work plan which would cover the 3-year cycle and it would coordinate with the Internal Auditor Report.

#### **The Audit and Risk Committee:**

- 1) Reviewed and agreed on the Terms of Reference for approval by the IJB, subject to minor changes.
- 2) Considered and approved the proposed Workplan for 2023/24 and requested an additional work plan for 2024/25.
- 3) Agreed that a regular Chair's Report and an Annual Assurance report will be submitted to the IJB.

## **11. RELEVANT NATIONAL REPORTS**

Mr Ewan Murray, Chief Finance Officer presented the Relevant National Reports to the Committee which were of significance to the business of the IJB for noting. The financial sustainability risks set out in the NHS in Scotland report and their specific relevance to the operating context of the IJB was specifically noted by the Committee.

### **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. Date of Next Meeting**

28 June 2023





**Draft Minute of the Clackmannanshire & Stirling IJB  
Audit and Risk Committee (Special Meeting)**  
held on **Monday 17 April 2023 1 pm – 1.30 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  
Isabel Wright, Internal Audit Manager, Falkirk Council  
(Chief Internal Auditor to IJB)  
Gregory Oduor, Senior Audit Manager, Deloitte LLP  
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

**2. DECLARATION(S) OF INTEREST**

No declarations of interest were noted.

**3. 2022/23 ANNUAL AUDIT PLAN**

Mr Gregory Oduor, Senior Audit Manager, Deloitte LLP, presented the 2022/23 Annual Audit Plan to the Audit and Risk Committee.

As the development of the Annual Audit Plan had not been fully completed in time for the March meeting, it had been agreed that this special meeting would be held to consider the draft plan.

Mr Oduor provided an overview of the 2022/23 Annual Audit Plan. He explained his role was to provide audit scope and timely and relevant observations, as and when they came up, whilst providing any additional information to help the Committee with broader responsibilities. The audit was tailored to Deloitte's understanding of the Committee and was a preliminary-level report.

As an overview, they identified that the IJB continued to face financial pressures with rising costs which were not met by increased funding. The scope was in line with the Code of Audit Practice issued by Audit Scotland, to fulfil statutory responsibilities and the audit was materiality based with a phased approach, which involved:

- Planning
- Interim and wider scope work
- Year-end field work
- Final reporting

Mr Oduor confirmed the planning phase was complete and going forward the focus would be on the wider scope work concluding on the business processes and business cycles. Final field work was due to commence w/c 29 May, which should take approximately 2 weeks with a draft for review anticipated 2 weeks prior to the September Committee meeting. He confirmed timescales could be flexible to ensure the Committee had appropriate time to consider and comment on areas of risk.

Only one significant risk had been identified which was the management override of controls. Mr Oduor explained they would look at the approvals of journals, how those entries were approved, and ensure it was all appropriate.

In addition, he discussed the four wider scope areas which would be looked at which were:

- Financial management
- Financial sustainability
- Vision leadership and governance
- How resources were used to improve outcomes

Other national risks were discussed, which also impacted on the public sector, these were issues around climate change, cyber security, fraud returns and money laundering.

Finally, Mr Oduor discussed Deloitte's auditor fees. He explained Deloitte were independent of the IJB and was not aware of any relationships which would impair this independence. There were no non-audit services provided and they had no other relationships with the IJB or Directors.

The Committee thanked Mr Oduor for the informative report. Ms Black questioned whether some of the areas of risk sat with the IJB, in particular IT systems. She also queried why some of the recommendations included the implementation of programmes of engagement with the public. Mr Oduor explained the paper was written based on the understanding at the time of writing and some recommendations may not be included as they were evaluated, he did not see this as a cause for concern at this stage. It was clarified that the Annual Audit Report itself would contain recommendations in relation to the finding of the audit work.

Councillor Rennie explained she had similar concerns as Ms Black regarding the recommendations. She suggested it would be useful to set a boundary between constituent authority and IJB responsibilities at the start of the audit.

Based on the points raised Mr Odour would discuss boundaries in more detail with Mr Murray.

Mr Fairbairn also raised points regarding the Audit Plan's recommendations, starting with the delayed discharges public engagement programme. Mr Odour confirmed Mr Fairbairn's understanding was correct and that the risks were based on NHS Forth Valley's ability to deliver the services which the IJB had commissioned.

In relation to the query about the completion date of 20 September. Mr Oduor advised he would be happy to bring the completion date forward. Mr Earl suggested the meeting scheduled for 20.09.23 be brought forward by a couple of weeks to allow the Committee more time before the final accounts go to the IJB. The Committee agreed and the meeting would be rearranged.

The report referenced that the Audit and Risk Committee must satisfy themselves that the level of materiality chosen was appropriate for the scope of the audit. Mr Earl asked that this be reflected in the recommendations. Mr Oduor agreed to add a page to the report to summarise that the Audit and Risk Committee agreed that the scope of the audit was as required.

The Committee approved 2022/23 Annual Audit Report, with the additional recommendations.

**The Audit and Risk Committee:**

- 1) Considered and discussed, the Annual Audit Plan.
- 2) Noted the audit fee of £31,470 as stipulated by Audit Scotland.
- 3) Were content that the level of materiality was appropriate for the scope of the audit.

**9. Any Other Competent Business**

None

**10. Date of Next Meeting**

28 June 2023

# Clackmannanshire & Stirling Integration Joint Board Audit and Risk Committee

28 June 2023

Agenda Item 5

## Internal Audit Progress Report

*For Noting*

<b>Paper Approved for Submission by:</b>	Ewan Murray, Chief Finance Officer
<b>Paper presented by</b>	Isabel Wright, Internal Audit Manager
<b>Author</b>	Isabel Wright, Internal Audit Manager
<b>Exempt Report</b>	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"/>

<b>Purpose of Report:</b>	This report provides an update on progress with completing the 2022/23 IJB Internal Audit Plan.
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<b>Recommendations:</b>	<p>The Audit and Risk Committee is asked to note:</p> <ol style="list-style-type: none"> <li>1) progress made completing the 2022/23 Internal Audit Plan; and</li> <li>2) audit work will be sufficient to allow the Internal Audit Manager to provide an opinion on the adequacy and effectiveness of internal controls at year-end.</li> </ol>
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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 Internal Audit Plan for 2022/23 was agreed by the Audit and Risk Committee on 16 November 2022. The agreed plan is overleaf:

Assignments	Scope
<b>Audit Planning and Management</b>	Liaison with management and attendance at Audit and Scrutiny Committee. Preparation of the Annual Internal Audit Plan, Progress Reports, and Annual Assurance Report.
<b>Audit Follow Up and Assignments</b>	<p>Follow up of previous Internal Audit recommendations and agreed governance actions, as well as proposed assignments:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• 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; and</li> <li>• 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.</li> </ul>
<b>Annual Assurance Work</b>	Review of governance self-assessment and any other annual assurance work required.

2.4 The current position is summarised in the table below:

<b>2022/23 Internal Audit Plan:</b>	
<b>Strategic Commissioning Plan</b>	This review has been undertaken, with a final report issued. The finalised assignment is set out at <b>Appendix 1</b> .
<b>Action Points Follow Up</b>	This review has been undertaken, with a final report issued. The finalised assignment is set out at <b>Appendix 2</b> .
<b>Assurance Mapping</b>	Ongoing advice and consultancy.
<b>Review of governance self-assessment</b>	This review of the Annual Governance Statement Assurance Questionnaire has been undertaken, with a final report issued. The finalised assignment is set out at <b>Appendix 3</b> .

2022/23 Internal Audit Plan:	

2.5 Internal Audit use a set of Assurance Categories. A summary of these is set out at **Appendix 4**.

### 3. Conclusions

3.1 Completion of the planned programme of internal audit work for 2022/23 has progressed 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.

### 4. Appendices

- Appendix 1:** Internal Audit Strategic Commissioning Plan Follow Up Final Report
- Appendix 2:** Internal Audit Action Points Follow Up Final Memo
- Appendix 3:** Internal Audit Annual Governance Statement Assurance Questionnaire
- Appendix 4:** Definition of Internal Audit Assurance Categories

# 2021/22 Strategic Commissioning Plan Follow Up

2022/23 Clackmannanshire and Stirling Integration  
Joint Board Internal Audit Review

## Substantial Assurance

# IAA

### **Final Report Recipients:**

Chief Officer

Chief Finance Officer

Head of Strategic Planning and Health Improvement

Planning and Policy Development Manager



## 1. INTRODUCTION AND SCOPE

- 1.1 This follow up review of the 2021/22 development of the Strategic Commissioning Plan (SCP) 2021/22 actions formed part of the 2022/23 Clackmannanshire and Stirling Integration Joint Board (IJB) Internal Audit Plan. The scope of the work is a high level follow up to assure the Committee that appropriate outstanding actions are or have been addressed.
- 1.2 In 2021/22 Internal Audit carried out a review of the development of the 2023 to 2033 Strategic Commissioning Plan (SCP). The Audit Brief for this review can be seen at **Annex 1**. This review involved Internal Audit developing a questionnaire setting out the key elements of SCP development. HSCP officers responsible for SCP progress completed this questionnaire and, where available, provided supporting evidence. Internal Audit reviewed and verified the information provided and assessed its adequacy.
- 1.3 The 2021/22 report provided limited assurance and eight recommendations with related actions agreed by management. This report was presented to the Finance and Performance Committee on 21 December 2022 and the Audit and Risk Committee on 8 March 2023.
- 1.4 For the follow up review, evidence was sought from management in order to assess the progress of actions agreed to address the recommendations made in the 2021/22 report.
- 1.5 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.

- 1.6 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).
- 1.7 The 2023 to 2033 Strategic Commission Plan was agreed and approved for publication by the IJB on 29 March 2023.

## 2. AUDIT ASSURANCE AND EXECUTIVE SUMMARY

- 2.1 We can provide **SUBSTANTIAL ASSURANCE** (see **Annex 2** for assurance category definitions) in relation to the progress made in the management actions agreed to address the recommendations from the 2021/22 review of the development of the SCP.
- 2.2 The 2021/22 audit report on the development of the SCP contained eight recommendations. For this follow up review Internal Audit established whether the recommendations had been implemented, by assessing the current status of agreed actions and relevant supporting documentation. For the eight recommendations made in the 2021/22 report we found six were fully implemented and two were partially implemented.
- 2.3 A summary of implementation progress of the eight previous recommendations as at April 2023 can be seen at **Section 3**. The completed action plan for the follow up of the 2021/22 development of the SCP 2023 to 2033 including details of the initial recommendations, related findings and implementation status can be seen at **Annex 3**.

### 3. AUDIT FINDINGS

3.1 We reviewed the status of 8 recommendations made as a result of the 2021/22 Internal Audit review of the development of the 2023 to 2033 Strategic Commissioning Plan (SCP). See **Table 1** for details of the status of recommendations as at April 2023:

**Table 1: Summary of Progress of Recommendations**

Recommendation Summary	Implemented	Partially Implemented	Not Implemented
1. Project plan and risk assessment.	-	✓	-
2. SPG review of SCP development.	✓	-	-
3. Relevant Groups views.	✓	-	-
4. Strategic Needs Assessment.	✓	-	-
5. Progress against plan reported to IJB.	✓	-	-
6. Links between the Spending Review and SCP.	✓	-	-
7. SPG and development of project plan.	✓	-	-
8.SP engagement plan and sensory centre.	-	✓	-
	<b>6</b>	<b>2</b>	<b>0</b>

3.2 More detailed information to support the progress of outstanding recommendations and Internal Audit conclusions are provided at **Annex 3**.

## Internal Audit Assignment Brief



**Clackmannanshire  
Council**

<b>Service:</b>	Integration Joint Board	<b>Audit Year:</b>	2021/22
<b>Chief Officer:</b>	Annemargaret Black	<b>Audit Manager:</b>	Isabel Wright
<b>Key Contact:</b>	Wendy Forrest & Ewan Murray	<b>Lead Auditor:</b>	Moira Bilsbrough & Jason Ross
<b>Audit Area:</b>	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 was recognised that the update needed 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 assessed the extent to which the following areas were 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
<b>Substantial assurance</b>	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.
<b>Limited assurance</b>	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.
<b>No assurance</b>	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.

## Strategic Commissioning Plan 2021/22 Follow-Up

Classification of Recommendations		
<b>Grade 1:</b> Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.	<b>Grade 2:</b> 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.	<b>Grade 3:</b> Less significant issues and / or areas for improvement which we consider merit attention, but do not require to be prioritised by management.

Rec. No.	Original Recommendation	Reason for Recommendation / Agreed Management Action / Original Responsible Owner and Action Due	Findings at April 2023 (including supporting documentation received to verify status)	IA Verification / Conclusion	Management Action at April 2023	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><b>2021/22 Report Paragraph: 3.3</b></p> <p><b>Grade 1</b></p>	<p>There is a risk that the Strategic Commissioning Plan (SCP) is not completed within the required timescale.</p> <p><b>Recommendation Accepted</b> Detailed project plan is in place and can be shared.</p> <p style="text-align: center;">Planning and Policy Development Manager</p> <p style="text-align: center;">31 December 2022</p>	<p>The project plan includes three timeframe sections and associated tasks, responsible officers, and completion dates and progress (not started, in progress, and completed):</p> <p>A summary of the project plan as at 29 March 2023 can be seen below:</p> <p><b>Planning and Development July 2022 – March 2023</b> 12 tasks completed one “in progress”: (identify and agree priorities and outcomes)</p> <p><b>Draft SCP to Publish January 2023 - March 2023</b> Three tasks “in progress”, but SCP approved and published on 29 March 2023.</p> <p><b>Implementation April 2023 – July 2023</b> Five tasks in progress, two not started.</p> <p>No project risk assessment available.</p>	<b>Partially Implemented</b>	<p>Risk assessment for SCP Project to be developed.</p> <p><b>Update at June 2023:</b> No risk assessment was carried out, however, project plan continues to be monitored to ensure all tasked are completed and closed in project plan.</p>	<p>Planning and Policy Development Manager</p> <p style="text-align: center;">30 September 2023</p>



Rec. No.	Original Recommendation	Reason for Recommendation / Agreed Management Action / Original Responsible Owner and Action Due	Findings at April 2023 (including supporting documentation received to verify status)	IA Verification / Conclusion	Management Action at April 2023	Responsible Owner / Action Due
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><b>2021/22 Report Paragraph: 3.5</b></p> <p><b>Grade 2</b></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><b>Recommendation Accepted</b> The next SPG 14<sup>th</sup> December 2022.</p> <p>Work planned: Findings from Engagement – survey and open meetings / discussions in communities. Strategic Plan priorities and 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 14 December 2022</p>	<p>The Strategic Planning Group has regular meetings (every two months) with a standing agenda item for the progress of the development and implementation of the SCP.</p> <p>Recent meetings of the SPG that have considered the development and implementation of the SCP include 14 December 2022, 16 February 2023, and 20 April 2023.</p>	<b>Implemented</b>		
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><b>2021/22 Report Paragraph: 3.8</b></p> <p><b>Grade 1</b></p>	<p>There is a risk that priorities do not align and that some groups or expected approaches are not included.</p> <p><b>Recommendation Accepted</b> 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 March 2023</p>	<p>The approach towards Realistic Medicine is not explicitly set out in the Strategic Commissioning Plan.</p> <p>Realistic Medicine principles are woven throughout the SCP to cover approach to health care and social care services. For example:</p> <p>Strategic Theme 1 Pg 17; Strategic Theme 2 Pg 18; Strategic Theme 4 Pg 20; Our Principles – Human Rights Pg 23; Independent living through choice and control Pg 26; Engaging our People and Communities (including Commissioning Consortium) Pgs 27-30; Scottish Approach to</p>	<b>Implemented</b>		

Rec. No.	Original Recommendation	Reason for Recommendation / Agreed Management Action / Original Responsible Owner and Action Due	Findings at April 2023 (including supporting documentation received to verify status)	IA Verification / Conclusion	Management Action at April 2023	Responsible Owner / Action Due
			<p>service design Pg 35; and Model of Care Pg 36.</p> <p>There was a programme of engagement and participation across communities, staff and wider stakeholders undertaken in the development of the SCP.</p> <p>There was no evidence to confirm a review had been carried out, to ensure that all relevant groups' views had been considered, and a record was kept documenting the process. Internal Audit accept, however, that the programme of engagement and participation occurred.</p>			
4.	<p>Progress with the following elements of the plan should be monitored:</p> <ul style="list-style-type: none"> <li>Strategic Needs Assessment (SNA);</li> <li>mapping of priorities across the partnership and the Scottish Government; and</li> <li>engagement programme feedback analysis.</li> </ul> <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>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><b>Recommendation Accepted</b> The SNA will be shared with Internal Audit. It has been agreed at Committee, Strategic Planning Group, and IJB.</p> <p>31 December 2022</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>Completed</p> <p>'Plan on a Page' will be shared with Internal Audit.</p> <p>31 December 2022</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>Strategic Needs Assessment has been completed.</p> <p>Regular meetings of the Strategic Planning Group from December 2020 to 14 December 2022 have taken place.</p> <p>Includes reports on SCP development and progress. For example, SCP presentation dated 14 December 2022.</p> <p>The Strategic Planning Group Terms of Reference and Group membership has been formally defined.</p>	Implemented		

Rec. No.	Original Recommendation	Reason for Recommendation / Agreed Management Action / Original Responsible Owner and Action Due	Findings at April 2023 (including supporting documentation received to verify status)	IA Verification / Conclusion	Management Action at April 2023	Responsible Owner / Action Due
	<p><b>2021/22 Report Paragraph: 3.11</b></p> <p><b>Grade 1</b></p>	<p>Planning and Policy Development Manager January 2023</p>	<p>The 'Plan on a Page' has been completed and included within the draft Strategic Commissioning Plan. It summarises IJB vision and ethos, aims, plans, and enabling plans.</p> <p>The Performance Framework section of Plan completed.</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><b>2021/22 Report Paragraph: 3.13</b></p> <p><b>Grade 1</b></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><b>Recommendation Accepted</b> The next meeting of IJB is in February 2023. This will include timescales for completion of the Strategic Commissioning Plan up until publication in March 2023.</p> <p>The detailed plan can be updated and made available.</p> <p>Planning and Policy Development Manager February 2023</p>	<p>No evidence in IJB February 2023 meeting minutes of project plan being monitored.</p> <p>A draft version of the SCP was presented to the IJB in February 2023 for approval with agreement that a final version would be submitted for approval in March. The support paper to the draft SCP also provided an update on the development activity undertaken and this includes strategic needs assessment, engagement activity, and workforce services and locality planning. Specific progress against the project plan was not reported at this meeting.</p> <p>A draft SCP was presented to IJB meeting in February 2023 with the purpose to provide an update on the development of the draft Strategic</p>	<b>Implemented</b>		



Rec. No.	Original Recommendation	Reason for Recommendation / Agreed Management Action / Original Responsible Owner and Action Due	Findings at April 2023 (including supporting documentation received to verify status)	IA Verification / Conclusion	Management Action at April 2023	Responsible Owner / Action Due
			<p>Commissioning Plan 2023-2033 which included the following proposals:</p> <p>1) To provide assurance to the Board of the development of the draft Plan.</p> <p>2) Agree for officers to continue to seek feedback from stakeholders and partners on the draft Plan before final presentation in March 2023.</p> <p>3) Seek for officers to provide final version to the Board in February prior to publication in March 2023.</p>			
6.	<p>The links between the Spending Review and Strategic Commissioning Plan (SCP) 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><b>2021/22 Report Paragraph: 3.17</b></p> <p><b>Grade 1</b></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><b>Recommendation Accepted</b></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 style="text-align: center;">Chief Finance Officer February 2023</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 14 December.</p> <p>In progress. This is a continuous engagement activity. It will not stop with publication of the SCP.</p> <p style="text-align: center;">Planning and Policy Development Manager</p>	<p>Finance section narrative in SCP updated for presentation to IJB on 29 March 2023.</p> <p>Additionally, the IJB Revenue Budget (also being presented to IJB on 29 March) contains details on 2023/24 Scottish Budget and medium term outlook anchored to the Scottish Government Spending Review from May 2022.</p> <p>Survey on draft concluded 12 March 2023. 57 responses received have been analysed to establish trends. Consultation undertaken / pre-approval of SCP:</p>	<b>Implemented</b>		

Rec. No.	Original Recommendation	Reason for Recommendation / Agreed Management Action / Original Responsible Owner and Action Due	Findings at April 2023 (including supporting documentation received to verify status)	IA Verification / Conclusion	Management Action at April 2023	Responsible Owner / Action Due
			<ul style="list-style-type: none"> <li>Engagement Plan and Locality Plan Engagement Sessions Autumn 2022; and</li> <li>SCP Online survey ran throughout the autumn, running from 20 September 2022 to 14 November 2022. The key findings of the survey were compiled in November 2022.</li> </ul>			
7.	<p>The Strategic Planning Group should consider the development project plan in detail, their resources, and how the various elements will be incorporated into the process.</p> <p><b>2021/22 Report Paragraph: 3.22</b></p> <p><b>Grade 1</b></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><b>Recommendation Accepted</b> Discuss at SPG meeting 14<sup>th</sup> December.</p> <p>Head of Strategic Planning and Health Improvement Planning and Policy Development Manager 14 December 2022</p>	<p>Discussion with SPG held on 16 February 2023, feedback received via emails and meetings with changes being made.</p> <p>The Strategic Planning Group has regular meetings (every two months) with a standing agenda item for the progress of the development and implementation of the SCP.</p> <p>Recent meetings of the SPG that have considered the development and implementation of the SCP include 14 December 2022, 16 February 2023, and 20 April 2023.</p>	<b>Implemented</b>		
8.	<p>The Strategic Planning Group (SPG) should review the progress of the engagement plan, and specifically the rollout of the</p>	<p>There is a risk that the engagement process is not completed as planned.</p> <p><b>Recommendation Accepted</b> Completed eight week survey with 252 participants and held 15 in person engagement sessions and three online engagement sessions with citizens living across the</p>	<p>Latest survey on draft Strategic Commissioning Plan (SCP) closed 12 March 2023 to comments.</p>	<b>Partially Implemented</b>	<p>Work with the Sensory Centre to produce Easy Read and other accessible versions of</p>	

## ANNEX 2

Rec. No.	Original Recommendation	Reason for Recommendation / Agreed Management Action / Original Responsible Owner and Action Due	Findings at April 2023 (including supporting documentation received to verify status)	IA Verification / Conclusion	Management Action at April 2023	Responsible Owner / Action Due
	<p>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><b>2021/22 Report Paragraph: 3.25</b></p> <p><b>Grade 2</b></p>	<p>partnerships three locality areas (Clackmannanshire, Stirling (Urban) Stirling (Rural) to shape CSHSCP's new Strategic Plan 2023-2033. 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 <a href="https://clacksandstirlinghscp.org/wp-content/uploads/sites/10/2018/11/Participation-and-Engagement-Strateg.pdf">https://clacksandstirlinghscp.org/wp-content/uploads/sites/10/2018/11/Participation-and-Engagement-Strateg.pdf</a></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 14 December 2022</p>	<p>Planning for the implementation of the SCP is underway, with continuous engagement to design and plan services, with involvement from people with living and lived experience.</p> <p>29 March 2023 presentation for event with Third Sector. Note and feedback of event in the process of being analysed.</p> <p>Locality Meetings Held 30 and 31 March 2023 with Stirling Rural and Stirling Urban.</p> <p>Engagement plan in place for development of SCP.</p> <p>Work with the Sensory Centre to produce Easy Read and other accessible versions of the SCP to be completed at the end of April 2023.</p>		<p>the SCP to be completed.</p> <p><b>Management Update June 2023:</b> In progress. Engagement plan further updated. Discussions with Sensory Centre have continued with aim to produce Easy Read and accessible versions asap.</p>	<p>Service Improvement Manager</p> <p>30 September 2023</p>

# MEMO

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To: Annemargaret Black, Chief Officer  
Ewan Murray, Chief Finance Officer

Copy: Wendy Forrest, Head of Strategic Planning and Health Improvement

From: Isabel Wright, Internal Audit Manager

Date: 16 June 2023

**Subject: Internal Audit Review of Action Points Follow Up Final Report**

1. The purpose of this review is to evaluate and report on the adequacy of the implementation of actions highlighted in Internal Audit's Annual Report 2021/22. This is a high level review which formed part of our 2022/23 Internal Audit Plan, agreed by the Audit Committee in November 2022.
2. Various action plans (Ministerial Steering Group or MSG, Audit and Governance) were consolidated into the single Strategic Improvement Plan (SIP) to aid effective monitoring, streamline reporting, and minimise duplication. This high level review has concentrated on the SIP arrangements.
3. The SIP contains a wide variety of governance, strategic, and operational actions for improvement. This was to ensure meaningful and adequate scrutiny of the SIP, and to aid assessment of the effectiveness of actions in developing governance arrangements and progressing strategic priorities and transformational change as part of the Strategic Commissioning Plan 2019 – 2022. The Internal Audit Annual Report 2021/22 recommended:
  - 1) **Splitting the SIP:** The SIP should be reviewed and governance actions should be separated from strategic and performance / operational actions. This would provide an opportunity to explore delegation of governance actions to the Audit and Risk Committee for monitoring. Reporting with the strategic and operational actions remaining with the Board should be explored.
  - 2) **Completeness of the SIP:** In particular, progress on review of the Integration Scheme and the planned full review of the IJB's Governance Framework should be closely monitored by the Audit and Risk Committee, with assurances on progress provided. The updated self-assessment against outstanding MSG actions planned for 2022/23 should be clearly referenced in the SIP and, as previously recommended by Internal Audit, Category 1 responder and Whistleblowing duties should also feature.
  - 3) **Reporting and Monitoring:** SIP updates should clearly identify risks of non-delivery of actions and these should be summarised in the risk assessment section of the cover paper, which should link to relevant strategic risks. Committee Lead Officers should ensure sufficient time is allocated to the SIP updates to allow appropriate assurances to be provided and to enable robust

scrutiny and challenge. Where target dates are revised, these should be clearly annotated and an explanation provided.

4. Management advised in their response to the Internal Audit Annual Report 2021/22 that work was completed to collate all outstanding actions linked to inspection, performance, and strategic planning into one SIP as the pandemic arrived. Many of the outstanding actions were legacy actions and had been progressed and completed.
5. As part of the development of the new Strategic Commissioning Plan, a new commissioning plan implementation programme was to be developed to reflect the Transforming Care Implementation Plan, Locality Planning, and any outstanding actions from the current SIP. A separate risk register was also planned as part of this refresh of the implementation and reporting systems. An IJB workshop to review the MSG actions was arranged for Autumn 2022 and was to include Category 1 responder and Whistleblowing duties.
6. In summary, the proposed management actions to be completed by March 2023 were:
  - 1) Consider the format and completeness of the SIP including the recommendation to split the strategic and operational actions in conjunction with development of the 2023-2033 Strategic Commissioning Plan; and
  - 2) As detailed above, a risk register for the Strategic Commission Plan would be created and this will inform more clear assessment of risk in ongoing SIP progress reports to the IJB and / or committees.
7. The most up-to-date SIP provided to Internal Audit was September 2022. The SIP was reported annually to the Integration Joint Board. Due to the pressures on management capacity, the SIP was not monitored either operationally through the Strategic Planning Group or at governance level through the Integration Joint Board between September 2021 and March 2022; nor again after September 2022 until March / April 2023.
8. The 'Actions Planned' are vague which makes it difficult to meaningfully validate them. There are a lot of 'review' actions without actually saying what that review is or what 'success' looks like. There's nothing in the Plan that confirms that the content of the 'Progress' column is sufficient / proportionate to address the root cause issue (which itself isn't included in the Plan). There is also slippage on several actions and revised target dates incorporated in the SIP, although it is not always clear that a date has been revised. Agreed recommendations from the 2019/20 and 2021/21 Annual Internal Audit Reports are incomplete and therefore still feature in the SIP. They are also identified in the 2021/22 and 2022/23 Annual Governance Statement as areas for improvement.
9. Management acknowledged that the SIP would continue to evolve, however, there are too many plans in place. In addition, the approval of the Strategic Commissioning Plan in March 2023 meant that it was agreed at the Audit and Risk Committee (also in March 2023) that 'Annual Audit Report

Recommendations' within the 2021/22 Annual Audit Report should be reorganised into a Delivery Plan that delivers / underpins the strategic priorities and reduce the risk of actions being 'lost' or not progressed. Management are currently rationalising the actions that are within the SIP and the Transforming Care Board reports and aligning them to the new Strategic Commissioning Plan. A draft Delivery Plan will be refined by the Senior Management Leadership Team in June 2023. The Plan will come back to Integration Joint Board thereafter as a finalised plan (to the next meeting following June 2023 Integration Joint Board).

10. It was expected as part of Internal Audit's Annual Report 2021/22 that in the coming year there would be significant progress with the SIP. This would include progress with several longstanding MSG and external and internal audit recommendations, as well as meaningful assessment of the effectiveness of actions taken within the SIP as well as, how they contribute to the progression of strategic priorities and transformational change.
11. The anticipated draft Delivery Plan should progress these actions. We **recommend**, therefore, that governance arrangements for monitoring (and reporting) of the Delivery Plan are reviewed to ensure adequate scrutiny of progress being made, and that actions can be meaningfully validated / SMART: specific, measurable, achievable, relevant, and time bound.
12. Recommendations arising from our work, are shown in the attached Action Plan at **Annex 1**.

## RECOMMENDATIONS AND ACTION PLAN

Classification of Recommendations		
<b>Grade 1:</b> Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.	<b>Grade 2:</b> 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.	<b>Grade 3:</b> 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(s)	Action Due
1.	Governance arrangements for monitoring and reporting of the Delivery Plan should be reviewed to ensure adequate scrutiny of progress.  <b>Report Paragraph: 11</b>  <b>Grade 1</b>	There is a risk that the original Strategic Improvement Plan actions are not monitored appropriately, or actions completed within the required timescale.	<b><u>Recommendation Accepted</u></b> The suite of reports to the June Integration Joint Board meeting incorporate both draft Strategic and Operational delivery plans with a commitment to provide six monthly updates.	Per draft Strategic and Operational Delivery plans.	31 December 2023
2.	Actions within the Delivery Plan should be meaningfully validated / SMART: specific, measurable, achievable, relevant, and time bound.  <b>Report Paragraph: 11</b>  <b>Grade 1</b>	To ensure that actions can be meaningfully validated.	<b><u>Recommendation Accepted</u></b> Further consideration of formatting and structure of draft plans post consideration by the Integration Joint Board taking account of matters raised in this report.  This will ensure appropriate linkages to team and individual objectives of Senior Management and Leadership Team (SMLT) members.	SMLT Members	31 December 2023

# Clackmannanshire and Stirling Integration Joint Board

## Annual Governance Statement Assurance Questionnaire

2022/23 Internal Audit Review

### Substantial Assurance

# IAA

#### **Final Report Recipients:**

Chief Officer  
Chief Finance Officer



## 1. INTRODUCTION AND SCOPE

1.1 This review of the Clackmannanshire and Stirling Integration Joint Board (CSIJB) is part of our 2022/23 Internal Audit coverage. This review has focused on validating the Annual Governance Statement Assurance Questionnaire.

1.2 In relation to the Annual Governance Statement Assurance Questionnaire (the Questionnaire) the Chief Finance Officer (CFO) has responsibility for conducting, at least annually, a review of the effectiveness of the CSIJB's governance framework including the system of internal control.

1.3 The review of the effectiveness of the governance framework includes an annual self-assessment of the governance arrangements. This involves completing the Questionnaire. Completion of the Questionnaire provides assurance that key governance arrangements and documents are in place, up to date, and subject to ongoing review.

1.4 The Questionnaire is broadly consistent with the governance principles set out in CIPFA's Delivering Good Governance in Local Government Framework. The Questionnaire is split into eight sections:

- leadership, ethics, and a culture committed to good public sector governance;
- relationship with internal and external stakeholders;
- risk management;
- internal control and compliance;
- planning and performance monitoring;
- external compliance and accountability;
- information management to support informed decision making; and
- review and evaluation of governance arrangements.

1.5 In relation to the 2022/23 Questionnaire Internal Audit has:

- reviewed and challenged the conclusions reached by the Chief Finance Officer (CFO) in completing the self-assessment; and
- reviewed the completeness and accuracy of the CSIJB organisational evidence used by the CFO when completing the self-assessment to ensure it is underpinned by adequate and robust supporting documentation.

## 2. AUDIT ASSURANCE AND EXECUTIVE SUMMARY

2.1 This review has focused on validating the Annual Governance Statement Assurance Questionnaire.

2.2 We can provide **SUBSTANTIAL ASSURANCE** in this area (see **Annex 1** attached for assurance category definitions).

2.3 We were content it had been fully and accurately completed with documentation available to support the findings.

2.4 The self-assessment has highlighted a number of areas, that the CFO had already identified, where action is required. It is important that identified actions are implemented as a matter of urgency.

2.5 A summary of our recommendations is set out at **Section 4** of the report, with more detail provided at **Section 3**.

### 3. AUDIT FINDINGS

#### Annual Governance Statement Assurance

##### Questionnaire

3.1 The Questionnaire is based on the principles set out in CIPFA's Delivering Good Governance in Local Government Framework (paragraph 1.4).

3.2 As set out at paragraph 1.5, the focus of the Internal Audit work was to:

- review and challenge the conclusions reached by the CFO in completing the 2022/23 self-assessment; and
- review the completeness and accuracy of the CSIJB organisational evidence used by the CFO when completing the 2022/23 self-assessment to ensure it is underpinned by adequate and robust supporting documentation.

3.3 A summary of our findings for each of the eight sections (paragraph 1.4) is set out at paragraphs 3.4 to 3.22.

##### Section 1

##### **Leadership, ethics, and a culture committed to good public sector governance**

3.4 We were content that Section 1 was fully and accurately completed. There is a comprehensive system of cascading information to all staff. This includes staff engagement events, participation in Strategic Commissioning Planning Group, and visits to services by Chief Officers.

3.5 The completion of the self-assessment highlighted that the Delivery Plan which underpins the Strategic Commissioning Plan is currently in draft format. This

is due to be presented at the June 2023 IJB and should be finalised thereafter.

##### Section 2

##### **Relationship with internal and external stakeholders**

3.6 We were content that Section 2 was fully and accurately completed. It is evident that there is a wide range of engagement with internal and external stakeholders and the mechanisms to identify, engage, and report performance were operating effectively.

3.7 The self-assessment highlighted, however, that the Workforce Plan needs further work mainly on the action plan contained within. The CFO confirmed that the Workforce Plan incorporates an Action Plan identifying further work required on planned timescales across 'Thematics of Plan, Attract, Train, Employ, and Nurture' which will also identify training and development needs of the staff. The CFO also stated that a staff survey is currently underway via iMatters<sup>1</sup> which should highlight any improvement actions.

##### Section 3

##### **Risk Management**

3.8 We were content that Section 3 was fully and accurately completed.

3.9 The completion of the self-assessment highlighted three issues. These were:

- Lack of assurance that there is best use of resources and the organisation provides value for money to the public, although there is an acknowledgement that the approach to Best Value requires to further evolve;

<sup>1</sup> iMatters is a survey tool used by the NHS.

- identified lack of sufficient resources, skills, knowledge, and talent to deliver the business needs; and
- insufficient succession planning.

3.10 The CFO confirmed that these three issues will be addressed. Work is underway to complete the improvement actions incorporated in the Workforce Plan action plan.

#### **Section 4**

##### **Internal control and compliance**

3.11 We were content that Section 4 was fully and accurately completed. There are a range of measures in place to demonstrate effective internal control. These include policies being consistent with legislative requirements; and robust financial management arrangements with regular reporting to the Integration Joint Board and Management Team.

3.12 The completion of the self-assessment highlighted four issues as follows:

- internal controls are not aligned with the external accountability framework<sup>2</sup>;
- undelivered outcomes<sup>3</sup> from the Internal Audit Plan;
- further general financial training required for staff with financial authority; and
- there are limited processes and tools in place to monitor major investment projects, e.g. workforce constraints and development of national planning guidance.

<sup>2</sup> Are the internal policies and processes aligned to national legislative requirements and guidance.

3.13 The CFO confirmed that these issues are being reviewed, but it is proving difficult and time consuming due to the organisational complexities.

#### **Section 5**

##### **Planning and performance monitoring**

3.14 We were content that Section 5 was fully and accurately completed.

3.15 The completion of the self-assessment highlighted there was scope to improve measurable outcomes as part of team plans, in order to align with the Strategic Commissioning Plan. The self-assessment also highlighted five further issues:

- Work is required on the integrated performance framework alignment to support the organisation to achieve its strategic and operational objectives.
- The following require a refresh:
  - Service Plan (is under review);
  - Team Plans (are under review); and
  - Individual Employee Plans (also are under review).
- Staff may not have the knowledge, skills, and tools to support the achievement of services.
- Alignment of individual plans to team and service objectives is under review.
- Non financial resources to align with the strategic aims.

#### **Section 6**

##### **External compliance and accountability**

3.16 We were content that Section 6 was fully and accurately completed. CSIJB is subject to audit or

<sup>3</sup> Undelivered outcomes from Internal Audit Plan are actions from previous audits that remain outstanding and unresolved.

inspection by the Clinical Care and Governance Group, External Audit, and Internal Audit. Audit planning reports are provided to the CSIJB. Thereafter, all audit activity undertaken against these plans are reported to the Integration Joint Board.

3.17 The completion of the self-assessment questionnaire has highlighted further work is required to incorporate an action plan noted by External Audit into the Delivery Plan.

### **Section 7**

#### **Information management to support informed decision making**

3.18 We were content that Section 7 was fully and accurately completed. There have been regular update reports to the CSIJB.

3.19 The self-assessment highlighted further evolution is required in the performance reporting to the Integration Joint Board, and further work on the workforce report that is issued to the Senior Manager Leadership Team.

### **Section 8**

#### **Review and evaluation of governance arrangements**

3.20 We were content that Section 8 was fully and accurately completed. The CFO uses the results from the Questionnaire to help inform the Annual Governance Statement.

3.21 Completion of the self-assessment questionnaire has highlighted two issues:

- There is a shortage of adequate resources available to improve the knowledge and skills of staff with reference to governance.
- There are no certificates of assurance produced on an annual basis, e.g. Certificates of Assurance

from each team as part of the Annual Governance Statement.

3.22 Recommendations to address the issues highlighted at are set out at **Section 4** of this report.

## 4 RECOMMENDATIONS AND ACTION PLAN

Rec. No.	Recommendation	Reason for Recommendation	Agreed Management Action	Responsible Owner(s)	Action Due
1.	<p><b>Annual Governance Statement Assurance</b> <b>Questionnaire: Relationship with internal and external stakeholders</b></p> <p>Action plan within the Workforce Plan to be completed and monitored.</p> <p><b>Report Paragraph: 3.7</b></p>	To ensure all staff receive appropriate training and development.	<p><b>Recommendation Accepted</b> The Workforce Plan incorporated an action plan which incorporates timeframes.</p>	Chief Officer, Head of Service, Strategic Planning and Health Improvement, Senior OD Advisor	30 November 2023 (Year 1 Progress Report)
2.	<p><b>Annual Governance Statement Assurance Risk</b> <b>Questionnaire: Management</b></p> <p>The following issues should be addressed:</p> <p>Lack of assurance that there is best use of resources and that the organisation provides value for money to the public.</p> <p>Lack of sufficient skills, knowledge, and talent to deliver the business need.</p> <p>Lack of effective succession planning.</p> <p><b>Report Paragraph: 3.9</b></p>	To encourage new talent to the CSIJB so that best use can be made of individuals' skills and resources in balancing continuity and renewal.	<p><b>Recommendation Accepted</b></p> <p>There is financial input to business cases and decisions. Acknowledge that best value is evolutionary and better evidence of impact on outcomes required over time. Further consideration of approach to Best Value to be incorporated with future Annual Performance Reports.</p> <p>Workforce Plan will highlight areas of need. Currently facing recruitment and retention challenges.</p> <p>Action plan within the Workforce Plan will identify actions to improve succession planning in partnership with the constituent authorities.</p>	Chief Finance Officer  Head of Service, Strategic Planning and Health Improvement, Senior OD Advisor	31 July 2024  30 November 2023

Rec. No.	Recommendation	Reason for Recommendation	Agreed Management Action	Responsible Owner(s)	Action Due
3.	<p><b>Annual Governance Statement Assurance Questionnaire: Internal control and compliance</b></p> <p>The following issues should be reviewed:</p> <p>Internal controls are not aligned with the external accountability framework.</p> <p>Undelivered outcomes from the Internal Audit Plan.</p> <p>Further training required for staff with financial authority.</p> <p>Limited processes and tools in place to monitor major investment projects.</p> <p><b>Report Paragraph: 3.12</b></p>	<p>To ensure the IJB has appropriate measures in place to demonstrate effective internal controls.</p>	<p><b>Recommendation Accepted</b></p> <p>Further review and assurances of follow up action required from the Internal Audit Plan.</p> <p>Annual Committee Assurance Reports will provide assurance.</p> <p>Financial training available, but refresher training should be offered in partnership with constituent authorities.</p> <p>Workforce constraints require taking time to fully implement major investment in direct service provision. Monitoring and initial evaluation arrangements to be further considered.</p>	<p>Chief Finance Officer</p> <p>Chief Finance Officer / Committee Chairs</p> <p>Chief Finance Officers</p> <p>Chief Officer / Chief Finance Officer</p>	<p>31 December 2023</p> <p>30 September 2023</p> <p>Ongoing</p> <p>31 July 2024</p>

Rec. No.	Recommendation	Reason for Recommendation	Agreed Management Action	Responsible Owner(s)	Action Due
4.	<p><b>Annual Governance Statement Assurance Questionnaire: Planning and performance monitoring</b></p> <p>The completion of the self-assessment highlighted there was scope to improve measurable outcomes as part of team plans, in order to align with the Strategic Commissioning Plan.</p> <p>The self-assessment also highlighted five further issues to be addressed:</p> <p>Work required on the performance management processes to support the organisation to achieve its strategic and operational objectives,</p> <p>Review and refresh the following:</p> <ul style="list-style-type: none"> <li>• Service Plan;</li> <li>• Team Plans; and</li> <li>• Individual Plans.</li> </ul> <p>Staff may not have the knowledge, skills, and tools to support the achievement of services.</p> <p>Alignment of individual plans to team and service objectives.</p> <p>Non financial resources to be aligned with strategic aims.</p> <p><b>Report Paragraph: 3.15</b></p>	<p>To ensure capacity and capability of members and officers is developed.</p> <p>Also making the best use of Human Resources by taking an active and planned approach to meet responsibilities to staff.</p>	<p><b>Recommendation Accepted</b></p> <p>Some key vacancies. Replacement Head of Service Community Health and Care will assess position and requirements.</p> <p>Service Plans currently under review.</p> <p>Annual Financial statements of annual performance report demonstrating some trends in deployment of resources at odds with strategic direction. Exercise to baseline alignment of resources to 2023/33 Strategic Plan Priorities to be undertaken.</p>	<p>Head of Service, Community Health and Care</p> <p>Head of Service, Strategic Planning and Health Improvement</p> <p>Chief Finance Officer</p>	<p>31 March 2024</p> <p>31 December 2023</p> <p>30 November 2023</p>

Rec. No.	Recommendation	Reason for Recommendation	Agreed Management Action	Responsible Owner(s)	Action Due
5.	<p><b>Annual Governance Statement Assurance Questionnaire: External compliance and accountability</b></p> <p>Incorporate the action plan noted by External Audit into the Delivery Plan.</p> <p><b>Report Paragraph: 3.17</b></p>	To ensure external compliance and accountability.	<p><b><u>Recommendation Accepted</u></b></p> <p>To be incorporated into next iteration of the Delivery Plan.</p>	Chief Finance Officer	30 September 2023
6.	<p><b>Annual Governance Statement Assurance Questionnaire: Information management to support informed decision making</b></p> <p>Further evolution of the integrated performance reporting to the Integration Joint Board.</p> <p>Further work on the Workforce reports that are issued to the Senior Management and Leadership Team.</p> <p><b>Report Paragraph: 3.19</b></p>	To ensure good quality information, advice, and support to deliver services effectively.	<p><b><u>Recommendation Accepted</u></b></p> <p>Development of Integrated Performance Framework</p> <p>Further development of integrated workforce reporting.</p>	<p>Head of Service, Strategic Planning and Health Improvement</p> <p>HR Leads</p>	<p>Ongoing</p> <p>Ongoing</p>
7.	<p><b>Annual Governance Statement Assurance Questionnaire: Review and evaluation of governance arrangements</b></p> <p>The following issues should be addressed:</p> <p>There is not adequate resources available to improve the knowledge and skills of the staff with reference to governance.</p> <p>No Certificates of Assurance produced on an annual basis.</p> <p><b>Report Paragraph: 3.21</b></p>	To ensure the capability of people with governance responsibilities is developed and evaluating their performance as individuals and as a group.	<p><b><u>Recommendation Accepted</u></b></p> <p>Consider governance training requirements via Personal Development Plans and objective setting.</p> <p>Produce annual committee assurance reports per extant workplans.</p>	<p>SMLT members</p> <p>Chief Finance Officer / Business Manager / Committee Chairs</p>	<p>Ongoing</p> <p>30 September 2023</p>



## DEFINITION OF ASSURANCE CATEGORIES

Level of Assurance	Definition
<b>Substantial assurance</b>	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.
<b>Limited assurance</b>	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.
<b>No assurance</b>	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
<b>Substantial assurance</b>	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.
<b>Limited assurance</b>	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.
<b>No assurance</b>	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.

# Clackmannanshire & Stirling Integration Joint Board Audit and Risk Committee

28 June 2023

Agenda Item 6

## Internal Audit Annual Assurance Report 2022/23

*For Noting*

<b>Paper Approved for Submission by:</b>	Ewan Murray, Chief Finance Officer
<b>Paper presented by</b>	Isabel Wright, Internal Audit Manager
<b>Author</b>	Isabel Wright, Internal Audit Manager
<b>Exempt Report</b>	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"/>

<b>Purpose of Report:</b>	The purpose of this paper is to provide an overall assurance on the IJB's arrangements for risk management, governance, and control, based on Internal Audit work undertaken and reported during 2022/23.
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<b>Recommendations:</b>	<p>The Audit and Risk Committee is asked to note that:</p> <ol style="list-style-type: none"> <li>1. sufficient Internal Audit activity was undertaken to allow a balanced assurance to be provided;</li> <li>2. Internal Audit can provide <b>SUBSTANTIAL</b> assurance on the IJB's arrangements for risk management, governance, and control for the year to 31 March 2023; and</li> <li>3. Internal Audit operates in compliance with PSIAS, with no impairment to the independence of internal audit activity during the year.</li> </ol>
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## 1. Background

- 1.1. The Integrated Resources Advisory Group (IRAG) guidance states it is the responsibility of the IJB to establish adequate and proportionate internal audit arrangements for review of the adequacy of the arrangements for risk management, governance, and control of the delegated resources.
- 1.2. It is senior managers' responsibility 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.
- 1.3. The Integration Joint Board agreed, on 24 February 2016, that Internal Audit services would be provided by the Internal Audit teams within the constituent authorities, with responsibility for Chief Internal Auditor duties rotating between those authorities' Chief Internal Auditors on a three-year basis. The Clackmannanshire Council Internal Audit Manager was nominated as Chief Internal Auditor for the three-year period covering the financial years from 1 April 2022 up to 31 March 2025.

- 1.4. An Internal Audit Joint Working Protocol has been agreed by the Internal Auditors of Clackmannanshire Council, Stirling Council, and NHS Forth Valley, and by the Audit and Risk Committee. Audit and Risk Committee members are asked to note that audits will be shared under the output sharing protocol which will provide additional assurance to the IJB.
- 1.5. The Public Sector Internal Audit Standards 2017 (PSIAS, the Standards) require the Internal Audit Manager to prepare an Annual Assurance Report. This report should include:
  - a statement on the overall adequacy of the IJB's control environment;
  - a summary of Internal Audit work undertaken during the year; and
  - a statement on the Internal Audit Section's conformance with the Standards.
- 1.6. This report has been prepared to meet those requirements.

## 2. 2022/23 Internal Audit Reviews Considered in Providing Overall Assurance

- 2.1. Our Internal Audit Plan for 2022/23 was agreed by the Audit and Risk Committee on 16 November 2022. The Plan was broken down into the following three areas:
  - **Strategic Commissioning Plan:** A further piece of assurance work on the development of the Strategic Commissioning Plan just prior to its presentation to the IJB in 2023. This will follow up on a current piece of work as part of the 2021/22 Internal Audit programme;
  - **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; 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.
- 2.2. In addition, a Chief Finance Officer self-assessment of governance and any other annual assurance work required.
- 2.3. The final position is summarised in the table overleaf:

<b>2022/23 Internal Audit Plan:</b>	
<b>Strategic Commissioning Plan</b>	This review has been undertaken, with a final report issued. The finalised summary is set out at <b>Appendix 1</b> .
<b>Action Points Follow Up</b>	This review has been undertaken, with a final report issued. The finalised summary is set out at <b>Appendix 1</b> .
<b>Assurance Mapping</b>	Ongoing advice and consultancy.
<b>Review of governance self-assessment</b>	This review of the Annual Governance Statement Assurance Questionnaire has been undertaken, with a final report issued. The finalised summary is set out at <b>Appendix 1</b> .

- 2.4. Internal Audit use a set of Assurance Categories. A summary of these is set out at **Appendix 2**.
- 2.5. On the basis of work undertaken, Internal Audit can provide **SUBSTANTIAL** assurance in relation to Clackmannanshire and Stirling Integration Joint Board's arrangements for risk management, governance, and control for the year to 31 March 2023.
- 2.6. In providing this opinion, Internal Audit has taken account of findings arising from work undertaken as part of the Clackmannanshire Council Internal Audit Plan on systems used, and relied upon, by the Health and Social Care Partnership. For 2022/23 this consisted of:
- Building Security;
  - Payroll Transactional Testing;
  - Supplier Set Up; and
  - Continuous Auditing (focussing on Creditors Payments).
- 2.7. In addition, opinion can be further strengthened by the internal audit work undertaken within Stirling Council and NHS Forth Valley (FTF Internal Audit Service) during 2022/23. This included:
- Stirling Council: Public Protection Governance;
  - NHS Forth Valley: Internal Control Evaluation;

- NHS Forth Valley: Annual Report 2022/23;
- NHS Forth Valley: Workforce Planning; and
- NHS Forth Valley: Electronic Employee Support System.

### **3. Compliance with Public Sector Internal Audit Standards**

- 3.1. Internal Audit seeks to undertake all work in conformance with the Public Sector Internal Audit Standards 2017 (the Standards). The Standards have four objectives:
- To define the nature of Internal Auditing, within the UK public sector;
  - To set basic principles for carrying out Internal Audit in the UK public sector;
  - To establish a framework for providing Internal Audit services, which add value to the organisation, leading to improved organisational processes and operations; and
  - To establish the basis for the evaluation of Internal Audit performance and to drive improvement planning.
- 3.2. The Standards define internal auditing as, “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.
- 3.3. The IJB is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records, and governance arrangements. Internal Audit plays a vital role in advising the IJB that these arrangements are in place and operating effectively. There has not been any real or apparent impairment of independence or objectivity relating to audit work.
- 3.4. The Standards require the Internal Audit Manager to establish a Quality Assurance and Improvement Programme (QAIP) to allow evaluation of compliance with the Standards. This comprises an annual self-assessment and a five yearly external assessment. Part of this annual assessment includes the Internal Audit Manager confirming the organisational independence of the internal audit activity and to confirm that they report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. This requirement is further defined in the PSIAS as being met when the Internal Audit Manager reports functionally to Audit Committee. Both of these requirements continued to be met during 2022/23.
- 3.5. Internal Audit operated throughout 2022/23 with no impairments or restrictions in independence.

- 3.6. The Internal Audit Manager undertook a detailed self-assessment against the Standards in March 2023. This confirmed continuing compliance with the Standards, and will be subject to independent, external validation as part of a national review process established by the Scottish Local Authorities Chief Internal Auditors' Group.

#### **4. Conclusions**

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- 4.1. Sufficient Internal Audit activity was undertaken to allow a balanced assurance to be provided. Internal Audit is able to provide Substantial assurance in respect of Clackmannanshire and Stirling Integration Joint Board's overall arrangements for risk management, governance, and control for the year to 31 March 2023.
- 4.2. In providing that opinion, Internal Audit operated in compliance with the Public Sector Internal Audit Standards, with no impairments or restrictions to independence.

#### **5. Appendices**

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Appendix 1: Summary of Findings Arising from 2022/23 Internal Audit Work  
Appendix 2: Definition of Assurance Categories



<b>Fit with Strategic Priorities:</b>	
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"/>
<b>Enabling Activities</b>	
Technology Enabled Care	<input type="checkbox"/>
Workforce Planning and Development	<input type="checkbox"/>
Housing and Adaptations	<input type="checkbox"/>
Infrastructure	<input type="checkbox"/>
<b>Implications</b>	
<b>Finance:</b>	There are no resource implications arising from the recommendations in this report. Finance risks are a key issue for the IJB and will be incorporated within our assurance mapping and risk management work.
<b>Other Resources:</b>	This report, and the provision of an internal audit service in general, helps the Integration Joint Board and the Partnership in their delivery against National Health & Wellbeing Outcome 9: Resources are used effectively and efficiently to deliver Best Value.
<b>Legal:</b>	There are no implications from the recommendations of this report.
<b>Risk and Mitigation:</b>	Adequate and effective governance arrangements, including risk management and internal control, are necessary to deliver the outcomes and priorities of the IJB.
<b>Equality and Human Rights:</b>	The content of this report <b>does not</b> require an EQIA. No equalities issues arise.
<b>Data Protection:</b>	The content of this report <b>does not</b> require a DPIA.
<b>Fairer Duty Scotland</b>	<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 Guidance for public bodies can be found at: <a href="http://www.gov.scot">Fairer Scotland Duty: guidance for public bodies - gov.scot (www.gov.scot)</a></p> <p><b>Please select the appropriate statement below:</b></p> <p>This paper <b>does not</b> require a Fairer Duty assessment.</p>

### Summary of Findings Arising from 2022/23 Internal Audit Work

Internal Audit Plan	Assignment	Assurance
<b>2022/23</b>	<b>Strategic Commissioning Plan Follow Up</b>	<b>Substantial Assurance</b>
Scope	Final Report Executive Summary	
<p>This follow up review of the 2021/22 development of the Strategic Commissioning Plan (SCP) 2021/22 actions formed part of the 2022/23 Clackmannanshire and Stirling Integration Joint Board (IJB) Internal Audit Plan. The scope of the work is a high level follow up to assure the Committee that appropriate outstanding actions are or have been addressed.</p> <p>The 2021/22 report provided limited assurance and eight recommendations with related actions agreed by management. This report was presented to the Finance and Performance Committee on 21 December 2022 and the Audit and Risk Committee on 8 March 2023.</p>	<p>For the follow up review, evidence was sought from management in order to assess the progress of actions agreed to address the recommendations made in the 2021/22 report.</p> <p>Internal Audit established whether the recommendations had been implemented, by assessing the current status of agreed actions and relevant supporting documentation. For the eight recommendations made in the 2021/22 report we found six were fully implemented and two were partially implemented.</p>	

Internal Audit Plan	Assignment	Assurance
2022/23	Action Points Follow Up from Internal Audit's Annual Report 2021/22	Not Appropriate <sup>1</sup>
Scope		Final Report Executive Summary
<p>The purpose of this review is to evaluate and report on the adequacy of the implementation of actions highlighted in Internal Audit's Annual Report 2021/22. This is a high level review which formed part of our 2022/23 Internal Audit Plan, agreed by the Audit Committee in November 2022.</p>	<p>The approval of the Strategic Commissioning Plan in March 2023 meant that it was agreed at the Audit and Risk Committee (also in March 2023) that 'Annual Audit Report Recommendations' within the 2021/22 Annual Audit Report should be reorganised into a Delivery Plan that delivers / underpins the strategic priorities and reduce the risk of actions being 'lost' or not progressed.</p> <p>Management are currently rationalising the actions that are within the SIP and the Transforming Care Board reports and aligning them to the new Strategic Commissioning Plan. A draft Delivery Plan will be refined by the Senior Management Leadership Team in June 2023. The Plan will come back to Integration Joint Board thereafter as a finalised plan (to the next meeting following June 2023 Integration Joint Board).</p> <p>The anticipated draft Delivery Plan should progress these actions. Governance arrangements for monitoring (and reporting) of the Delivery Plan should be reviewed to ensure adequate scrutiny of progress being made, and that actions can be meaningfully validated / SMART: specific, measurable, achievable, relevant, and time bound.</p>	

<sup>1</sup> There was no overall assurance level assigned to this piece of work since it was a high level follow-up.

Internal Audit Plan	Assignment	Assurance
<b>2022/23</b>	<b>Annual Governance Statement Assurance Questionnaire</b>	<b>Substantial Assurance</b>
Scope	Final Report Executive Summary	
<p>The Chief Finance Officer (CFO) has responsibility for conducting, at least annually, a review of the effectiveness of the CSIJB's governance framework including the system of internal control.</p> <p>The review of the effectiveness of the governance framework includes an annual self-assessment of the governance arrangements. This involves completing the Questionnaire. Completion of the Questionnaire provides assurance that key governance arrangements and documents are in place, up to date, and subject to ongoing review.</p> <p>The Questionnaire is broadly consistent with the governance principles set out in CIPFA's Delivering Good Governance in Local Government Framework.</p> <p>Internal Audit has:</p> <ul style="list-style-type: none"> <li>• reviewed and challenged the conclusions reached by the CFO in completing the self-assessment; and</li> <li>• reviewed the completeness and accuracy of the CSIJB organisational evidence used by the CFO when completing the self-assessment to ensure it is underpinned by adequate and robust supporting documentation.</li> </ul>	<p>We were content the Questionnaire had been fully and accurately completed with documentation available to support the findings.</p> <p>The self-assessment has highlighted a number of areas, that the CFO had already identified, where action is required. It is important that identified actions are implemented as a matter of urgency.</p>	

### DEFINITION OF ASSURANCE CATEGORIES

<b>Level of Assurance</b>	<b>Definition</b>
<b>Substantial Assurance</b>	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.
<b>Limited Assurance</b>	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.
<b>No Assurance</b>	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.

# Clackmannanshire & Stirling Integration Joint Board Audit and Risk Committee

28 June 2023

Agenda Item 7

## Internal Audit Plan 2023/24

*For Approval*

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

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

<b>Purpose of Report:</b>	The purpose of this paper is to approve the Internal Audit Plan for 2023/24 and note that progress will be reported to the Audit and Risk Committee on an ongoing basis.
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<b>Recommendations:</b>	<p>The Audit and Risk Committee is asked to:</p> <ol style="list-style-type: none"> <li>1. approve the Internal Audit Plan for 2023/24; and</li> <li>2. note that progress will be reported to the Audit and Risk Committee on an ongoing basis.</li> </ol>
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## 1. Background

- 1.1. The Integrated Resources Advisory Group (IRAG) guidance states it is the responsibility of the Integration Joint Board (IJB) to establish adequate and proportionate internal audit arrangements for review of the adequacy of the arrangements for risk management, governance, and control of the delegated resources.
- 1.2. The Integration Joint Board agreed, on 24 February 2016, that Internal Audit services would be provided by the Internal Audit teams within the constituent authorities, with responsibility for Chief Internal Auditor duties rotating between those authorities' Chief Internal Auditors on a three-year basis. The Clackmannanshire Council Internal Audit Manager was nominated as Chief Internal Auditor for the three-year period covering the financial years from 1 April 2022 up to 31 March 2025.
- 1.3. An Internal Audit Joint Working Protocol has been agreed by the Internal Auditors of Clackmannanshire Council, Stirling Council, and NHS Forth Valley, and by the Audit and Risk Committee. Audit and Risk Committee members are asked to note that audits will be shared under the output sharing protocol which will provide additional assurance to the IJB.
- 1.4. The Public Sector Internal Audit Standards 2017 (PSIAS, the Standards) require the preparation of a risk based Internal Audit Plan setting out the team's annual work programme.
- 1.5. Risks, priorities, resource, and operational capacity has, and will continue to, fluctuate and change over the course of 2023/24. This Internal Audit Plan must, therefore, be considered flexible. There is a chance that all planned assignments will

not be completed as Internal Audit resource will continue to be directed to areas where there is the greatest need.

## 2. Planned Internal Audit Work

- 2.1. Internal Audit's role is to provide a balanced and evidence-based opinion on the adequacy of the IJB's arrangements for risk management, governance, and control.
- 2.2. Annual Internal Audit coverage is based on discussion with the Chief Officer and Chief Finance Officer. We also take account of relevant documentation, including the Strategic Plan and IJB Risk Register.
- 2.3. Resources to deliver the plan will be provided by Clackmannanshire Council, Stirling Council, and NHS Forth Valley Internal Audit services. A total of 60 days have been included in the 2023/24 Internal Audit Plans of the parties to deliver internal audit reviews for Clackmannanshire & Stirling IJB.
- 2.4. Our Internal Audit Plan for 2023/24 can be broken down into the following three areas:
- **Directions Policy:** The IJB approved the Directions Policy in September 2021, following approval by the Audit and Risk Committee. The Finance and Performance Committee monitoring role in respect of directions is to be performed by review of a Directions Log, although no review has yet taken place and no further update has been provided. The system for issuing and monitoring Directions should be embedded as part of the delivery arrangements for the 2023/33 Strategic Commissioning Plan, therefore, arrangements will be reviewed.
  - **Follow Up of Previous Internal Audit Recommendations:** High level follow up to assure the Committee that appropriate outstanding internal audit actions are or have been addressed; and
  - **IJB's Suite of Governance Documents:** Documents will be reviewed to ensure they are fit for purpose, reviewed regularly, up-to-date, and embedded to improve the assurance environment of the IJB.
- 2.5. The proposed plan is below:

Planned Area	Scope	Days
<b>Audit Planning and Management</b>	Liaison with management and attendance at Audit and Scrutiny Committee. Preparation of the Annual Internal Audit Plan, Progress Reports, and Annual Assurance Report.	4
<b>Audit Follow Up and Assignments</b>	Directions Policy	20
	Follow up of previous Internal Audit recommendations actions.	10



	IJB’s Suite of Governance Documents	20
<b>Annual Assurance Work</b>	Review of governance self-assessment and any other annual assurance work required. Includes provision of advice to the Chief Officer and / or the Chief Finance Officer.	6

- 2.6. Findings and matters arising from Internal Audit work will be reported to senior management in the form of a draft audit report where relevant. The draft report will provide a statement on the level of assurance that can be provided on the systems of risk management, governance, and control, as well as an action plan setting out specific audit recommendations.
- 2.7. The overall assurance will be provided in line with the definitions set out at **Appendix 1**, and senior management will be expected to provide responses to each recommendation in line with timeframes agreed prior to the start of the review. This report and completed action plan will form the final report and record of the audit, and the basis for subsequent follow-up work.
- 2.8. Reports will be provided to the Audit and Risk Committee detailing progress in completing the 2023/24 Internal Audit Plan, highlighting any key findings or emerging themes.
- 2.9. Internal Audit will produce an Annual Assurance Report providing an opinion on the overall adequacy and effectiveness of the IJB’s control environment. This report will include a summary of work undertaken and a comparison of work completed against work planned.

### **3. Conclusions**

- 3.1. The Internal Audit Plan is designed to provide the Chief Internal Auditor with sufficient evidence to form an opinion on the adequacy and effectiveness of internal controls. Work to deliver the plan is undertaken under the supervision of the Chief Internal Auditor.
- 3.2. The Audit and Risk Committee is asked to approve the Internal Audit Plan for 2023/24, noting that it remains flexible and amendments may be required should risks, priorities, resource, and operational capacity change significantly.

### **4. Appendices**

Appendix 1: Definition of Assurance Categories

<b>Fit with Strategic Priorities:</b>	
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"/>
<b>Enabling Activities</b>	
Technology Enabled Care	<input type="checkbox"/>
Workforce Planning and Development	<input type="checkbox"/>
Housing and Adaptations	<input type="checkbox"/>
Infrastructure	<input type="checkbox"/>
<b>Implications</b>	
<b>Finance:</b>	There are no resource implications arising from the recommendations in this report. Finance risks are a key issue for the IJB and will be incorporated within our assurance mapping and risk management work.
<b>Other Resources:</b>	This report, and the provision of an internal audit service in general, helps the Integration Joint Board and the Partnership in their delivery against National Health & Wellbeing Outcome 9: Resources are used effectively and efficiently to deliver Best Value.
<b>Legal:</b>	There are no implications from the recommendations of this report.
<b>Risk and Mitigation:</b>	Adequate and effective governance arrangements, including risk management and internal control, are necessary to deliver the outcomes and priorities of the IJB.
<b>Equality and Human Rights:</b>	The content of this report <b>does not</b> require an EQIA. No equalities issues arise.
<b>Data Protection:</b>	The content of this report <b>does not</b> require a DPIA.
<b>Fairer Duty Scotland</b>	<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 Guidance for public bodies can be found at: <a href="http://www.gov.scot">Fairer Scotland Duty: guidance for public bodies - gov.scot (www.gov.scot)</a></p> <p><b>Please select the appropriate statement below:</b></p> <p>This paper <b>does not</b> require a Fairer Duty assessment.</p>

### DEFINITION OF ASSURANCE CATEGORIES

Level of Assurance	Definition
<b>Substantial Assurance</b>	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.
<b>Limited Assurance</b>	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.
<b>No Assurance</b>	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.

# Clackmannanshire & Stirling Integration Joint Board Audit and Risk Committee

28 June 2023

Agenda Item 8

## 2022/23 Draft Integration Joint Board Annual Accounts

*For Consideration and Agreement for  
Issue*

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

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

<b>Purpose of Report:</b>	To present the 2022/23 Draft Integration Joint Board Annual Accounts for consideration and agree them for issue
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<b>Recommendations:</b>	The Audit and Risk Committee is asked to: 1) Consider and comment on the 2022/23 Draft Integration Joint Board Annual Accounts and agree them for issue
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## **1. Background**

- 1.1 The Local Authority Accounts (Scotland) Regulations 2014 requires the Integration Joint Board (IJB) to submit the Unaudited Annual Accounts of the IJB for the financial year ended 31 March 2023 to the Auditor by the statutory deadline of 30 June. Under the regulations, a Committee of the IJB, whose remit includes audit and governance functions, must meet to consider the unaudited Annual Accounts before 31 August. The Audit and Risk Committee normally fulfils this function.
- 1.2 The accounts are prepared by the IJB Chief Finance Officer in line with extant accounting regulations and guidance on accounting for integration which is reviewed periodically by Local Authority Scotland Accounts Advisory Committee (LASAAC) and published on the CIPFA website.

## **2. 2022/23 Draft Integration Joint Board Accounts**

- 2.1. The public inspection period for the accounts will run from Friday 30 June to Thursday 20 July and the draft accounts will be published on the Health and Social Care Partnership website in line with regulations. Arrangements will be made for any person wishing to inspect the accounts or any documents relating to them in person.
- 2.2. The external audit process is now underway in line with the External Audit plan considered at the Special meeting of the Audit & Risk Committee on 17 April 2023. The audited accounts will be presented to the Audit and Risk Committee for consideration and recommendation for approval to the IJB before presentation to the Integration Joint Board for approval and signing. The IJB Chief Finance Officer and finance officers are liaising with the IJBs External Auditors on an ongoing basis.

- 2.3. The draft accounts include details of the Integration Joint Boards' income and expenditure for the financial year 2022/23 and a Financial Outlook describing, based on the best information currently available, the financial and economic context within which the Integration Joint Board will operate within in coming years.
- 2.4. The draft accounts do not include key performance indicator information due to the timing of information availability. The draft Annual Performance Report is being compiled and presented at the June meeting and will be published in line with statutory timescales by the end of July 2023. The final accounts will be updated to incorporate this information in due course.
- 2.5. Given the accounts relate to the final year of the 2019-2023 Strategic Commissioning Plan the style has been kept similar to previous years to tie to this whilst acknowledging the 2023-2033 Strategic Commissioning Plan approved by the IJB in March 2023.
- 2.6. In terms of financial performance, the IJB reported an operational underspend on the integrated budget of £1.076m and declared a deficit for the year of £5.521m reflecting the net decrease in reserves.
- 2.7. Whilst this outturn for 2022-23 was positive the accounts also set out a very challenging short to medium term financial outlook for the IJBs funding environment and therefore its ability to fund service delivery and manage strategic change.
- 2.8. As reflected in the IJBs 2023/24 Initial Revenue Budget and financial reports it is imperative that savings and efficiency programmes are delivered and balanced with investments to progress the Transformation Programme, pursuing Strategic priorities and maintaining operational budget grip and control to secure the financial sustainability of the partnership.
- 2.9. The management commentary in the accounts also highlights future risks and the significant uncertainty in predicting future demand, activity, and therefore costs as continue to recover from the pandemic.
- 2.10. The draft accounts contain a draft annual governance statement and members should consider this alongside the other relevant papers on the committee agenda.
- 2.11. The significantly changing policy landscape is also described particularly the position with regard to the establishment of a National Care Service.

### **3. Conclusion**

- 3.1. The IJBs draft accounts for 2022/23 reflect the financial performance and ongoing impacts from the pandemic, economic outlook and key plans for the future.

- 3.2. The external audit process is proceeding in line with the Annual External Audit Plan to permit the audited accounts to be presented to the Audit and Risk Committee in September for consideration and recommendation to the IJB.

#### 4. Appendices

##### Appendix 1 – Draft 2022/23 IJB Annual Accounts

<b>Fit with Strategic Priorities:</b>	
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"/>
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Alcohol and Drugs	<input checked="" type="checkbox"/>
<b>Enabling Activities</b>	
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"/>
<b>Implications</b>	
<b>Finance:</b>	Per body of report and accounts.
<b>Other Resources:</b>	N/A
<b>Legal:</b>	As a public body, the IJB is subject to public audit.
<b>Risk &amp; mitigation:</b>	The accounts provide a narrative on the risk environment the IJB operates within.
<b>Equality and Human Rights:</b>	The content of this report <b>does not</b> require a EQIA
<b>Data Protection:</b>	The content of this report <b>does not</b> require a DPIA
<b>Fairer Duty Scotland</b>	<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: <a href="http://www.gov.scot/Publications/2018/03/6918/2">http://www.gov.scot/Publications/2018/03/6918/2</a></p> <p>The content of this report <b>does not</b> require Fairer Duty Scotland Assessment</p>

**Clackmannanshire and Stirling Integration Joint Board  
2022/23 Annual Accounts (unaudited)**





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## **Management Commentary**

### **Introduction & Purpose**

This publication contains the financial statements for the financial year from 1 April 2022 to 31 March 2023.

The Management Commentary outlines the key messages in relation to the IJBs financial planning and performance for the year 2022/23 and how this supports delivery of the IJBs strategic priorities as defined in the 2019-2023 Strategic Commissioning Plan. This commentary also takes a forward look and outlines future plans for the IJB and particularly the ambitious 2023/2033 Strategic Commissioning Plan approved by the IJB in March 2023. The commentary also highlights the challenges and risks we will face as we endeavour to meet the needs of and improve outcomes for the population of Clackmannanshire and Stirling.

Understandably, the continuing impacts of the Covid 19 pandemic continues to feature within the commentary as we evolve our understanding of the medium term effects on the Health and Social Care needs of the partnership population.

The IJB is responsible for the strategic planning, funding and commissioning of Adult Social Care Services, Community and Family Health Services, and strategic planning and funding of large hospital services with NHS Forth Valley and Falkirk Integration Joint Board. These large hospital services continue to be operationally managed by NHS Forth Valley as part of pan Forth Valley arrangements.

The IJB and the Health and Social Care Partnership (HSCP) Senior Management Team would wish to take this opportunity to convey thanks for the tremendous work that staff, both directly employed, and commissioned through providers of health and social care services, have done to continue delivery of services to our citizens during what has been a significantly challenging year. The IJB would also wish to thank our wider range of partners it works with including partners in the Third Sector.

### **Role and Remit of the Clackmannanshire and Stirling Integration Joint Board**

The Clackmannanshire and Stirling Integration Joint Board (IJB) was formally established in October 2016 through the legal partnership agreement between NHS Forth Valley and Clackmannanshire and Stirling Councils known as the Integration Scheme.

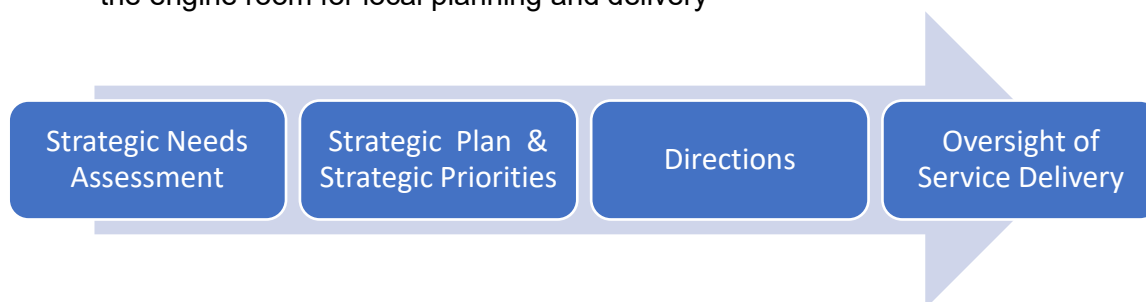
The IJB has responsibility for the strategic planning and commissioning of a wide range of health and adult social care services within the Clackmannanshire and Stirling area. The functions delegated to the IJB, under the Public Bodies (Joint Working) (Scotland) Act 2014 (the Act) are detailed within the Integration Scheme <https://clacksandstirlinghscp.org/about-us/integration-scheme/>.

Clackmannanshire and Stirling IJB is unique in Scotland as the only IJB consisting of two local authorities and one NHS Board. This arrangement brings additional complexity particularly with regard to issues such as funding losing its identity, service delivery being seamless from the point of the service user, governance arrangements, and assurance required from an operational perspective.

## IJB Business Model

The role of the IJB is to plan health and social care services for the population it covers, including preventative type provision such as Health Improvement. The IJB discharges this role through

- Carrying out a strategic needs assessment for the partnership population
- Developing and agreeing a Strategic Commissioning Plan including defined priorities to pursue improvement against the 9 National Health and Wellbeing Outcomes that seek to measure the impact that integration is having on people's lives.
- Directing Clackmannanshire and Stirling Councils and NHS Forth Valley to deliver services within the Strategic Commissioning Plan and budget
- Implementing Locality Planning Networks within the IJBs agreed localities which are the engine room for local planning and delivery



There is therefore a distinction between the Integration Joint Board as the Public Body and the Health and Social Care Partnership as the mechanism or 'delivery vehicle' for delegated integration functions covered by the Integration Scheme. These functions are delivered by means of the IJB directing the constituent authorities to deliver services on the IJBs behalf using the resources available to deliver the Strategic Commissioning Plan.

## Review of Integration Scheme

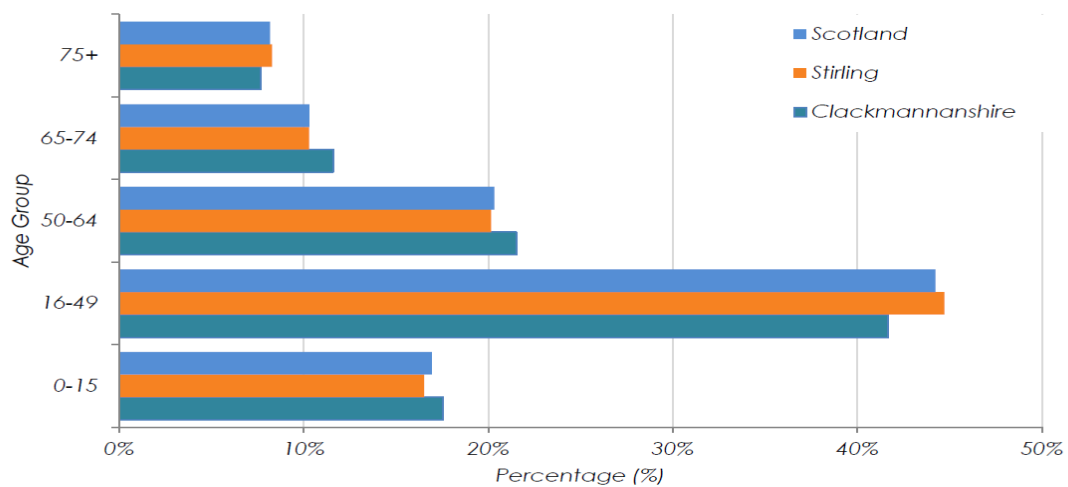
Under the requirements of the Act, Local Authorities and NHS Boards are required to review Integration Schemes within five years of the scheme being approved in Parliament. An initial review of the Integration Scheme was undertaken in January 2020, however due to the pandemic, ongoing service pressures, and other competing demands, consideration of a revised scheme has not yet been taken forward at 31 March 2023 although a plan for the process was developed. This plan is in place with the constituent authorities to complete the substantive review during 2023/24.

### Clackmannanshire and Stirling Health and Social Care Partnership

The Clackmannanshire and Stirling Health and Social Care Partnership population is approximately 146,000 and the partnership provides services over an area of 1454 square miles with urban centres around Stirling and Alloa and very rural areas to the North and West of Stirling including a significant element of the Loch Lomond and Trossachs National Park.



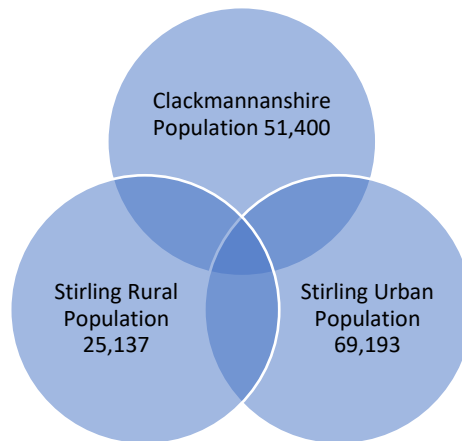
The age distribution of the population of Clackmannanshire and Stirling compared to Scotland is illustrated below.



Our Strategic Needs Assessment highlights a number of key messages for the partnership population:

- We have an ageing population
- It is projected that Clackmannanshire and Stirling will have growing numbers of individuals living with long term conditions, multiple conditions, and complex needs.
- Supporting unpaid carers is a priority.
- Reducing unplanned emergency hospital care will benefit the service as well as the individual
- Reducing behaviours such as smoking, alcohol consumption, drug use, and poor diet could have a positive effect on an individual's health and, in general, on the future burden of disease across communities.
- There are significant differences in the issues affecting health and social care within each locality including socio-economic issues

There are three localities within the partnership:



We have developed locality profiles with key findings for each of our localities to better understand the differing needs and challenges in each and target responses in each.



### **Integration Joint Board Vision, Strategic Commissioning Plan and Priorities**

The vision of Clackmannanshire and Stirling Health and Social Care Partnership is:

**Enabling people in Clackmannanshire & Stirling to live full and positive lives within supportive communities**

## Partnership Vision - Rich Picture

To consider the meaning of this vision, a collaborative exercise was carried out with members of our Strategic Planning Group and wider citizens the output was then recorded by a graphic artist. The diagram below illustrates what the vision means for delivery of care and support and for communities across Clackmannanshire and Stirling. This Rich Picture has been used in the development of the Strategic Plan, guiding discussions, setting priorities, and agreeing next steps with our communities.



The vision is based on the Partnership Principles, which are to ensure that services are provided in a way which:

- Are integrated from the point of service users
- Take account of the particular needs of different service users
- Respects the rights and takes account of the dignity of service users
- Protects and improves quality and safety
- Are planned and led locally in a way which is engaged with communities
- Anticipates needs and prevents them arising where possible
- Makes best use of available facilities, people and other resources

The Integration Joint Board approved the 2023/2033 Strategic Commissioning Plan in March 2023. Financial year 2022/23 therefore reflects the fourth year of four of the 2019/23 Strategic Commissioning Plan. The plan built on the priorities within 2016 to 2019 Strategic Plan informed by focused refresh of the Strategic Needs Assessment for the adult population and an extensive consultation and engagement process with the public, partners and other stakeholders.

The IJB has agreed that the 2023/33 Strategic Commissioning Plan will be a 10 year plan and the plan approved in March 2023 built on the priorities and successes of the previous plan after an extensive period of public engagement and participation. The 2023 to 2033 Strategic Commissioning Plan will be subject to substantive review at least every 3 years to comply with extant legislation and statutory guidance and progress on delivering the plan will be the focus of annual performance reports (APRs) during the lifecycle of the plan.



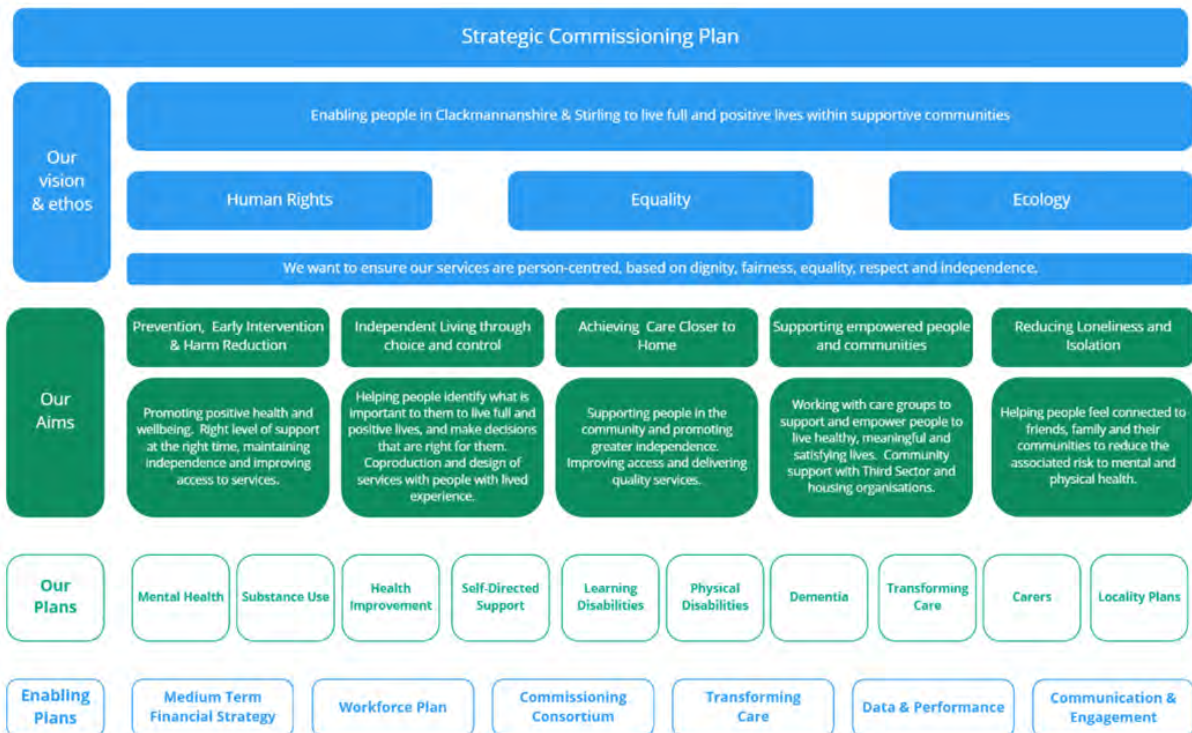
The priorities defined in the 2019/2023 Plan and 2023/2033 Plans are illustrated below. By looking at the priorities side by side the evolution is relatively obvious.

**Strategic Priorities 2019/2023**

**Strategic Priorities 2023/2033**



The partnerships ‘plan on a page’ below illustrates how the partnership vision, ethos, priorities and aims, and enabling plans and strategies to deliver change align with the partnership principles detailed above.



A Year 1 Delivery Plan is being developed and implemented to deliver against the priorities in a sustainable manner aligned to the Transforming Care Programme. The Strategic Commissioning Plan is supplemented by regular reports to the Integration Joint Board on Transforming Care, Governance, Finance and Performance.

The Strategic Commissioning Plan can be found here:  
<https://clacksandstirlinghscp.org/about-us/strategic-plan/>

### **Covid 19 – Ongoing Responses and Impacts**

The financial year 2022/23 continued to be impacted by Covid as the medium term impacts on the Health and Social Care needs of the population evolve.

The partnerships financial position continued to be supported by a degree of Covid consequential funding however the direct demonstrable impacts of this reduced significantly and a degree of funding was reclaimed by Scottish Government.

### **Principal Activities & Key Achievements in 2022/23**

During 2022/23 the key activities and achievements of Clackmannanshire and Stirling Integration Joint Board included:

- Continuing our responses to the Covid 19 pandemic to continue to deliver safe high-quality services to our citizens. Responding to operational service delivery pressures in the face of significant and enduring increases in demand and complexity was our primary focus as a partnership during the year.
- Developing and agreeing the 2023/2033 Strategic Commissioning Plan
- Continuing to significantly progress implementation of the Primary Care Improvement Plan (PCIP) incorporating implementation of the General Medical Services Contract Arrangements and Mental Health Action 15 plans. This also incorporated testing the model for Community Link Workers in partnership with the Third Sector.
- Developing and agreeing a Workforce Plan including an improvement action plan.
- Continuing to evolve and progress delivery of the Transforming Care Programme overseen by the Transforming Care Board as the key delivery vehicle to modernise and transform integrated service delivery to improve outcomes for citizens. This included agreeing with the IJB key investments for Rapid Response Services and Rural Care at Home provision and implementing plans for Analogue to Digital changeover for Mobile Emergency Care Service (MECS) community alarms.
- Developing our approach to Locality Planning and supporting the role of locality planning groups
- Developing and beginning to implement Commissioning Consortium arrangements
- Implementing Senior Management and Leadership and IJB development programmes.
- Agreeing and implementing Carers Recovery Plans in partnership with Third Sector and Carers Centres

- Developing models to understand demand and capacity for provision of Adult Social Care.
- Further developing strategic relationships including the partnership's role in leading on the Community Wellbeing Agenda in Community Planning Partnerships.
- Agreeing arrangements for further service delegation.
- Developing a refreshed approach to Self Directed Support and SDS Implementation Plan
- Developing and implementing a Winter Plan to deliver high performing safe service delivery and improvements in Unscheduled Care performance.
- Securing financial support from Scottish Government for the financial implications of Covid 19 to offset the ongoing demonstrable cost implications of Covid including exceptional demand levels.

### **Forward Look: Policy Landscape Reform**

Further to the Independent Review of Adult Social Care published in September 2020 Scottish Government agreed policy intent to establish a National Care Service (NCS) over the current parliamentary term.

The Scottish Governments 'New Leadership – A fresh start' document published on 18 April 2023 sets out key policy commitments including Delivery of the National Care Service legislation, subject to the agreement of parliament, to tackle consistency of provision and improvements in health and social care, in partnership with Local Government, to improve social care across Scotland.

There is also a commitment to increased social care pay to help reduce the workforce challenges in the sector with a timescale yet to be defined.

At the time of writing further consideration of the NCS legislation by Scottish Parliament has been delayed until January 2024.

### **2022/23 Annual Accounts**

The Accounts report the financial performance of the Integration Joint Board. Its main purpose is to demonstrate the use of the public funds available for the delivery of the Integration Joint Board's vision and priorities as set out in the Strategic Commissioning Plan.

The requirements governing the format and content of local authorities' annual accounts are contained in The Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The 2022/23 Annual Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting and the Local Authority Accounts (Scotland) Regulations 2014.

For financial year 2022/23 a deficit of £5.521m has been declared reflecting the net decrease in reserves held between 1 April 2022 and 31 March 2023.

At 31 March 2023 the Integration Joint Board holds £22.726m of reserves which are earmarked for use during 2023/24 and future years.

The level of reserves held at 31 March 2023 continues to be temporarily high as a result of:

- A balance in Covid earmarked reserves of £5.341m which is subject of ongoing discussion with Scottish Government
- An increase in general reserves as a result of net overspend in the integrated budget for financial year 2022/23
- Higher than projected balance of service pressures earmarked reserve at 31 March 2023
- A number of new earmarked reserves including reserves established in agreement with NHS Forth Valley for PCIP Transitional Payments and Prescribing Invest to Save costs which will be incurred during 2023/24 financial year.

Given plans to expend earmarked reserves and financial risks and pressures projected for 2023/24 it is anticipated reserves will fall to target levels by 31 March 2024.

The table below summarises the movement in reserves from 2021/22:

	£m
Reserves at 1 April 2022	28.248
Net (Decrease) in Reserves	(5.521)
Reserves at 31 March 2023	22.726

The reserves held at 31 March 2023 are across three broad categories as summarised in the table below:

	£m
General Reserves	4.398
Earmarked Reserves: Residual Covid Funding	5.341
Other Earmarked Reserves	12.987
Reserves at 31 March 2023	28.248

A full analysis of reserves and movements therein is provided within Note 10 to the financial statements.

Whilst reserves held at 31 March 2023 are higher than target it should be the viewed as a positive that the IJB continues to hold a degree of general or contingency reserves for future financial risks or unforeseen events with financial consequence. Given the increasing future financial risk profile of the IJB it is particularly important to hold sufficient reserves and maintain a prudential reserves strategy.

## Performance Reporting

The Integration Joint Board continues to further develop its performance management frameworks, infrastructure, and culture in partnership with support service requirements from the constituent authorities. This is aimed at developing over time ways to demonstrate improved outcomes for citizens, best value for the use of public money, and evidence of progress in relation to the agreed Strategic Plan Priorities. There are ongoing challenges with regard to access to data, in particular, automated data. Information Technology and Management Information Systems across the three constituent authorities require significant modernisation from both an individual organisational perspective but also to report and measure the impact of integrated service delivery and gather evidence of improved outcomes.

The Integration Joint Board receives a performance report at each meeting which along with financial reports and reporting on the Transforming Care Programme, gives a rounded view of the overall performance, financial sustainability, and progress in implementing the Strategic Plan priorities of the Partnership.

Taken together, information on key performance indicators, measurable progress in delivering the priorities of the Strategic Plan, and financial performance collectively aim to demonstrate best value within a culture of continuous improvement.

The published Annual Performance Reports for the Partnership, including those for previous years, can be found here <https://clacksandstirlinghscp.org/performance/>.

The 2022/23 report represents the 7<sup>th</sup> Annual Performance Report for the Partnership. It is acknowledged the approach to, and quality of performance reporting will continue to develop over time.

The 2022/23 Annual Performance Report, details progress in relation to the partnership priorities along with summary and detailed performance information.

The partnerships 2022/23 Annual Performance Report will be considered by the IJB in draft form in June 2023 and published in July 2023 in line with statutory timeframes.

The partnerships core performance indicators from the Annual Performance Report will be available during July 2023 and further information on core performance indicators will be incorporated within the final accounts post publication of the Annual Performance Report.

## **Financial Performance and Outlook, Risks, and Plans for the Future**

### Financial Performance

The Partnership has continued to face significant financial challenges in 2022/23 requiring ongoing development and implementation of options for financially sustainable service delivery aligning, as far as possible, to the priorities agreed within the Partnerships Strategic Commissioning Plan 2019-2023.

The challenges included:

- Significant and enduring increased demand for health and social care services
- Linked to the point above, increased acuity and complexity of care requirements with associated increased costs
- Increasingly competitive labour markets and scarcity of appropriately skilled and trained workforce
- Inflationary pressures
- Delivery of local transformation programmes including Scottish Government supported policy initiatives e.g. Primary Care Transformation
- Linked to the point above, delivery of sufficient savings and efficiency programmes to maintain a balanced budget position

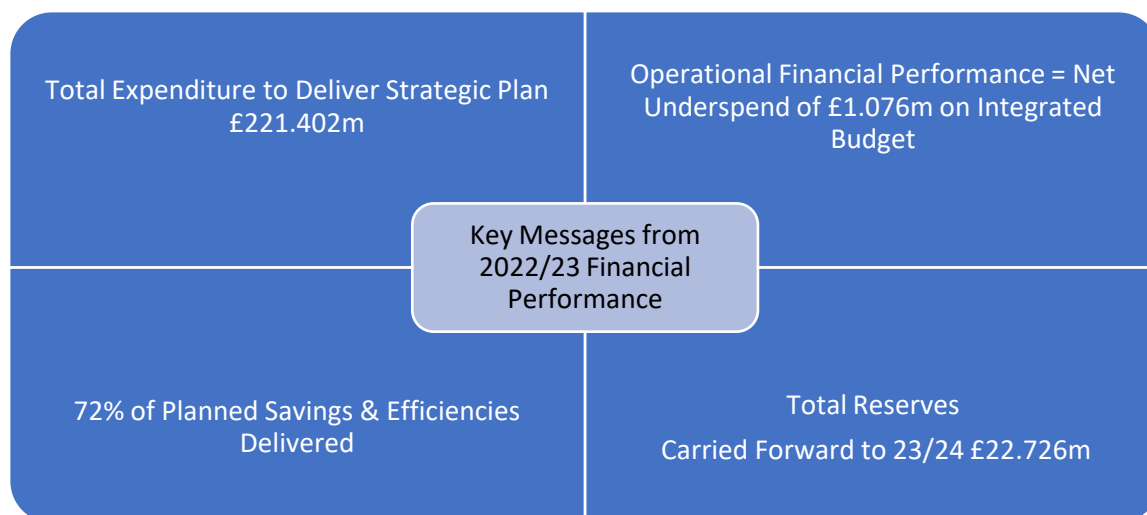
The 2022/23 Revenue Budget was approved by the IJB on 23 March 2022. The plan was predicated on a savings requirement of £2.651m on the Integrated Budget and £0.628m in relation to the Set Aside Budget for Large Hospital Services with risk assessed plans in place to deliver these. The budget also contained business cases for investment in a Rapid Response Service and a Rural Care at Home team.

Approximately 72% of the planned savings and efficiencies programme were achieved in the year in relation to the Integrated Budget. Less than full delivery of savings and efficiency targets and other cost pressures were offset by in-year slippage on implementation of the key business cases approved by the IJB and other fortuitous underspends including from staff vacancies demonstrating the challenges in relation to workforce recruitment and retention.

The operational financial position on the Integrated Budget (the partnership budget excluding set aside budget for large hospital services) was a net underspend of £1.076m.

The set aside budget for large hospital services was overspent by £3.511m for the financial year due to costs of contingency beds, associated staffing for these beds and other workforce costs including increased use of temporary workforce solutions. This financial pressure was met by NHS Forth Valley and poses a significant ongoing risk for the Health and Social Care system.

No additional financial contributions from the partners were required to reach this position.



#### Key factors Impacting Financial Performance in 2022/23:

- Residual Scottish Government financial support for the financial impacts of Covid
- Underspends across several areas of Community Health Services including predominantly staffing related underspends in:
  - District Nursing
  - Addictions
  - Allied Health Professionals
  - Community Learning Disabilities
  - Community Mental Health Services
- Family Health Services Prescribing remained the most significant cost pressure area within the partnership
- Increasing temporary workforce costs across both the Integrated and Set Aside elements of the budget
- Levels of staffing underspends across services reflecting recruitment and retention issues

The accounts illustrate a deficit of £5.521m for the Partnership for the 2022/23 financial year.

Whilst core financial performance was positive the Partnership will continue to face significant financial challenges to deliver the current and future Strategic Plan priorities and improved outcomes for service users, unpaid carers, and communities in a climate of growing demand, cost, and complexity.

#### Set Aside Budget for Large Hospital Services

The Set Aside budget covers the in-scope integration functions of the NHS that are carried out in a large hospital setting providing services to the population of more than one Local Authority and/or Partnership area. For the Clackmannanshire and Stirling Partnership this includes services provided at the Forth Valley Royal Hospital site including the Lochview Learning Disability Inpatient facility and at Bellsdyke hospital in Larbert (Mental Health Inpatients). This covers areas such as emergency department, geriatric and general medicine, palliative care, learning disability and mental health inpatient services.

For financial year 2022/23 NHS Forth Valley met the pressures associated with the set aside budget and therefore the financial risk does not currently lie with the Integration Joint Board. As a result, the figures disclosed in the accounts reflect the budget position for the Set Aside

element. However, financial reports to the Integration Joint Board include information on the actual estimated expenditure against the Set Aside budget, noting that NHS Forth Valley currently meets the financial pressure associated. A summary of the position is as follows:

	£m
Set Aside Budget	31.513
Estimated Expenditure	35.024
Overspend Met by NHS Forth Valley	3.511

Arrangements for the Set Aside budget continue to be under review. Work on completing this review has not been concluded during 2022/23 due to the focus significant operational pressures across the whole Health and Social Care system. The further work required to complete the review and agree future arrangements in line with extant legislation and the partnership action plan in response to the Ministerial Strategic Group recommendation on Progress on Integration is planned to be completed over the course of 2023/24 with recommendations being made thereafter to the IJB and NHS Board. This, along with the review of the Integration Scheme, may impact how this is financed and accounted for in future years.

### Financial Outlook

The medium-term impacts of the Covid 19 pandemic, world events, and economic conditions including ongoing high inflation is having significant effect on Scottish, UK, and the global economy. The longer-term impacts remain very uncertain and issues such as high general inflation, energy prices, and geopolitical events will have ongoing effect on economies, public expenditure, and costs. The Scottish Governments Medium Term Financial Strategy published on 25 May 2023 set out a very challenging fiscal environment for public sector expenditure in the coming years.

The IJBs 2023/24 Revenue Budget, approved in March 2023, incorporated a budget gap of £9.466m in relation to the IJBs Strategic Plan budget requiring to be addressed through efficiency and savings programmes to achieve financial balance. This figure was made up of £6.392m in relation to the Integrated Budget and £3.074m in relation to the set aside budget for large hospital services.

A balanced initial budget was approved by the IJB in March 2023 after £2m non recurrent support from IJB Reserves. Given the risk assessment in relation to delivery of savings and efficiencies and non recurrent support from reserves the financial risk profile of the IJB has significantly increased and it will be increasingly difficult to continue to deliver levels of service for assessed need and unmet need is likely to grow. There are also significant risks to whole system performance and safety including ability to support hospital discharges timeously.

Changing Scottish Government policy in relation to Health and Social Care and particularly the establishment of a National Care Service may have a significant effect on the finances and accountabilities of the IJB going forward. The IJB awaits further detail of the legislative and policy direction of the Scottish Government in this regard.

The IJB Initial 2023/24 Revenue Budget incorporated a medium-term financial outlook over the next five years which estimates a gap between projected costs and resources requiring to be met by savings of £34.013m. This outlook was aligned to the Scottish Governments



May 2022 Resource Spending Review and will be superceded by a refreshed Medium Term Financial Plan by November 2023.

### Future Risks

Covid19 aside the most significant risks facing the IJB are:

- Continued economic uncertainty, high inflation, and wider impacts of world events and political influences.
- Increasing demand for and cost of health and social care services driven by demographic change including an ageing and increasing population with multiple and complex long-term conditions
- The wider context for public expenditure as set out in the Scottish Governments resource spending review.
- The wider social determinants of health including economic development, employment and inequality of opportunity and outcomes.
- Public Sector pay policy, particularly where this deviates from general inflation and/or allocations to the IJB to reflect these costs.
- Price and supply volatility in the markets, at both UK and international levels for prescription drugs and other therapeutic products.
- Inequalities between the affluent and more deprived areas and the challenges of deprivation, housing, and employment
- The wider financial and economic environment, including the impact of Covid on UK and Scottish economic strategies and public expenditure
- Increasing public expectations from health and social care services:
- The changing policy landscape particularly in relation establishment of a National Care Service (NCS) and rising expectations associated with this.
- The need to maintain and improve the quality of services and improve outcomes for service users, unpaid carers, and communities
- Workforce challenges, staff wellbeing, the ageing workforce, and issues around recruitment and retention within the health and social care workforce. This specifically and notably includes challenges in relation to GP Practice Sustainability
- Maintaining performance against key local and national indicators whilst maintaining service delivery within resources available.

All of the above risks may have an impact on the partnership's costs in future years and, therefore, add to the financial pressures over the medium to longer term.

### Plans for the Future

There continues to be opportunities for the Integration Joint Board to use its combined resources in a more effective, efficient, and person-centred ways focusing on place-based services to make better use of public resources and improve outcomes for our citizens.

The significantly increasing demands on health and social care services risks exceeding available resources and approaches to service design and delivery requires to be focused on better outcomes for citizens and co-produced with our communities through meaningful and ongoing engagement.

Demonstrable delivery of progress on the priorities defined in the 2023/33 Strategic Commissioning Plan and improved outcomes for our communities will be the focus of service delivery and our transforming care programme as we try and balance service performance and financial sustainability. Going forward increasingly difficult decisions

locally, including disinvestment decisions, and collaborative work with Scottish Government on sustainable policy approaches will be required.

The Partnership continues to adopt a whole-systems approach to improve health and social care outcomes and will work alongside Community Planning partners to address wider issues in relation to congruence with Local Outcome Improvement Plans, driving public value through place-based services, community empowerment, public health, and health improvement.

These approaches will ensure a joint contribution to encouraging, supporting, and maintaining the health and wellbeing of people who live in our communities thus assisting the partnership in addressing the challenges faced.

It is recognised that without significant further change to the way that services are planned and delivered with partners across all sectors, current service provision will not be sufficient to meet the future health and social care needs of the population. We must therefore continue to embed new ways of working and seek to focus resources away from bed-based models of care into community-based services and invest in early intervention and prevention. We need to continue to critically appraise and challenge our current models of service delivery to ensure our combined resources are focused on areas of greatest need delivering the best outcomes to our service users and patients and that crucially we co-produce these harnessing the capacity of local communities to support the wider preventative health and wellbeing outcomes.

Moving forward there will increasingly be a requirement to focus investment of available resources on Strategic Commissioning Plan Priorities and ensure we and partners meet statutory requirements in innovative ways including increasing use of assistive technologies and digital solutions. It is paramount these solutions are co-produced with communities through an ongoing commitment to public and service user engagement.



The key elements of this approach are set out in the 'plan on a page' schematic on Page X of this document and supplemented the detailed planning within and aligned to our Transforming Care Programme.

## **Conclusion**

In this seventh year of operations the Partnership has focussed heavily on responding to the increased level of demand for Health and Social Care Services presenting across the whole system and supporting whole system performance and safety.

Going forward, the Clackmannanshire and Stirling Health and Social Care Partnership will continue to face significant financial challenges in delivering better outcomes for its patients and service users in line with its Strategic Commissioning and Financial Plans in a climate of growing demand and complexity with increasingly scarce resources.

In order to achieve this we must continue to identify and implement innovative ways of delivering sustainable services to our citizens in ways that are truly co-produced with our communities, that draw on lived experience of our service users and that are human rights based.

We will continue to work with staff, managers, services, partners (including the third and independent sectors) and our localities and communities to lead and support sustainable service design approaches, identify, and implement innovative, cost effective and person centred, outcomes focused and place-based service delivery models and pathways, and contribute to the delivery of the Partnership's Strategic Commissioning Plan 2023/2033 priorities within the resources available.

## **Where to Find More Information**

If you would like more information please visit our webpage at:

<https://clacksandstirlinghscp.org/>

The papers and minutes from meeting of the Integration Joint Board can be found here:

<https://clacksandstirlinghscp.org/integration-joint-board-meetings/>

Other publications from the partnership, past and present can be found here:

<https://clacksandstirlinghscp.org/publications/>

## **Acknowledgements**

The Integration Joint Board would wish to take this opportunity to thank the staff, volunteers, and paid and unpaid carers whose work contributes to the provision of services to the populations of Clackmannanshire and Stirling.

**Allan Rennie**  
Chair

**Annemargaret Black**  
Chief Officer

**Ewan C. Murray**  
Chief Finance Officer

## Statement of Responsibilities

### **Responsibilities of the Integration Joint Board**

The Integration Joint Board is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the board has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In Clackmannanshire and Stirling Integration Joint Board, that officer is the Chief Finance Officer.
- Manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland act 2003).
- Approve the Annual Accounts.

I confirm that these Annual Accounts were approved for signature on 27 September 2023

Signed on behalf of the Clackmannanshire and Stirling Integration Joint Board.

**Allan Rennie**  
Chair

## **Responsibilities of the Chief Finance Officer**

The Chief Finance Officer is responsible for the preparation of the IJB's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing the Annual Accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with legislation
- complied with the local authority Code (in so far as it is compatible with legislation)

The Chief Finance Officer has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities

I certify that the financial statements give a true and fair view of the financial position of the Clackmannanshire & Stirling Integration Joint Board as at 31 March 2023 and the transactions for the year then ended.

**Ewan C. Murray**  
Chief Finance Officer

## **Remuneration Report**

### **Introduction**

This Remuneration Report is provided in accordance with the Local Authority Accounts (Scotland) Regulations 2014. It discloses information relating to the remuneration and pension benefits of specified IJB members and staff.

The information in the tables below is subject to external audit. The explanatory text in the Remuneration Report is reviewed by the external auditors to ensure it is consistent with the financial statements.

### **Voting Membership of the Integration Joint Board in 2022/23**

Voting members of the Integration Joint Board constitute Councillors nominated as Board members by constituent authorities and NHS representatives nominated by the NHS Forth Valley. The voting members of the Clackmannanshire and Stirling Integration Joint Board were appointed through nomination by Clackmannanshire Council, NHS Forth Valley, and Stirling Council.

Voting Membership of the Integration Joint Board during 2022/23 was as follows:

#### **Clackmannanshire Council**

Councillor Martha Benny  
Councillor Wendy Hamilton  
Councillor Janine Rennie

#### **NHS Forth Valley**

Allan Rennie (IJB Chair)  
Cathie Cowan, Chief Executive  
Martin Fairbairn, Non-Executive  
Gordon Johnston, Non-Executive  
Stephen McAllister, Non-Executive  
John Stuart, Non-Executive

#### **Stirling Council**

Councillor Danny Gibson (Vice Chair)  
Councillor Martin Earl  
Councillor Rosemary Fraser

### **Remuneration: Integration Joint Board Chair and Vice Chair**

The voting members of the Integration Joint Board are appointed through nomination by Clackmannanshire & Stirling Councils and NHS Forth Valley. Nomination of the Integration Joint Board Chair and Vice Chair postholders alternates between a Councillor and a Health Board representative.

The Chair and Vice Chairs of the IJB changed in May 2022 with Allan Rennie, Non-Executive Director of NHS Forth Valley appointed as IJB Chair and Councillor Danny Gibson, Stirling Council appointed as Vice Chair.

The Integration Joint Board does not provide any additional remuneration to the Chair, Vice Chair or any other board members relating to their role on the Integration Joint Board. The Integration Joint Board does not reimburse the relevant partner organisations for any voting

board member costs borne by the partner. The details of the Chair and Vice Chair appointments and any remuneration and taxable expenses paid are shown below.

<b>Taxable Expenses 2021/22</b> £	<b>Salary, Fees, and Allowances 2021/22</b> £	<b>Name</b>	<b>Post(s) Held</b>	<b>Nominated by</b>	<b>Taxable Expenses 2022/23</b> £	<b>Salary, Fees, and Allowances 2022/23</b> £
Nil	Nil	Allan Rennie	Chair from May 2022 and Vice Chair from September 2020 to May 2022	NHS Forth Valley	Nil	Nil
Nil	Nil	Councillor Danny Gibson	Vice Chair from May 2022	Stirling Council	Nil	Nil
<b>Nil</b>	<b>Nil</b>	<b>Total</b>			<b>Nil</b>	<b>Nil</b>

The IJB does not have responsibilities, either in the current year or in future years, for funding any pension entitlements of voting Integration Joint Board members. Therefore, no pension rights disclosures are provided for the Chair or Vice Chair.

### **Remuneration: Officers of the Integration Joint Board**

The Integration Joint Board does not directly employ any staff in its own right; however specific post-holding officers are non-voting members of the Board.

#### Chief Officer

Under section 10 of the Public Bodies (Joint Working) (Scotland) Act 2014 a Chief Officer for the Integration Joint Board must be appointed and the employing partner must formally second the officer to the Integration Joint Board. The employment contract for the Chief Officer will adhere to the legislative and regulatory framework of the employing partner organisation. The remuneration terms of the Chief Officer's employment are approved by the Integration Joint Board.

The Chief Officer took up post on 17 June 2019 and is employed by NHS Forth Valley.

#### Other Officers

No other staff are appointed by the Integration Joint Board under a similar legal regime. Other non-voting board members who meet the criteria for disclosure are included in the disclosures below.

The Chief Finance Officer is employed by NHS Forth Valley.

<b>2021/22 Total</b>	<b>Senior Employees</b>	<b>Salary, Fees &amp; Allowances</b>	<b>Taxable Expenses</b>	<b>Total 2022/23</b>
£		£	£	£
105,183	<b>Chief Officer: A Black</b>	108,023	0	108,023
80,513	<b>Chief Finance Officer: E Murray</b>	82,059	0	82,059

In respect of officers' pension benefits the statutory liability for any future contributions to be made rests with the relevant employing partner organisation. On this basis there is no

pensions liability reflected on the Integration Joint Board balance sheet for the Chief Officer or any other officers.

The Integration Joint Board however has responsibility for funding the employer contributions for the current year in respect of the officer time spent on fulfilling the responsibilities of their role on the Integration Joint Board. The following table shows the Integration Joint Board's funding during the year to support officers' pension benefits. The table also shows the total value of accrued pension benefits which may include benefits earned in other employment positions and from each officer's own contributions.

Senior Employees	In Year Pension Contributions		Accrued Pension Benefits		
	For Year to 31/03/2022	For Year to 31/03/2023		Movement from 31/03/2022	As at 31/03/2023
	£	£		£000	£000
Chief Officer: A Black	21,983	22,577	Pension	13	44
			Lump Sum	31	108
Chief Finance Officer: E Murray	16,827	17,150	Pension	10	45
			Lump Sum	23	96

### Disclosure by Pay Bands

As required by the regulations, the following table shows the number of persons whose remuneration for the year was £50,000 or above, in bands of £5,000.

Number of Employees in Band	Remuneration Band	Number of Employees in Band
2021/22		2022/23
0	£75,000 - £79,999	0
1	£80,000 - £84,999	1
0	£95,000 - £99,999	0
1	£105,000 - £109,999	1

### Exit Packages

There were no exit packages in relation to Clackmannanshire and Stirling Integration Joint Board in financial year 2022/23.

**Allan Rennie**  
Chair

**Annemargaret Black**  
Chief Officer



## **Annual Governance Statement**

The Annual Governance Statement explains the IJB's governance arrangements and reports on the effectiveness of the IJB's system of internal control.

### **Scope of Responsibility**

The IJB is responsible for ensuring that:

- its business is conducted in accordance with the law and appropriate standards
- that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively.

The IJB also aims to foster a culture of continuous improvement in the performance of the IJB's delegated functions and to make arrangements to secure best value.

To meet this responsibility, the IJB has established arrangements for governance which includes a system of internal control. The system is intended to manage risk to support the achievement of the IJB's policies, aims, and objectives. Reliance is also placed on the NHS Forth Valley and Clackmannanshire and Stirling Councils systems of internal control which support compliance with both organisations' policies and promotes achievement of each organisation's aims and objectives, as well as those of the IJB.

Given the IJB utilises the systems of internal control with NHS Forth Valley, Clackmannanshire Council, and Stirling Council the system can only provide reasonable and not absolute assurance of effectiveness.

### **Purpose of the Governance Framework**

The governance framework comprises the systems and processes, and culture and values, by which the IJB is directed and controlled. It enables the IJB to monitor the achievement of the objectives set out in the IJB's Strategic Plan. The governance framework will be continually updated to reflect best practice, new legislative requirements, and the expectations of stakeholders.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the IJB's objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively.

### **Governance Framework and Internal Control System**

The Board of the IJB comprises the Chair, Vice Chair and ten other voting members; six are Council Elected Members nominated (three each council) by Clackmannanshire and Stirling Council and six are Board members of NHS Forth Valley (four Non-Executive Directors and two Executive Directors). There are also a number of non-voting professional and stakeholder members on the IJB including the Chief Officer, Chief Finance Officer, and professional medical, nursing, and social work advisors to the IJB. Stakeholder members currently include representatives from the third sector interfaces, carers, and service users.

The main features of the governance framework in existence during 2022/23 were:

- The Integration Scheme
- Standing Orders
- Scheme of Delegation
- Financial Regulations and Reserves Policy and Strategy
- Code of Conduct and Register of Interests
- IJB Committees operating within approved Terms of Reference
- Clinical and Care Governance Framework
- Risk Management Framework and Strategic Risk Register
- Complaints Handling Procedure
- Information Governance Arrangements & Information Security Policy

The governance framework described operates on the foundation of internal controls, including management and financial information, financial regulations, administration, supervision, and delegation.

The IJB utilises the internal control systems of NHS Forth Valley, Clackmannanshire Council and Stirling Council in the commissioning and delivery of in-scope functions. As such the Annual Governance Statements of the constituent authorities will be reviewed when available for any significant weaknesses which could pose a risk to the IJB.

The IJB complies with “The Role of the Head of Internal Audit in Public Organisations” (CIPFA) and operates in accordance with “Public Sector Internal Audit Standards” (CIPFA) The Head of Internal Audit reports directly to the Integration Joint Board Audit Committee with the right of access to the Chief Financial Officer, Chief Officer and Chair of the Integration Joint Board Audit and Risk Committee on any matter. The annual programme of internal audit work is based on a risk assessment drawn from review of the Integration Joint Boards Strategic Risk Register and is approved by the Integration Joint Board Audit and Risk Committee.

From April 2023 the IJBs Chief Internal Auditor has been appointed on behalf of Clackmannanshire Council. As Clackmannanshire Council procures Internal Audit Services from Falkirk Council’s Internal Audit service the IJBs Chief Internal Auditor is the Internal Audit Risk and Corporate Fraud Manager from Falkirk Council.

### **Review of Adequacy and Effectiveness**

The IJB has responsibility for conducting, at least annually, a review of effectiveness of the system of internal control and the quality of data used throughout the organisation. The review is informed by the work of the Senior Management Team, work of the IJBs internal audit service and the Chief Internal Auditor’s annual report, and reports from external auditors and other review agencies and inspectorates.

The review of the IJB’s governance framework is supported by a process of self-assessment and compiled by the Chief Finance Officer.

The Chief Finance Officer has completed a “Governance Questionnaire” and any supplies further supporting evidence requested as evidence of adequacy and review of key areas of the IJB’s internal control framework; this is provided to the IJBs Chief Internal Auditor as part of the evidence base to inform the opinion within the Annual Internal Audit Assurance Report.

The Chief Officer also gives assurances as Director of Health and Social Care through the Annual Governance Statement processes of the constituent authorities and the IJB Chief Finance Officer reviews the Annual Governance Statements of the constituent authorities to identify any identified weaknesses in governance which may affect integration functions and/or pose a risk to the IJB.

The Senior Management Team has input to this process through the Chief Finance Officer. In addition, the review of the effectiveness of the governance arrangements and systems of internal control within the Health Board and Local Authority partners places reliance upon the individual bodies' management assurances in relation to the soundness of their systems of internal control.

The appointed IJB Chief Internal Auditor provides an annual report to the Audit and Risk Committee and an independent opinion on the adequacy and effectiveness of the governance framework, risk management, and internal control. The IJB Audit and Risk Committee will consider this at its next meeting in September 2023.

Due to the nature of IJB Board Membership, a conflict of interest can arise between an IJB Board Members' responsibilities to the IJB and other responsibilities that they may have. The IJB has arrangements in place to deal with any conflicts of interest that may arise. It is the responsibility of Board and Committee Members to declare any potential conflicts of interest, and it is the responsibility of the Chair of the relevant Board or Committee to ensure such declarations are appropriately considered and acted upon. There is specific guidance from the Standards Commission for IJB members.

The Management Commentary provides an overview of the key risks and uncertainties facing the IJB.

## **Roles and Responsibilities**

The Chief Officer is the Accountable Officer for the IJB and has day-to-day operational responsibility to monitor delivery of integrated services, with oversight from the IJB.

The IJB complies with the CIPFA Statement on "The Role of the Chief Finance Officer in Local Government 2014". The IJB's Chief Finance Officer has overall responsibility for Clackmannanshire and Stirling Health and Social Care Partnerships financial arrangements.

The IJB complies with the requirements of the CIPFA Statement on "The Role of the Head of Internal Audit in Public Organisations 2019". The IJB's appointed Chief Internal Auditor has responsibility for the IJB's internal audit function and is professionally qualified and suitably experienced to lead and direct internal audit staff. The Internal Audit service operates in accordance with the CIPFA "Public Sector Internal Audit Standards 2017".

Board members and officers of the IJB are committed to the concept of sound internal control and the effective delivery of IJB services. The IJB's Audit and Risk Committee operates in accordance with CIPFA's Audit Committee Principles in Local Authorities in Scotland and Audit Committees: Practical Guidance for Local Authorities. The Committee's core function is to provide the IJB with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance arrangements.

## **Governance Issues Relating to Ongoing Impacts of COVID-19**

The IJB considered and approved an updated Scheme of Delegation in March 2022 and operated within this during financial year 2022/23 superseding specific governance arrangements put in place during the Covid-19 pandemic. Whilst Covid continues to have impacts on demand for, and delivery of, health and social care services there are no specific governance issues to disclose in this regard.

### **Other Governance Issues**

There are no specific other governance issues to report.

### **Management of Risk**

The Integration Joint Board monitors and seeks to mitigate significant risk through its Risk Management Framework and Strategic Risk Register. The Strategic Risk Register is regularly reviewed by the partnership Senior Leadership Team. The Audit & Risk Committee provide a scrutiny role for the Integration Joint Board by reviewing, scrutinising, and approving the Strategic Risk Register as a standing agenda item at each meeting. High risks on the Strategic Risk Register are reported to the Integration Joint Board through routine Performance Reports.

The IJBs risk management framework remains under review and an HSCP Risk Management Network has been re-established during the year to enhance risk management arrangements and provided professional risk management input. The review will consider any updates required to the risk management framework and improving interfaces with risk management arrangements across the constituent authorities assisting in linking operational and strategic risk identification, management, and reporting.

## Action Plan

Following consideration of the review of adequacy and effectiveness the following action plan has been agreed to ensure continual improvement of the IJB's governance. Regular updates on progress of the agreed actions will be monitored by the IJB Audit and Risk Committee.

## Update on Action Plan

Areas for Improvement Identified	Action Undertaken in 2022/23	Responsible Party(s)	Previous Planned Date of Completion	Revised Planned Date of Completion
A comprehensive review of the IJBs Governance Frameworks will be undertaken aligned to changes in operational responsibilities of the Chief Officer	Action partially complete. Reserves Strategy & Policy Updated Delegation agreed and approved by both IJBs within Forth Valley Financial Regulations to be reviewed and updated as required Consideration of requirement to prepare revised Integration Scheme has now been revisited and a programme to undertake review is now in place. Note the Integration Scheme is the legal partnership agreement between the constituent authorities.	Chief Officer and Chief Finance Officer	December 2021  January 2023  October 2022	June 2023
Development of Local Code of Corporate Governance	Action Outstanding. Local Code of Corporate Governance will be developed as part of review of governance frameworks post review of Financial Regulations	Chief Officer and Chief Finance Officer	December 2021	September 2023
Implement Revised Approach to Directions	Partially complete. Revised directions policy approved and full implementation linked to agreement of 2023-2033 Strategic Plan	Chief Officer, Head of Service (SP&HI) & Chief Finance Officer	March 2023	Over course of 2023/24 linked to delivery plan
Produce Annual Assurance Reports for IJB Committees	Action previously deferred due to operational pressures however IJB agreed to	Chief Finance Officer & HSCP Business	December 2022	September 2023 (first annual assurance reports)

<b>Areas for Improvement Identified</b>	<b>Action Undertaken in 2022/23</b>	<b>Responsible Party(s)</b>	<b>Previous Planned Date of Completion</b>	<b>Revised Planned Date of Completion</b>
	annual assurance reporting from 2023/24 as part of review of committee terms of reference in March 2023.	Manager		
Review of relationship between IJB and Community Planning Partnerships (CPPs)	<p>Action is being progressed</p> <p>The IJB Chief Officer is a member of Clackmannanshire Alliance and Stirling Community Planning Partnership; with HSCP Managers as member of CPP Delivery groups in both Councils.</p> <p>As part of developing good governance arrangements the IJBs has taken on the CPP leadership role for the Alcohol and Drug Partnership across Clackmannanshire and Stirling areas. This includes regular reporting into CPP for both Council areas.</p> <p>The delegation of Health Improvement Service has been completed. Service and financial planning is underway to align the work to the new Strategic Commissioning Plan and Locality Plans in each Locality area.</p>	Head of Service (Strategic Planning & Health Improvement)	March 2022	Completed
Further Develop Best Value Arrangements	Action partially complete. Further consideration as part of delivery plan and integrated performance framework.	Chief Finance Officer	March 2022	Ongoing
Further Develop Strategic Improvement Plan	Superseded by agreement to develop annual delivery plan to underpin Strategic	Chief Officer, Chief Finance Officer, and Head of	Ongoing	June 2023 (draft)

<b>Areas for Improvement Identified</b>	<b>Action Undertaken in 2022/23</b>	<b>Responsible Party(s)</b>	<b>Previous Planned Date of Completion</b>	<b>Revised Planned Date of Completion</b>
	Commissioning Plan.	Service Strategic Planning & Health Improvement		
Undertake Review of Strategic Plan / Strategic Commissioning Plan	Complete	Chief Officer & Head of Service, Strategic Planning & Health Improvement	March 2023	N/a

### **Conclusion and Opinion on Assurance**

Whilst recognising that further improvements are required, as detailed above, it is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the IJB's governance arrangements.

We consider that the internal control environment provides reasonable and objective assurance that any significant risks impacting on the IJB's principal objectives will be identified and actions taken to avoid or mitigate their impact.

Systems are in place to regularly review and improve the internal control environment and the implementation of the action plan will be monitored by the HSCP Senior Management Team and reported and scrutinised by IJB and the IJB Audit and Risk Committee.

**Allan Rennie**  
Chair  
27 September 2023

**Annemargaret Black**  
Chief Officer  
27 September 2023

## Comprehensive Income and Expenditure Statement

This statement shows the cost of providing services for the year according to accepted accounting practices. Where the impact on the General Fund is amended by statutory adjustments this is shown in the Movement in Reserves Statement.

Gross Expenditure £000	Gross Income £000	2021/22 Net Expenditure £000		Gross Expenditure £000	Gross Income £000	2022/23 Net Expenditure £000
24,736	0	24,736	Large Hospital Services	31,513	0	31,513
127,956	(8,462)	119,493	Community Health and Social Care Services	138,938	(8,632)	130,306
83,691	0	83,691	Primary Care	90,720	0	90,720
317	0	317	IJB Running Costs	375	0	375
<b>236,699</b>	<b>(8,462)</b>	<b>228,237</b>	<b>IJB Operational Costs</b>	<b>261,546</b>	<b>(8,632)</b>	<b>252,914</b>
	<b>(242,272)</b>	<b>(242,272)</b>	<b>Taxation and Non-Specific Grant Income</b>		<b>(247,393)</b>	<b>(247,393)</b>
		<b>(14,035)</b>	<b>(Surplus) or Deficit on Provision of Services and Total Comprehensive (Income) and Expenditure</b>			<b>5,521</b>

There are no statutory or presentation adjustments which affect the Integration Joint Board's application of the funding received from partners. The movement in the General Fund balance is therefore solely due to the transactions shown in the Comprehensive Income and Expenditure Statement. Consequently, an Expenditure and Funding Analysis is not provided in these annual accounts.



## Movement in Reserves Statement

This statement shows the movement in the year on the Integration Joint Board's reserves.

<b>Movements in Reserves 2022/23</b>	<b>General Fund Balance £000</b>	<b>Unusable Reserves £000</b>	<b>Total Reserves £000</b>
Opening Balance at 31 March 2022	(28,248)	0	(28,248)
Total Comprehensive Income and Expenditure	5,521	0	5,521
<b>Closing Balance at 31 March 2023</b>	<b>(22,726)</b>	<b>0</b>	<b>(22,726)</b>

<b>Movements in Reserves 2021/22</b>	<b>General Fund Balance £000</b>	<b>Unusable Reserves £000</b>	<b>Total Reserves £000</b>
Opening Balance at 31 March 2021	(14,212)	0	(14,212)
Total Comprehensive Income and Expenditure	(14,035)	0	(14,035)
<b>Closing Balance at 31 March 2022</b>	<b>(28,248)</b>	<b>0</b>	<b>(28,248)</b>

## Balance Sheet

The Balance Sheet shows the value of the IJB's assets and liabilities as at the balance sheet date. The net assets of the IJB (assets less liabilities) are matched by the reserves held by the IJB.

<b>31 March 2022 £000</b>		Notes	<b>31 March 2023 £000</b>
<u>28,248</u>	Short Term Debtors	Note 7	<u>22,726</u>
28,248	<b>Current Assets</b>		22,726
<hr/>			
<b><u>28,248</u></b>	<b>Net Assets</b>		<b><u>22,726</u></b>
	Useable Reserves: General		
<u>(28,248)</u>	Fund	Note 10	<u>(22,726)</u>
<b><u>(28,248)</u></b>	<b>Total Reserves</b>		<b><u>(22,726)</u></b>

**Ewan C. Murray**  
Chief Finance Officer  
28 June 2023

## **Notes to the Financial Statements**

### **1. Significant Accounting Policies**

#### General Principles

The Financial Statements summarises the authority's transactions for the 2022/2023 financial year and its position at the year ended 31 March 2023.

The Integration Joint Board was established under the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014 and is a Section 106 body as defined in the Local Government (Scotland) Act 1973.

The Financial Statements are therefore prepared in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, supported by International Financial Reporting Standards (IFRS), unless legislation or statutory guidance requires different treatment.

The accounts are prepared on a going concern basis, which assumes that the Integration Joint Board will continue in operational existence for the foreseeable future. The historical cost convention has been adopted.

#### Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when settlement in cash occurs. In particular:

- Expenditure is recognised when goods or services are received, and their benefits are used by the Integration Joint Board.
- Income is recognised when the IJB has a right to the income, for instance by meeting any terms and conditions required to earn the income, and receipt of the income is probable.
- Where income and expenditure have been recognised but settlement in cash has not taken place, a debtor or creditor is recorded in the Balance Sheet.
- Where debts may not be received, the balance of debtors is written down.

#### Funding

The Integration Joint Board is primarily funded through funding contributions from the statutory funding partners, Clackmannanshire and Stirling Councils and NHS Forth Valley. Expenditure is incurred as the Integration Joint Board commissions specified health and social care services from the funding partners for the benefit of service recipients in Clackmannanshire and Stirling.

#### Cash and Cash Equivalents

The Integration Joint Board does not operate a bank account or hold cash. Transactions are settled on behalf of the Integration Joint Board by the funding partners. Consequently, the Integration Joint Board does not present a 'Cash and Cash Equivalent' figure on the balance sheet. The funding balance due to or from each funding partner as at 31 March is represented as a debtor or creditor on the Integration Joint Board's Balance Sheet.

### Employee Benefits

The Integration Joint Board does not directly employ staff. Staff are formally employed by the funding partners who retain the liability for pension benefits payable in the future. The IJB therefore does not present a Pensions Liability on its Balance Sheet.

The Integration Joint Board has a legal responsibility to appoint a Chief Officer. More details on the arrangements are provided in the Remuneration Report. The charges from the employing partner are treated as employee costs.

Charges from funding partners for other staff are treated as administration costs.

### Provisions, Contingent Liabilities and Contingent Assets

Provisions are liabilities of uncertain timing or amount. A provision is recognised as a liability on the balance sheet when there is an obligation as at 31 March due to a past event; settlement of the obligation is probable; and a reliable estimate of the amount can be made. Recognition of a provision will result in expenditure being charged to the Comprehensive Income and Expenditure Statement and will normally be a charge to the General Fund.

A contingent liability is a possible liability arising from events on or before 31 March, whose existence will only be confirmed by later events. A provision that cannot be reasonably estimated, or where settlement is not probable, is treated as a contingent liability. A contingent liability is not recognised in the Integration Joint Board's Balance Sheet but is disclosed in a note where it is material.

A contingent asset is a possible asset arising from events on or before 31 March, whose existence will only be confirmed by later events. A contingent asset is not recognised in the Integration Joint Board's Balance Sheet but is disclosed in a note only if it is probable to arise and can be reliably measured.

### Reserves

The Integration Joint Board's reserves are classified as either Usable or Unusable Reserves.

The Integration Joint Board's only Usable Reserve is the General Fund. The balance of the General Fund as at 31 March shows the extent of resources which the Integration Joint Board can use in later years to support service provision.

The Integration Joint Board has no unusable reserves.

### Indemnity Insurance

The Integration Joint Board has indemnity insurance for costs relating primarily to potential claim liabilities regarding Board member and officer responsibilities. NHS Forth Valley, Clackmannanshire and Stirling Councils have responsibility for claims in respect of the services that they are statutorily responsible for and that they provide.

Unlike NHS Boards, the Integration Joint Board does not have any 'shared risk' exposure from participation in CNORIS. The Integration Joint Boards participation in

the CNORIS scheme is therefore supplementary to normal insurance arrangements for clinical and care services.

Known claims are assessed as to the value and probability of settlement. Where it is material the overall expected value of known claims, taking probability of settlement into consideration, is provided for in the Integration Joint Board's Balance Sheet.

The likelihood of receipt of an insurance settlement to cover any claims is separately assessed and, where material, presented as either a debtor or disclosed as a contingent asset.

## VAT

The Integration Joint Board is not registered for VAT and as such VAT is settled or recovered by the partner agencies.

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## **2. Accounting Standards That Have Been Issued But Have Not Yet Been Adopted**

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The IJB considers that there are no such standards which would have significant impact on its annual accounts.

## **3. Critical Judgements in Applying Accounting Policies**

### Set Aside Budget for Large Hospital Services

For financial year 2022/23 the sum included within the accounts in relation to the Set-Aside budget for Large Hospital services reflects the budget allocated rather than the actual cost of hospital activity. Systems are continuing to be developed to be able to accurately provide this information within the accounts in future financial years. Development of these arrangements continues to be impacted by the pandemic but is ongoing.

In terms of risk of misstatement, a 10% shift in activity would equate to an estimated £3.502m in costs which would, in turn, be matched by additional income from NHS Forth Valley.

The approach to developing arrangements was detailed in a report to the Integration Joint Board meeting in June 2018 and within the partnerships consolidated response to the Ministerial Strategic Groups proposals on Progress on Integration. The Integration Joint Board, and its committees, will continue to receive reports on progress of this work.

#### **4. Events After the Reporting Period**

The Annual Accounts were authorised for issue by the Chief Finance Officer. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

#### **5. Expenditure and Income Analysis by Nature**

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
26,011	Services Commissioned from Clackmannanshire Council	30,158
46,482	Services Commissioned from Stirling Council	52,687
163,889	Services Commissioned from NHS Forth Valley	178,795
343	Other IJB Operating Expenditure	343
3	Insurance and Related Expenditure	3
29	Auditor Fee: External Audit Work	29
(4,427)	Service Income: Clackmannanshire Council	(5,066)
(4,035)	Service Income: Stirling Council	(4,035)
(242,330)	Partners Funding Contribution and Non-Specific Grant Income	(247,393)
<b>(14,035)</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>5,521</b>

## 6. Taxation and Non-Specific Grant Income

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
21,012	Funding Contribution from Clackmannanshire Council	28,110
41,122	Funding Contribution from Stirling Council	48,852
180,138	Funding Contribution from NHS Forth Valley	170,431
<b>242,272</b>	<b>Taxation and Non-Specific Grant Income</b>	<b>247,393</b>

The funding contribution from the NHS Board shown above includes £31.513m in respect of 'set aside' resources relating to acute hospital and other resources. These are provided by the NHS which currently retains responsibility for managing the costs of providing the services. The Integration Joint Board, however, has strategic responsibility for the consumption of, and level of demand placed on, these resources.

## 7. Debtors

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
5,232	Stirling Council	5,319
2,396	Clackmannanshire Council	5,339
20,619	NHS Forth Valley	12,068
<b>28,248</b>	<b>Total Debtors</b>	<b>22,726</b>

Amounts owed by the funding partners are stated on a net basis.

## 8. Creditors

There are no creditor's balances in the Integration Joint Board accounts.

## 9. Provisions

No provisions have been made in the Integration Joint Board accounts.

## 10. Usable Reserve: General Fund

The Integration Joint Board holds a balance on the General Fund for two main purposes:

- To earmark, or build up, funds which are to be used for specific purposes in the future, such as known or predicted future expenditure needs. This supports strategic financial management and pursuance of best value from available resources.
- To provide a contingency fund to cushion the impact of unexpected events or emergencies. This is regarded as an element of the Integration Joint Board's financial resilience framework. The IJB held contingency funding totalling £4.398m at 31 March 2023.

The table below shows the movements on the General Fund balance:

Balance at 31 March 2022 £000	Reserve	Transfers Out £000	Transfers In £000	Balance at 31 March 2023 £000
(1,914)	Transformation & Leadership Fund	1,000	(1,151)	(2,066)
(3,296)	Service Pressures (from Winter Funding)	1,303	(1,520)	(3,512)
(512)	Community Living Fund	0	0	(512)
(12,999)	COVID Funding	11,871	(4,213)	(5,341)
(4,586)	Other Earmarked Reserves	1,596	(1,052)	(4,042)
(1,246)	Primary Care Improvement Plans	1,028	0	(218)
(90)	Action 15 - Mental Health	67	0	(23)
(281)	Alcohol and Drug Partnerships	0	0	(281)
0	Invest to Save Fund	0	(500)	(500)
0	MDT Funding	0	(705)	(705)
0	B2-4 Healthcare Support Workers	0	(775)	(775)
0	PCIP Transitional Payments	0	(153)	(153)
0	Prescribing HSCP Invest to Save	0	(200)	(200)
<b>(24,925)</b>	<b>Total Earmarked</b>	<b>16,865</b>	<b>(10,268)</b>	<b>(18,328)</b>
(3,323)	Contingency	0	(1,075)	(4,398)
<b>(28,248)</b>	<b>General Fund</b>	<b>16,865</b>	<b>(11,344)</b>	<b>(22,726)</b>

The table above is in condensed format and the presentation is intended to aid understanding and highlight the reserves with significant values.



## 11. Related Party Transactions

The IJB has related party relationships with the NHS Forth Valley and the Clackmannanshire & Stirling Councils. In particular, the nature of the partnership means that the Integration Joint Board may influence, and be influenced by, its partners. The following transactions and balances included in the Integration Joint Board's accounts are presented to provide additional information on the relationships.

There are no material transactions with Clackmannanshire and Stirling Integration Joint Board officers or with organisations they have an interest in. The remuneration and any other taxable payments to senior officers, the Chair and Vice Chair are disclosed in the remuneration statement. Each Board member's registered interests will be published on the Integration Joint Board webpage in due course.

Support services were not delegated to the Integration Joint Board through the Integration Scheme and are instead provided by the constituent authorities free of charge as a 'service in kind'. The support services provided by the constituent authorities mainly consist of performance management, human resources, financial management, information services, information technology and payroll.

### Transactions with NHS Forth Valley

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
<b>(180,138)</b>	Funding Contributions received from the NHS Board	<b>(170,431)</b>
0	Service Income Received from the NHS Board	0
163,889	Expenditure on Services provided by the NHS Board	178,795
159	Key Management Personnel: Non-Voting Members	187
<b><u>(16,091)</u></b>	<b>Net Transactions with NHS Forth Valley</b>	<b><u>8,551</u></b>

Key Management Personnel: The Chief Officer and Chief Finance Officer are employed by NHS Forth Valley and recharged to the Integration Joint Board via contributions from the constituent authorities based on voting shares. Details of the remuneration for the Chief Officer and Chief Finance Officer is provided in the Remuneration Report.

### Balances with NHS Forth Valley

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
20,619	Debtors Balances: Amounts due from NHS Board	12,068
0	Creditors Balances: Amounts due to NHS Board	0
<b><u>20,619</u></b>		<b><u>12,068</u></b>

### Transactions with Clackmannanshire Council

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
(21,012)	Funding Contributions received from the Council	(28,110)
(4,427)	Service Income Received from the Council	(5,066)
26,011	Expenditure on Services provided by the Council	30,158
63	Key Management Personnel: Non-Voting Members	75
<b>635</b>	<b>Net Transactions with Clackmannanshire Council</b>	<b>(2,943)</b>

### Balances with Clackmannanshire Council

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
2,396	Debtors Balances: Amounts due from Council	5,339
0	Creditors Balances: Amounts due to Council	0
<b>2,396</b>		<b>5,339</b>

### Transactions with Stirling Council

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
(41,122)	Funding Contributions received from the Council	(48,852)
(4,035)	Service Income Received from the Council	(4,035)
46,482	Expenditure on Services provided by the Council	52,687
95	Key Management Personnel: Non-Voting Members	112
<b>1,420</b>	<b>Net Transactions with Stirling Council</b>	<b>(87)</b>

### Balances with Stirling Council

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
5,232	Debtors Balances: Amounts due from Council	5,319
0	Creditors Balances: Amounts due to Council	0
<b>5,232</b>		<b>5,319</b>

## 12. Expenditure Analysis

Expenditure on services commissioned by the Clackmannanshire and Stirling Integration Joint Board from its constituent authorities is analysed below:

	<b>Year Ended 31 March 2022 £000</b>	<b>Year Ended 31 March 2023 £000</b>
<b>NHS Forth Valley - Health Services</b>		
<u>Set Aside</u>		
Accident and Emergency Services	6,793	10,725
Inpatient Hospital Services Relating to:		
General Medicine	3,265	3,753
Geriatric Medicine	3,937	6,566
Rehabilitation Medicine	1,706	2,790
Respiratory Medicine	1,264	2,123
Psychiatry of Learning Disability	1,115	1,243
Palliative Care (Hospital Based)	1,149	1,218
Mental Health Inpatient Services	5,984	6,605
<b>Set Aside Subtotal</b>	<b>25,212</b>	<b>35,024</b>
Adjustment to budget	(476)	(3,511)
<b>Adjusted Set Aside Subtotal</b>	<b>24,736</b>	<b>31,513</b>
<u>Operational</u>		
Nursing Services	4,550	5,003
Community Addiction Services	3,212	3,662
Community Based AHP Services	6,663	6,886
Community Mental Health	761	998
Community Learning Disabilities	4,672	5,504
Community Hospitals	5,629	6,573
Other Health Care Services	5,582	6,406
Integration Fund & Resource Transfer	24,393	21,530
Partnership Costs	159	187
<b>Operational Subtotal</b>	<b>55,621</b>	<b>56,749</b>
<u>Universal</u>		
Primary Medical Services (GMS Contract)	29,843	32,417
Primary Dental Services (GDS Contract)	9,281	10,369
Community Ophthalmic Services	2,801	2,849
Community Pharmaceutical Services	39,961	43,307
GP Out of Hours Services	1,805	1,779
<b>Universal Subtotal</b>	<b>83,691</b>	<b>90,720</b>
<b>Total Health Services</b>	<b>164,047</b>	<b>178,982</b>

**Clackmannanshire Council - Adult Social Care Services**

Long Term Care	10,496	13,459
Care at Home	9,036	11,799
Staffing	8,162	9,127
Direct Payments	890	1,300
Third Party Payments	4,148	1,774
Other Adult Social Care Services	1,103	1,222
Partnership Costs	63	75
Income	(4,427)	(5,066)
Resource Transfer	(7,825)	(8,521)

<b>Total Adult Social Care Services - Clackmannanshire</b>	<b>21,647</b>	<b>25,167</b>
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**Stirling Council - Adult Social Care Services**

Long Term Care	15,389	15,719
Care at Home	18,614	21,260
Staffing	6,329	6,398
Bellfield Centre	3,703	4,478
Reablement	2,358	3,135
Direct Payments	1,290	1,613
Third Party Payments	903	1,393
Respite	960	1,569
MECS / Telecare / Telehealth	661	686
Other Adult Social Care Services	3,360	3,562
Partnership Costs	95	112
Integration Fund & Resource Transfer	(11,120)	(11,160)

<b>Total Adult Social Care Services - Stirling</b>	<b>42,543</b>	<b>48,765</b>
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<b>Partnership Total</b>	<b>228,237</b>	<b>252,914</b>
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## **Independent Auditors Report**

This space is intentionally blank as the independent auditor's report will be incorporated into the final audited accounts when published.

# Clackmannanshire & Stirling Integration Joint Board Audit and Risk Committee

28 June 2023

Agenda Item 9

## Strategic Risk Register & Update on Review of Risk Management Arrangements

*For Approval*

<b>Paper Approved for Submission by:</b>	Ewan Murray, Chief Finance Officer
<b>Paper presented by</b>	Ewan Murray, Chief Finance Officer
<b>Author(s)</b>	Ewan Murray, Chief Finance Officer / Sonia Kavanagh, Business Manager
<b>Exempt Report</b>	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"/>

<b>Purpose of Report:</b>	To provide the Audit and Risk Committee with the Strategic Risk Register for review, scrutiny, and approval.
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<b>Recommendations:</b>	<p>The Audit and Risk Committee is asked to:</p> <ol style="list-style-type: none"> <li>1) Review and approve the Strategic Risk Register</li> <li>2) Note the update on risk management arrangements.</li> </ol>
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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 21 June 2023.
- 1.5 As a result of this review and wider discussions regarding risks the following have been increased:
- HSC01 Financial Resilience** – per agreement at March IJB taking into account reliance in the initial 23/24 Revenue Budget on reserves
- HSC006 Experience of Service Users Patients, Unpaid Carers** – based on updated data incorporated within draft 22/23 Annual Performance Report
- HSC007 Information Management and Governance** – based on parallel risk assessment discussed at PPCOG
- HSC010 Harm to Vulnerable People, Public Protection and Clinical Governance** – Based on evidence of un-assessed need
- HSC014 and HSC015 Ability to Deliver PCIP and PC Sustainability** – Based on updated tri-partite risk assessment (risk mirrored across NHS Forth Valley and Falkirk IJB Strategic Risk Registers)
- HSC017 Potential Industrial Action** – in relation to Junior Doctors

1.6 A summary of the current 14 Strategic Risks is shown in Table 1 below, with movements in risk ratings from the last meeting.

Table 1

Strategic Risk	Risk Direction	Previous Score March 2023	Current Score June 2023	Target Score
1. Financial Resilience	↑	20	25	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	16	6
7. Information Management and Governance	↑	12	25	9
8. Information Sharing Process and practice	↔	16	16	12
10. Harm to Vulnerable People, Public Protection and Clinical & Care Governance	↑	12	20	4
11. Sustainability and safety of adult placement in external care home and care at home sectors	↔	20	20	4
12. Health and Social Care workforce demographic / resilience of service	↔	16	16	6
14. Ability to Deliver Primary Care Improvement Plan	↑	16	20	9
15. Primary Care Sustainability	↑	16	25	9
17. Potential Industrial Action	↑	12	16	6
18. Capacity to Deliver Safe and Effective Integration Functions to Support Whole System Performance and Safety	↔	16	16	6



## 2. HSCP Risk Management Forum

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- 2.1 The Risk Management Forum met in early June to discuss the ongoing process of reviewing and updating the IJB's Risk Management Strategy and approach to risk.
- 2.2 The current Risk Management Strategy is being reviewed by Risk Leads across the constituent authorities and will be updated to include more visual and modern text improving accessibility. The process and mechanism for sharing/escalating risks both within and across the constituent authorities and IJB will also be considered to ensure this is robust to provide the appropriate governance and assurance.
- 2.3 As previously highlighted due to the current challenging financial and service delivery climate, a key area for consideration is the IJB's risk appetite and tolerance. Following the approval of the Strategic Commissioning Plan in March 2023, this involves the amount and types of risk the IJB is willing to accept in pursuit of those objectives and priorities set out in the plan versus the maximum level of risk willing to be accepted before it has a significant impact. Therefore the September IJB Development session will consider the approach to risk and confirm/agree strategic risks to ensure the risk appetite can be used as a supportive and influencing process rather than constraining opportunities and development.
- 2.4 This process will be able to further support decision making and prioritisation as well as inform a refresh of the Strategic Risk Register. These actions together will result in a Risk Management Strategy and Strategic Risk Register which is fit for purpose, systemised to enable ownership and provide improved reporting mechanisms, and more clearly related to the risks of delivering against the priorities within the 2023/33 Strategic Commissioning Plan taking due account of the Boards risk appetite.

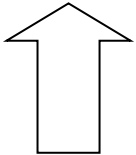
### 3. Appendices

#### Appendix 1 - Strategic Risk Register

<b>Fit with Strategic Priorities:</b>	
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"/>
<b>Enabling Activities</b>	
Technology Enabled Care	<input type="checkbox"/>
Workforce Planning and Development	<input type="checkbox"/>
Housing and Adaptations	<input type="checkbox"/>
Infrastructure	<input type="checkbox"/>

<b>Implications</b>	
<b>Finance:</b>	None.
<b>Other Resources:</b>	None.
<b>Legal:</b>	None.
<b>Risk &amp; mitigation:</b>	Per the body of report and appended Strategic Risk Register
<b>Equality and Human Rights:</b>	The content of this report <b><u>does not</u></b> require a EQIA.
<b>Data Protection:</b>	The content of this report <b><u>does not</u></b> require a DPIA
<b>Fairer Duty Scotland</b>	<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: <a href="http://www.gov.scot/Publications/2018/03/6918/2">http://www.gov.scot/Publications/2018/03/6918/2</a></p> <p>The content of this report <b><u>does not</u></b> require Fairer Duty Scotland Assessment</p>

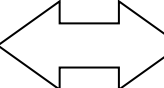
CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 20 June 2023

Ref	Risk	Strategic Fit	Likelihood	Impact	Risk Score	Risk Reduction Action (Timescale)	Risk Owner(s)	Notes / Progress	Risk Direction
HSCP 001	<p><b>Financial Resilience</b></p> <p>The risk that delegated service functions cannot be delivered within resources available.</p>	<p>1. National Core Outcome 'Resources are Used Effectively &amp; Efficiently'</p> <p>2. Local Outcome 'Decision Making'</p>	<p>Current (5)</p> <p>Target (3)</p>	<p>Current (5)</p> <p>Target (3)</p>	<p>Current (25) High</p> <p>Target (9) Medium</p>	<p>1. Grip and Control Meetings (Ongoing)</p> <p>2. Initial 23/24 Revenue Budget Approved (March 23)</p> <p>3. Refresh of medium term financial plan/ investment plan to complement and support delivery planning to implement Strategic Commissioning Plan. (November 2023)</p> <p>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)</p> <p>5. Agreed process for agreement and payment of contract rates including uplifts. (Annually)</p> <p>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 late 23/24 linked to Integration scheme review and integration improvement plan)</p> <p>7. Development of baseline assessment of alignment of budget to Strategic</p>	<p>Chief Officer / Chief Finance Officer</p>	<p>Will continue to monitor material impacts of Covid on financial resilience over near and medium term.</p> <p>Substantive review of Medium Term Financial Plan (MTFP) scheduled for November 2023</p>	

**CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 20 June 2023**

Ref	Risk	Strategic Fit	Likelihood	Impact	Risk Score	Risk Reduction Action (Timescale)	Risk Owner(s)	Notes / Progress	Risk Direction
						Commissioning Plan priorities and consideration of future disinvestment options (November 2023) <b>8</b> . Financial Reporting to Integration Joint Board, Strategic Planning Group and Partnership Senior Leadership Management Team (ongoing) <b>9</b> . 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 24/25 IJB Business Case – Nov 23) <b>10</b> . Review of Terms of Reference of Finance and Performance Committee (Complete: March 2023) <b>11</b> . Implement Pan FV Budget Monitoring & Oversight Arrangements (under review linked to Integration Improvement Plan)			

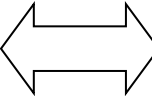
**CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 20 June 2023**

<p><b>HSC 002</b></p>	<p><b>Leadership, Decision Making and Scrutiny</b> 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 &amp; Efficiently' 2. Local Outcome 'Decision Making'</p>	<p>Current (3)  Target (2)</p>	<p>Current (4)  Target (4)</p>	<p>Current (12) <b>Medium</b>  Target (8) <b>Low</b></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 Senior Management &amp; Leadership Team Development Programme. (Commenced) 5. Overarching delivery plan aligning Strategic &amp; Operational 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)</p>	<p>Chief Officer</p>	<p>Annual Internal and External Audit Reports considered including agreed management responses to recommendations.</p>	
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						<p>8. Linked to above continue to review the IJBs Governance Frameworks (ongoing)</p> <p>9. Undertake a self assessment against the Blueprint for Good Governance (V2) (March 2024)</p> <p>10. Additional management capacity being sourced to support improvement programme (August 2023)</p>			
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<p><b>HSC 004</b></p>	<p><b>Integrated Performance Framework</b> The risk that the Integrated 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 &amp; Efficiently' 2. Local Outcome 'Decision Making'.</p>	<p>Current (3) Target (1)</p>	<p>Current (4) Target (4)</p>	<p>Current (12) <b>Medium</b> Target (4) <b>Low</b></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</p>	<p>Head Of Service (SP&amp;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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						care (ongoing linked to set aside work)			
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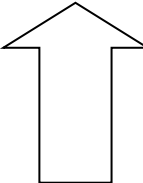


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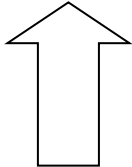
<p><b>HSC 005</b></p>	<p><b>Culture/HR/ Workforce Planning</b> The risk that workforce challenges are not adequately managed and adversely impact delivery of delegated integration functions</p>	<p>1. National Core Outcome 'Engaged Workforce', and 'Resources are Used Effectively &amp; Efficiently' 2. Local Outcome 'Decision Making'</p>	<p>Current (3)  Target (1)</p>	<p>Current (3)  Target (3)</p>	<p>Current (9) <b>Medium</b>  Target (3) <b>Low</b></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 &amp; 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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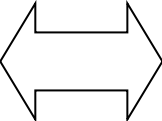
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<p><b>HSC 006</b></p>	<p><b>Experience of service users/patients/unpaid carers</b> The risk that the experience of service users, patients and unpaid carers is not adequately taken into account in service design and delivery.</p>	<p>1. National Core Outcome 'Carers are supported', and 'Positive Experiences' and Local Outcome 'Experience' 2. Local Outcome 'Community Focused Supports'</p>	<p>Current (4)  Target (2)</p>	<p>Current (4)  Target (3)</p>	<p>Current (16) <b>High</b>  Target (6) <b>Low</b></p>	<p>1. Implement Participation and Engagement Strategy. (ongoing) 2. Refresh Carers Investment Plan (September 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 June 2023 (complete) 8. Ensure EQIAs in place for required decisions (March 23 and ongoing) 9. Draft 22/23 Annual Performance Report shows reduction in satisfaction metrics and triangulates with key messages from Accounts Commission Local Government Overview 2023. (June 23) 10. Established group of service users/ families with Lived Experience of Self Directed Support (SDS)</p>	<p>Chief Officer/ Head of Service (SP&amp;HI)</p>	<p>An Equality Outcomes and Mainstreaming Report has been considered by the Integration Joint Board in June 2023 and published. Equality and Human Rights Impact Assessment will be completed where required.</p>	
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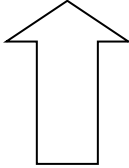
**CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 20 June 2023**

<p><b>HSC 007</b></p>	<p><b>Information Management and Governance</b> The risk that the volume, timing, and wide ranging sources of information, guidance, and communication may lead to failure to access, share, or make decisions based on best practice. Failure to apply due diligence and prioritisation to data and information requests and receipts, leading to lack of focus on key performance information</p>	<p>1. National Core Outcome 'Resources are Used Effectively &amp; Efficiently' 2. Local Outcome 'Decision Making'</p>	<p>Current (5)  Target (3)</p>	<p>Current (5)  Target (3)</p>	<p>Current (25) <b>High</b>  Target (9) <b>Medium</b></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 &amp; Learning Disability Services (ongoing) 9. Acknowledgement of challenges with recording of data on both CCIS and Swift discussed by Public Protection Chief Officers Groups (PCCOG). Same assessment of risk score accepted by PCCOG adopted here.</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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<p><b>HSC 008</b></p>	<p><b>Information sharing process and practice</b> 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 &amp; Efficiently' 2. Local Outcome 'Decision Making'</p>	<p>Current (4)  Target (3)</p>	<p>Current (4)  Target (4)</p>	<p>Current (16) <b>High</b>  Target (12) <b>Medium</b></p>	<p>1. Building sufficient capacity and capabilities to carry out analytical functions for partnership in the long term (complete) 2. Some 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. (not yet progressed but improvement work planned) 4. Ensure data sharing agreements are reviewed and refreshed periodically. (annually) 5. Refresh of Data Sharing Partnership required (tba)</p>	<p>Chair of Data Sharing Partnership / Head of Service (SP&amp;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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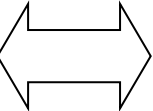
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<p><b>HSC 010</b></p>	<p><b>Harm to Vulnerable People, Public Protection and Clinical &amp; Care Governance</b> The risk that arrangements in relation to Harm to Vulnerable People, Public Protection and Clinical &amp; Care Governance are not adequately 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 (5)  Target (1)</p>	<p>Current (4)  Target (4)</p>	<p>Current (20) <b>High</b>  Target (4) <b>Low</b></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) 10. Evidence of growing un-assessed need that requires to be manually produced as there is no automated reporting within existing management information systems within council.</p>	<p>Chief Social Work Officers / NHS Forth Valley Medical Director / Chair of Clinical and Care Governance Group</p>		
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						Demand and capacity paper to assess risk being finalised (June 2023)			
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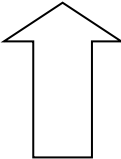
<p><b>HSC 011</b></p>	<p><b>Sustainability and safety of adult placement in external care home and care at home sectors</b> The risk that the sectors are unsustainable and/or oversight arrangements are inadequate.</p>	<p>1. National Outcomes 'People are Safe' 'Positive Experience' 2. Quality of Life</p>	<p>Current (4)  Target (2)</p>	<p>Current (5)  Target (2)</p>	<p>Current (20) <b>High</b>  Target (4) <b>Low</b></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) 11. Awaiting outcome of negotiations in relation to National Care Home Contract for 2023/24. (June 23)</p>	<p>Heads of Services / Strategic Commissioning Manager / Chief Finance Officer /Adult Support and Protection Co-ord,</p>		
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<p><b>HSC 012</b></p>	<p><b>Health and Social Care workforce demographic / resilience of service.</b> The risk that the workforce profile and demographics result in inadequate workforce is secured and retained to deliver delegated integration functions.</p>	<p><b>Health and Social Care Outcomes</b></p> <ul style="list-style-type: none"> <li>• People can live well at home for as long as possible</li> <li>• People are safe and live well for longer</li> <li>• People are satisfied with the care they get</li> </ul>	<p>Current (4)</p> <p>Target (2)</p>	<p>Current (4)</p> <p>Target (3)</p>	<p>Current (16) <b>High</b></p> <p>Target (6) <b>Low</b></p>	<ol style="list-style-type: none"> <li>1. Proactively implement transformation programme working in partnership with staff side. (ongoing)</li> <li>2. Review models of working and optimise opportunities of integration.(ongoing)</li> <li>3. Proactive recruitment including opportunities for new roles and international recruitment (ongoing)</li> <li>4. Explore opportunities with staff to optimise retention. Flexible working, training, education. (ongoing)</li> <li>5. Consider organisational change opportunities to build workforce capacity. (ongoing)</li> <li>6. Ensure staff welfare and development are clear priorities with action plans.(ongoing – wellbeing week is practical example)</li> <li>7. Work with partners to promote Clackmannanshire and Stirling as a positive area to work and live. (ongoing)</li> <li>8. Strategic Workforce plan including action plan (Nov 22)</li> <li>9. Supply constraints requires more collaborative work with Universities and Colleges to assist in ‘growing our own’ (Ongoing)</li> </ol>	<p>Head of Services, CH&amp;C and Professional Leads</p>		
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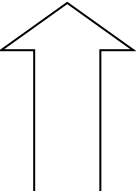
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<p><b>HSC 014</b>  (added 26 May 2019)</p>	<p><b>Ability to Deliver Primary Care Improvement Plan including tripartite agreement within additional resources provided by Scottish Government / Non-Delivery of Scottish GMS (General Medical Services) Contract</b> The risk that the Tripartite Memorandum of Understanding cannot be delivered within available resources.</p>	<p><b>1. National Outcome</b> 'Resources are Used Effectively and Efficiently, and ' People are safe'</p>	<p>Current (5)  Target (3)</p>	<p>Current (4)  Target (3)</p>	<p>Current (20) <b>High</b>  Target (9) <b>Medium</b></p>	<p><b>1.</b> Primary Care Improvement Plan (iteration 3) agreed and endorsed by partners which is delivering on significant proportion of requirement. <b>(2)</b> Tripartite statement (as part of PCIP) outlines constraints / risks / challenges re full delivery of the plan. <b>3.</b> Transfer of vaccination risk to Board - board picking up financial risks around flu immunisation. Vaccination model transferred from GPs to Board, including transfer of costs. <b>4.</b> Governance structure for delivery in place - Implementation group; leadership group; workstreams. Reporting against progress etc (90 day reporting tool). <b>5.</b> Targeted recruitment to build GP and MDT capacity and capability - promoted NHS FV as an employer of choice for Primary Care roles – e.g. ongoing investment in investment in people, promote i-matter, work to achieve gold healthy working lives rating, support CPD. <b>6.</b> Strong working relationships between partners, PCIP steering group</p>	<p>Chief Officer / Chief Finance Officer / Programme Manager (PCIP)</p>	<p>Risk re-articulated alongside NHS FV &amp; Falkirk IJB SRR including alignment of scoring.  Risk increased as no directions from Scottish Government yet in place and of requirement for consideration of transitional payments to practices from April 2023.</p>	
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						<p>team, committees.                  Alternative / complementary sources of funding have been prioritised to support gaps in plan (e.g. Action 15 Mental health funding).  <b>7.</b> Accelerated implementation of elements of the plan that can be resourced sustainably in line with FV tripartite MOU workstream priorities (High impact to GP sustainability). This way forward was Informed by options appraisal. <b>8.</b> Slippage funding in place to fund the remaining plan this financial year (22/23) with agreement in place to underwrite the recurring gap in the PCIP plan  <b>9.</b> Strong and regular engagement with SG and BMA in place regarding national MOU funding allocations / requirements.  <b>10.</b> Focus on increased training around workforce.  <b>11.</b> Innovative Advertising methods used when recruiting</p>			
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<p><b>HSC 015</b> <b>(added 21 Feb 2020)</b></p>	<p><b>Primary Care Sustainability:</b> 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 (5)  Target (3)</p>	<p>Current (5)  Target (3)</p>	<p>Current (25) <b>High</b>  Target (9) <b>Medium</b></p>	<p>1. Primary Care Programme Board Re-established November 2021 2. Premises Improvement funding in place (capital budget available each year, revenue budget carried over from last year) Premises improvement completed last year, and there's a new programme of work in play for this year. 3. Sustainability Improvement loans process in place 4. Support for practices to become training practices (delivered in conjunction with NES) 5. Primary Care Improvement Plan being delivered (circa 180 posts recruited) - proactively supporting recruitment etc. (PCIP Improvement Plan iteration 3 substantively delivered in March 2022 - 180 of 200 posts). 6. Expansion of community pharmacy services 7. GP IT Programme Board established 8. Investment in quality clusters and leads to ensure GPs and multidisciplinary teams (MDT) are informed and involved in primary/community care developments, quality improvement resources to</p>	<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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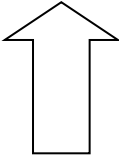
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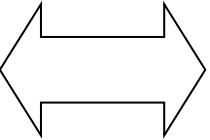
						<p>support PCIP and patient safety implementation</p> <p><b>9.</b> Targeted recruitment to build GP and MDT capacity and capability - promoted NHS FV as an employer of choice for Primary Care roles – e.g. ongoing investment in investors in people, promote i-matter, work to achieve gold healthy working lives rating, support CPD.</p> <p><b>10.</b> Strong and regular engagement with SG and BMA (British Medical Association) in place regarding national MOU funding allocations / requirements</p> <p><b>11.</b> Primary Care Premises Group established - deals with sustainability loans, and the 4 business cases e.g. Falkirk Community Hospital and Primary Care Programme Board</p> <p><b>12.</b> GP Sub-committee (GPs working collaboratively) put together an away day, and developed a paper outlining actions to improve recruitment and retention in FV, e.g. attracting and supporting trainee doctors. <b>13.</b> Capital Investment Programme in PC premises initial agreement completion Dec-21 - Initial Agreement has now been approved, and 4 outline business cases will be commenced over the next year for significant premises</p>			
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						replacement. (Board papers by Kathy) - implemented <b>14.</b> Roll out of remote server solution - around 50 laptops have been distributed. <b>15.</b> Board appointed GPs where there are issues such as rural practices. <b>16.</b> Re-instatement of Primary Care Sustainability Group (could be opened up to other Primary Care services)			
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<p><b>HSC 017</b>  (added Nov 22)</p>	<p><b>Potential Industrial Action:</b> The risk that industrial action by one of more sectors of the NHS and Councils workforces 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 (4)  Target (2)</p>	<p>Current (4)  Target (3)</p>	<p>16 <b>High</b>  6 <b>Low</b></p>	<ol style="list-style-type: none"> <li>1. Review and ensure business continuity arrangements are up to date and robust</li> <li>2. Work closely with constituent authorities to fully understand likely impacts.</li> <li>3. Ensure ongoing constructive working relationships with staff side / unions are maintained.</li> <li>4. Consider potential public messaging implications.</li> <li>5. Participate in pan FV and local resilience arrangements.</li> <li>6. Associate medical director for Psychiatry participating in business continuity planning for junior doctors industrial action.</li> </ol>	<p>Chief Officer</p>	<p>Risk rating re-escalated re junior doctors.</p>	
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<p><b>HSC 018</b>  <b>(Added March 23)</b></p>	<p><b>Capacity to Deliver Safe and Effective Integration Functions to Support Whole System Performance and Safety</b> 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 <b>Hig h</b>  6 <b>Low</b></p>	<ol style="list-style-type: none"> <li>1. Ensure Strategic Planning is Based on robust Strategic Needs Assessment</li> <li>2. Develop Locality Plans (March 23)</li> <li>3. Manage positive arrangements with providers through providers forum (Ongoing)</li> <li>4. Ensure robust annual IJB Business Case is produced. (Nov 23/annually) Use of national networks and Health and Social Care Scotland to articulate and inform future resource requirements (Ongoing)</li> <li>6. Ensure sound management arrangements in place to maximise local capacity available. (Ongoing)</li> <li>7. Prioritise transformation programme to maximise use of existing resources (Ongoing)</li> <li>8. Work with constituent authorities to promote partnership</li> </ol>	<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 20 June 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 20 June 2023

### 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.

# Clackmannanshire & Stirling Integration Joint Board Audit and Risk Committee

28 June 2023

Agenda Item 10

## Review of IJB Financial Regulations

*For Recommendation*

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

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

<b>Purpose of Report:</b>	To bring forward a reviewed and updated set of IJB Financial Regulations for consideration and recommendation to the IJB for approval
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<b>Recommendations:</b>	<p>The Audit and Risk Committee is asked to:</p> <ol style="list-style-type: none"> <li>1) Note the background to the IJBs Financial Regulations</li> <li>2) Consider the proposed updates to the IJBs Financial Regulations and recommend these to the IJB for approval.</li> <li>3) Agree that the Financial Regulations be reviewed and considered by the Committee every two years.</li> </ol>
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## **1. Background**

- 1.1. As set out by the Public Bodies (Joint Working) (Scotland) Act 2014 and the supporting integration finance guidance IJBs are required to agree a set of financial regulations as part of governance frameworks.
- 1.2. The current Financial Regulations were developed as part of arrangements to establish IJBs in Forth Valley by the Integration Finance Workstream. They were approved by the IJB on 30 March 2016 and were due for review alongside the Integration Scheme in 2020/21 however both elements were impacted by the Covid-19 pandemic and ongoing operational pressures.
- 1.3. There are outstanding elements of the governance frameworks requiring review and update which have been referenced with both internal and external audit annual reports and the financial regulations form part of this.
- 1.4. Integration Scheme aside (which is a legal partnership agreement of the constituent authorities) a local code of corporate governance is the other outstanding element requiring development and this will be brought forward to the committee for consideration at its next meeting in September 2023.

## **2. Considerations**

- 2.1. The IJB Chief Finance Officer has reviewed and proposed changes to the Financial Regulations based on experience of the operating environment of the IJB since 2016 and the context of single year financial settlements in

recent years from UK and Scottish Governments and the 2023/33 Strategic Commissioning Plan approved by the Board in March 2023.

- 2.2. As Financial Regulations are intrinsically linked to the Integration Scheme itself the changes made are not regarded as substantial. There may be a requirement to further review the Financial Regulations once a revised Integration Scheme is prepared and approved and changes at this point may require to be more substantial. Nonetheless, it would be appropriate to agree a regular review period for Financial Regulations and it is proposed this should be two yearly.
- 2.3. In order that the proposed changes to the IJBs Financial Regulations are clear and visible the proposed changes are illustrated in Appendix 1 as tracked changes.
- 2.4. Subject to IJB approval revised Financial Regulations would be posted on the governance page of the partnership website.

### 3. Conclusions

- 3.1. IJB Financial Regulations are an integral element of the IJBs governance framework and are intrinsically linked to the Integration Scheme itself.
- 3.2. Regular review of the IJBs Governance Frameworks is regarded as best practice hence the incorporation of a proposed timeframe for review.

### 4. Appendices

Appendix I – Proposed Revised IJB Financial Regulations

<b>Fit with Strategic Priorities:</b>	
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"/>
<b>Enabling Activities</b>	
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"/>
<b>Implications</b>	

<b>Finance:</b>	Financial Regulations form a part of the IJBs governance frameworks and financial management arrangements.
<b>Other Resources:</b>	As detailed within the report.
<b>Legal:</b>	IJBs are required to have a set of Financial Regulations.
<b>Risk &amp; mitigation:</b>	The IJBs governance frameworks assist in mitigating risk.
<b>Equality and Human Rights:</b>	The content of this report <b><u>does not</u></b> require a EQIA
<b>Data Protection:</b>	The content of this report <b><u>does not</u></b> require a DPIA
<b>Fairer Duty Scotland</b>	<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:  <a href="http://www.gov.scot/Publications/2018/03/6918/2">http://www.gov.scot/Publications/2018/03/6918/2</a></p> <p>The content of this report <b><u>does not</u></b> require Fairer Duty Scotland Assessment</p>

## CLACKMANNANSHIRE AND STIRLING INTEGRATION JOINT BOARD FINANCIAL REGULATIONS

### 1. DEFINITIONS AND INTERPRETATION

1.1 **"1973 Act"** means the Local Government (Scotland) Act 1973;

**"Act"** means the Public Bodies (Joint Working) (Scotland) Act 2014;

**"Board"** means Integration Joint Board;

**"Chief Finance Officer"** means the Chief Finance Officer of the Board appointed by the Board in terms of section 95 of the 1973 Act;

**"Chief Officer"** means the Chief Officer of the Board appointed by the Board in terms of s10 of the Act;

**"Council"** means Clackmannanshire or Stirling Council;

**"Integrated Budget"** means the Integrated Budget of the Board set in accordance with the provisions of the Integration Scheme.

**"Integration Joint Board Budget or IJB Budget"** means the Integrated Budget as defined above plus the 'Set-Aside' budget per the provisions of the Integration Scheme. This includes Partnership Funding including the Integrated Care Fund, Delayed Discharge Fund, Integration Fund and any other external funding for Health and Social Care..

**"Set-Aside Budget"** means the sum to be set aside and made available by the NHS Board to the Integration Joint Board in respect of those delegated functions which are carried out in a large hospital.

**"Integration Scheme"** means the Integration Scheme between the Parties approved by the Scottish Ministers.

**"Directions"** means the instruction to carry out functions defined in the Act and Integration Scheme.

**"Accountable Officer"** means the officer personally answerable to the Scottish Parliament in accordance with Section 15 of the Public Finance and Accountability (Scotland) Act 2000. For Health Boards this is the Chief Executive.

**"NHS"** means Health Board;

**"Parties"** means the Council and the NHS (and **"Party"** means either of them); and

**"Strategic Plan"** means the plan which the Board is required to prepare and Implement in relation to the delegated provision of health and social care services to adults in accordance with section 29 of the Act. In our local context we often refer to this as the Strategic Commissioning Plan budget or use this term interchangeably.

1.2 Words in these Financial Regulations that are also used in the Board's other governing

documents shall, where possible, have the same meanings as they have in those other governing documents.

## 2. SCOPE AND OBSERVANCE

- 2.1 The Board is a legal entity in its own right, created by Parliamentary Order, following Ministerial approval of the Integration Scheme. The Parties adopted a 'body corporate' arrangement- s1(4)(a) of the Act.
- 2.2 The Board is accountable for the stewardship of public funds and is expected to operate under public sector best practice governance arrangements proportionate to its transactions and responsibilities. Stewardship is a function of management and, therefore, a responsibility placed upon the appointed members and officers of the Board. In particular:-
- (1) NHS (Financial Provisions) (Scotland) Regulations 1974 require NHS Directors of Finance to design, implement and supervise systems of financial control and NHS circular 1974 (GEN) 88 requires the Director of Finance to:
    - . approve the financial systems;
    - . approve the duties of officers operating these systems; and
    - . maintain a written description of such approved financial systems including a list of specific duties.
  - (2) Section 95 of the 1973 Act requires that every local authority shall make arrangements for the proper administration of its financial affairs and shall secure that the proper officer of the authority has responsibility for the administration of those affairs.
- 2.3 Members of the Board have a duty to abide by the highest standards of probity in dealing with financial issues. This is achieved by ensuring everybody is clear about the standards to which they are working and the controls in place to ensure these standards are met.
- 2.4 The key controls and control objectives for financial management standards are:-
- (1) the promotion of the highest standards of financial management by the Board;
  - (2) a monitoring system to review compliance with the financial regulations;
  - (3) ~~comparisons of actual and forward projection of financial performance with planned/budgeted performance that are reported to the Board; and regular reporting on financial performance including financial projections to the Board~~
  - (4) the Audit & Risk Committee of the Board fulfilling its duties under its approved Terms of Reference.
  - (5) the Finance & Performance Committee of the Board fulfilling its duties under its approved Terms of Reference
- 2.5 In all matters to do with the management and administration of the IJB Budget by the Board and its officers exercising such delegated powers as the Board has agreed in this regard, these Financial Regulations will apply in all circumstances.
- 2.6 Prior to any funding being passed by one of the Parties to the Board as part of the Integrated Budget, the Financial Regulations or Standing Financial Instructions of the relevant Party will apply. Similarly, once funding has been approved from the Integrated Budget by the Board and directed by it to the Council or the NHS for the purposes of service delivery, the Standing Financial Instructions or Financial Regulations of the relevant Party will then apply to the directed sum, which will be utilised in accordance with the priorities determined by the Board in its Strategic Commissioning Plan.





### 3. FINANCIAL MANAGEMENT

#### Responsibility of Board

3.1 The Integration Scheme sets out the detail of the integration arrangements agreed between the Parties in accordance with the Act. In relation to financial management it specifies:-

- (1) the functions which are delegated to the Board by the NHS and the Council.
- (2) the financial management arrangements including treatment of budget variances;
- (3) the reporting arrangements between the Board, the NHS and the Council;
- (4) the method for determining the payment to be made available by the NHS and the Council to the Board; and
- (5) giving directions to the NHS and the Council that are designed to ensure resources are spent according to the Strategic Commissioning Plan.

3.2 The Board is responsible for the production of the Strategic Commissioning Plan, setting out the needs, priorities and services for its population over the medium term (3 years), agreed term including:-

- (1) the payment from the Council
- (2) the payment from the NHS to the Board
- (3) the amount set aside by the NHS for delegated services.

#### Responsibility of the Chief Officer

3.3 The Chief Officer will discharge his/her duties in respect of the delegated functions by:-

- (1) ensuring that the Strategic Commissioning Plan meets the requirement for economy, efficiency and effectiveness in the use of the Board resources.

#### Responsibility of the Chief Finance Officer

3.4 The Board is required to appoint an officer responsible for its financial administration. This post, known as the Chief Finance Officer, will fulfill a role equivalent of the section 95 officer within the Council.

3.5 The Chief Finance Officer will discharge his/her duties in respect of the available resources by:-

- ~~(1) (1)~~ establishing financial governance systems for the proper use of the available resources;
- (2) ensuring that the Strategic Commissioning Plan meets the requirement for best value in the use of the Board's resources; and
- (3) ensuring that the directions given by the Chief Officer to the NHS and the Council provide for the resources that are allocated in respect of the directions to be spent according to the Strategic Plan. It is the responsibility of the Chief Finance Officer to ensure that the provisions of the directions enable the Parties to discharge their responsibilities in this respect and are in line with the extant directions policy.

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3.6 The responsibilities of the NHS's accountable officer, (the NHS's Chief Executive) and the Council's Chief Financial Officer (section 95 officer) are as follows:-

- (1) the NHS's accountable officer and the Council's section 95 officer discharge their responsibility, as it relates to the resources that are delegated to the Board.
- (2) the NHS's Director of Finance and the Chief Financial Officer (section 95 officer) of the Council will provide specific advice and professional support to the Chief Officer to support the production, and when necessary the periodic review of, the Integration Scheme;
- (3) the NHS's Director of Finance and the Chief Financial Officer (section 95 officer) of the Council will provide ongoing support and advice to the Chief Officer and IJB Chief Financial Officer in the delivery of operational services within the NHS and the Council.

#### 4. FINANCIAL PLANNING

##### Strategic Commissioning Plan

4.1 The Board is responsible for the production of the Strategic Commissioning Plan -setting out the needs, priorities and services for its population over the ~~medium term (3 years)-~~agreed term. This should, as far as possible, include a medium term financial plan for the resources within the scope of the Strategic Plan, incorporating:-

- (1) the Integrated Budget- aggregate of payments to the Board; and
- (2) the Set-aside Budget- the amount set aside by the NHS for ~~delegated services~~Large Hospital Services as defined by the Integration Scheme and national guidance on financial planning for large hospital services.

4.2 While the NHS and the Council should, where possible, provide indicative three year rolling funding allocations to the Board to support the Strategic Commissioning Plan and the medium term financial planning process such indicative allocations would remain subject to annual approval by all Parties.

4.3 It is the responsibility of the Chief Officer and the Chief Finance Officer to develop ~~a draft IJB budget-IJB~~ Business Case based on the Strategic Commissioning Plan and to present this to the Parties for consideration and agreement within each Party's budget setting process. The draft budget should take account of such factors as:-

- (1) **Activity Changes:** the impact on resources in respect of increased demand (e.g. demographic pressures and increased prevalence of long term conditions) and for other planned activity changes;
- (2) **Cost inflation:** pay and supplies cost increases;
- (3) **Efficiencies:** all savings (including increased income opportunities and service rationalisations/cessations) should be agreed between the Board and the Council / NHS as part of the annual rolling financial planning process to ensure transparency;
- (4) **Performance on outcomes:** the potential impact of efficiencies on agreed outcomes must be clearly stated and open to discussion and consideration by the Council and the NHS;
- (5) **Legal requirements:** legislation may entail expenditure commitments that should be

taken into account in adjusting the amounts to be paid, or set aside, to the Board by the Parties;

- (6) **Transfers to/from the set aside budget for hospital services:** as set out in the Strategic Commissioning Plan;
- (7) **Adjustments to address equity:** the Council and the NHS may choose to adjust contributions to smooth the variation in weighted capita resource allocations across partnerships; information to support this will be provided by the Information Services Division (part of NHS National Services Scotland) ~~and the Analytical Services Division (part of Scottish Government)~~ and/or local arrangements.

#### **Limits on Expenditure**

4.4 No expenditure shall be incurred by the Board unless it has been included within the approved IJB Budget and Strategic Commissioning Plan, except:-

- (1) where additional funding has been approved by the NHS and/or the Council and the IJB Budget / Strategic Commissioning Plan updated appropriately;
- (2) where additional funding has been allocated by the Scottish Government following approval of the IJB budget;
- (3) in emergency situations in terms of any scheme of delegation; and
- (4) as provided for in paragraph 4.6 below (Virement).

#### **Virement**

4.5 Virement is defined by CIPFA as "the transfer of an under spend on one budget head to finance additional spending on another budget head, in accordance with an Authority's Financial Regulations". In effect virement is the transfer of budget from one main budget heading (employee costs, supplies and services etc), to another, or a transfer of budget from one service or department to another. This would also include transfers between the two arms of the budget.

4.6 Virement rules are set out in sections 8.8.1, 8.8.2 and 8.8.3 of the IJB Integration Scheme.

- (1) The Chief Officer is permitted to transfer resources between the arms of the Integrated Budget which fall within the scope of the Strategic Commissioning Plan subject to there being no overall increase in net budget, no forward impact on future years and does not breach authorisation levels to be determined in accordance with the Scheme of Delegation.

#### **Scheme of Delegation**

4.7 A scheme of delegation ~~will be developed once the initial strategic plan is agreed~~ has been agreed and will be subject to periodic review to allow the Chief Officer and Chief Finance Officer the appropriate level of authority to discharge their responsibilities.

### **Budgetary Control**

- 4.8 It is the responsibility of the Board Chief Finance Officer, in consultation with the Director of Finance of the NHS and the Chief Financial Officer (section 95 officer) of Council, to agree a consistent basis and timetable for the preparation and reporting of management accounting information. In line with section 8.10.2 of the Integration Scheme this will include quarterly financial reports to the Integration Joint Board.
- 4.9 The Board Chief Finance Officer along with the Director of Finance of the NHS and the Chief Financial Officer (section 95 officer) of the Council ~~shall~~**shall** put in place a **system of budgetary control which will provide the Chief Officer with management accounting information for allboth arms of the integrated budget and for the IJB budget in aggregate.**

### **Variances**

- 4.10 The Integration Scheme specifies how in year over/under spends will be treated. Where it appears that any heading of income or expenditure may vary significantly from that appearing in the Strategic Plan, it shall be the duty of the Chief Officer and the Chief Finance Officer, in conjunction with the NHS's Director of Finance and the Chief Financial Officer (section 95 officer) of the Council, to report in accordance with the appropriate method established for the purpose by the Board, the NHS and the Council, the details of the variance and any remedial action required.

### **Reports to the Board**

- 4.11 All reports to the Board and any committees thereof must specifically identify the extent of any financial implications. These must have been discussed and agreed with the Chief Finance Officer prior to lodging of reports.

### **Legality of Expenditure**

- 4.12 It shall be the duty of the Chief Officer to ensure that no expenditure is incurred, or included within the Strategic Plan, unless it is within the legal powers of the Board. In cases of doubt the Chief Officer should consult the respective legal advisors of the NHS and the Council before incurring expenditure. Expenditure on new service developments, initial contributions to other organisations and responses to new emergency situations which require expenditure, must be clarified as to legality prior to being incurred.

### **Management of Reserves**

- 4.13 Legislation empowers the Board to hold reserves, which should be accounted for in the financial accounts and records of the Board.
- 4.14 ~~As any underspend will be held by the Party holding the respective budget and only adjusted through subsequent allocations from the Board no interest will be credited to the Board for balances held and these will be accounted for within the financial records of the Councils or NHS Board. The Board will maintain and periodically review its reserves strategy and policy in line with the terms of the Integration Scheme, acknowledged best practice, professional guidance and advice from the Chief Financial Officer.~~

## **VAT**

- 4.15 HM Revenues and Customs have confirmed that there is no requirement for a separate VAT registration for the Board as it will not be delivering any services within the scope of VAT. This position will require to be kept under review by the Chief Finance Officer should the operational activities of the Board change and a need to register be established.

## **Procurement/Commissioning of Services**

- 4.16 The Public Bodies (Joint Working) (Proceedings, Membership and General Power of Integration Boards) (Scotland) Order 2014 provides that the Board may enter into a contract with any person in relation to the provision to the Board of goods and services for the purpose of carrying out the functions conferred on it by the Act.
- 4.17 As a result of specific VAT and accounting issues associated with the Board contracting directly for the provision of goods and services, the Chief Officer is required to consult with the NHS's Director of Finance and the Chief Financial Officer (section 95 officer) of the Council, and the Chief Finance Officer prior to any direct procurement exercise being undertaken.

## **Accounting Procedures and Records**

- 4.18 All accounting procedures and records of the Board shall be determined by the Chief Finance Officer. These will also be subject to discussion and agreement with the Director of Finance / Chief Financial Officer of the NHS / Council as appropriate.
- 4.19 Legislation provides that the Board is subject to the audit and accounts provision of a body under section 106 of the 1973 Act. This requires audited annual accounts to be prepared with the reporting requirements specified in the relevant legislation and regulations - section 12 of the Local Government in Scotland Act 2003 and regulations under section 105 of the 1973 Act. These will be proportionate to the limited number of transactions of the Board whilst complying with the requirement for transparency and true and fair reporting in the public sector.

## **Financial Statements of the Board**

- 4.20 The reporting requirements for the Board will be as specified in applicable legislation and regulations. Financial statements will be prepared following the Code of Practice on Local Authority Accounting in the UK. Statements will be signed as specified in regulations made under section 105 of the 1973 Act.
- 4.21 The financial statements including the Annual Accounts and associated reporting requirements must be completed to meet the audit and publication timetable specified in regulations. It is the primary responsibility of the Chief Finance Officer to meet these targets and of the Chief Officer and Chief Finance Officer to provide any relevant information to ensure that the NHS and the Council meet their respective statutory and publication requirements for the single entity and group accounts.
- 4.22 The Chief Finance Officer shall agree the financial statements production timetable with the external auditors of the Board, the NHS and the Council.

## 5. INTERNAL AUDIT

### Responsibility for Internal Audit

- 5.1 The Board shall establish adequate and proportionate internal audit arrangements for review of the adequacy of the arrangements for risk management, governance and control of the allocated resources, but not the amount or sufficiency of the allocated resources. This will include determining who will provide the internal audit service for the Board and nominating a Chief Internal Auditor.
- 5.2 The operational delivery of internal audit services within the NHS and the Councils will be contained within their respective and established arrangements.
- 5.3 The Internal Audit Service will undertake its work in compliance with the Public Sector Internal Audit Standards.
- 5.4 ~~On or before~~ Before the start of each financial year, or as early as possible thereafter, the Board's Chief Internal Auditor will prepare and submit a strategic risk based audit plan to the Performance and Audit Committee for approval. It is recommended this is shared for information with the relevant committee of the NHS and the Council.
- 5.5 The Board's Chief Internal Auditor will submit an annual audit report of the Internal Audit function to the Chief Officer and the Performance and Audit Committee indicating the extent of audit cover achieved and providing a summary of audit activity during the year. ~~As a minimum the~~ The annual audit report and Chief Internal Auditor's opinion ~~will~~ may also be reported to the Audit and Risk committee of the NHS Board and the ~~Audit and Governance Panel of~~ relevant Committee the Council.

### Authority of Audit

- 5.6 The Board's Chief Internal Auditor or their authorised representatives shall have authority, on production of identification, to:-
- (1) obtain entry at all reasonable times to any premises or land used or operated by the Board;
  - (2) have access to all systems, records, documents and correspondence relating to any financial and other transactions of the Board; and
  - (3) require and receive such explanations as are necessary concerning any matter under examination.

## 6. RISK MANAGEMENT AND INSURANCE

### Responsibility for Insurance and Risk

- 6.1 The Board shall make appropriate insurance arrangements for all activities of the Board in accordance with the risk management strategy.
- 6.2 The Chief Officer and Chief Finance Officer shall arrange, taking such specialist advice as may be necessary, that adequate insurance cover is obtained for all normal insurable risks arising from the activities of the Board and for which it is the general custom to ensure. This will include the provision of appropriate insurance in respect of members of the Board acting in a decision making capacity.
- 6.3 The Board has become a member of the Scottish Government Clinical Negligence and

Other Risks Scheme (CNORIS~~-~~) - a risk transfer and financing scheme. The Chief Officer and the Chief Finance Officer will review the requirement for membership of CNORIS on an annual basis.

6.4 The NHS's Director of Finance and the Chief Financial Officer (section 95 officer) of the Council will ensure that the Chief Officer has access to professional support and advice in respect of risk management.

## 7. ECONOMY, EFFICIENCY AND EFFECTIVENESS (BEST VALUE)

7.1 The Chief Officer will ensure that arrangements are in place to maintain control and clear public accountability over the public funds delegated to the Board. This will apply in respect of:

- (1) the resources delegated to the Board by the Council and the NHS; and
- (2) the resources paid to the Council and the NHS by the Board for use as directed and set out in the Strategic [Commissioning](#) Plan.

7.2 Best practice principles as set out in the Code of Guidance on Funding External Bodies and Following the Public Pound should be incorporated into the Strategic [Commissioning](#) Plan and the directions made by the Board to allow the Chief Finance Officer, the NHS's accountable officer and the Council's section 95 officer to discharge this duty.

7.3 The Board has a duty to put in place proper arrangements for securing Best Value in the use of resources and delivery of services. There shall be a process of strategic planning which shall have full Board member involvement, in order to establish the systematic identification of priorities and realisation of Best Value in the delivery of services. It shall be the responsibility of the Chief Officer to deliver the arrangements put in place to secure Best Value and to co-ordinate policy in regard to ensuring that the Board provides Best Value.

7.4 The Chief Officer shall be responsible for ensuring implementation of the strategic planning process. Best Value should cover the areas of human resource and physical resource management, commissioning of services, financial management and policy, performance and service delivery process reviews.

7.5 The Boards approach to Best Value will evolve over time and the Annual Performance Report will incorporate a Best Value statement based on triangulation of financial and non-financial performance and evidence progress against Strategic Commissioning Plan priorities and improved outcomes over time.



## **8. OBSERVANCE OF FINANCIAL REGULATIONS**

### **Responsibility of Chief Officer and ~~The~~the Chief Finance Officer**

- 8.1 It shall be the duty of the Chief Officer, assisted by the Chief Finance Officer, to ensure that these Financial Regulations are made known to the appropriate persons within the Board and the Partnership and to ensure that they are adhered to.

### **Breach of Regulations**

- 8.2 A breach of these Financial Regulations must be reported immediately to the Chief Officer, who may then discuss the matter with the NHS's Chief Executive, the Council's Chief Executive or another nominated or authorised person as appropriate to decide what action to take.

### **Review of Financial Regulations**

- 8.3 These Financial Regulations shall be the subject of regular review by the Chief Finance Officer in consultation with the NHS's Director of Finance and the Council's section 95 officer, and where necessary, subsequent adjustments will be submitted to the Board for approval



# Clackmannanshire & Stirling Integration Joint Board Audit and Risk Committee

28 June 2023

Agenda Item 11

Relevant National Reports:  
Local Government in Scotland:  
Overview 2023  
Integration Joint Boards: Financial  
Analysis 2021/22

*For Noting*

<b>Paper Approved for Submission by:</b>	Ewan Murray, Chief Finance Officer
<b>Paper presented by</b>	Ewan Murray, Chief Finance Officer
<b>Author</b>	Ewan Murray, Chief Finance Officer
<b>Exempt Report</b>	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"/>

<b>Purpose of Report:</b>	To bring relevant national reports to the attention of the Audit & Risk Committee for noting.
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<b>Recommendations:</b>	<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 2 relevant national reports have been published
  - Local Government in Scotland: Overview 2023
  - Integration Joint Boards: Financial Analysis 2021/22

## 2. Considerations

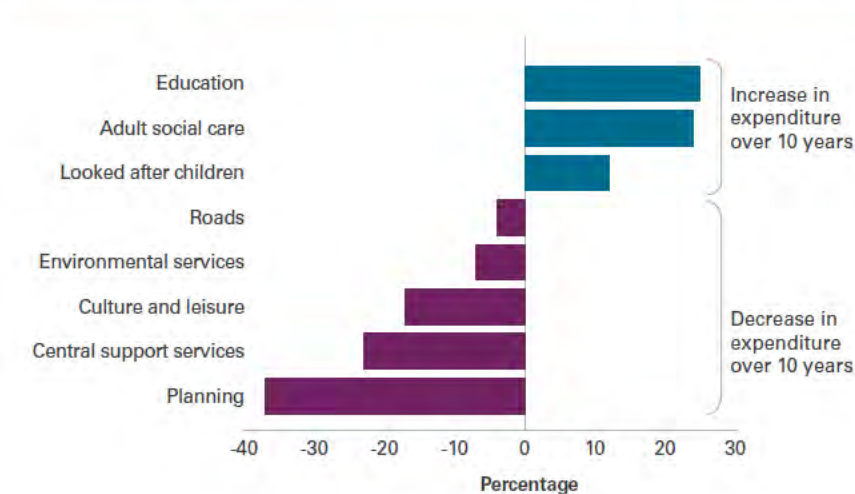
- 2.1. Audit and Risk Committee members are asked to note the appended reports and their relevance to the context the IJB operates within and in particular the significant risks in relation to service and financial sustainability. The key messages from each report are detailed below.
- 2.2. Key messages from the Local Government in Scotland: Overview 2023 are
  - *Finance:* Budget constraints are increasing cost pressures are putting councils' finances under severe strain.
  - *Performance:* The pandemic has affected performance across all service areas and there are signs of growing backlogs and declining performance in some service areas.
  - *Collaboration:* The scale of challenges ahead means that radical change is needed and it is only by working more collaboratively that councils and their local partners, communities and the third sector will

be able to provide sustainable local services and deliver a significant programme of national reform.

- *Leadership*: Leaders must think radically and make fundamental changes to how councils operate in future.
- *Workforce*: Increasing workforce challenges, including a competitive labour market and high sickness absence levels, are putting councils under continued pressure.
- Many of these key messages can be directly applied to the IJB and the increasingly difficult funding environment for local government will also have ongoing impacts for delivery of Health and Social Care.

Additionally, the changing trends in Local Government expenditure since 2012/13 are clearly illustrated in Exhibit 1 reproduced below.

**Exhibit 1.**  
Percentage change in expenditure (in real terms) over ten years from 2012/13 to 2021/22



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 Integration Joint Boards: Financial Analysis 2021/22 are:
  - IJB Operating Context
    - IJBs face increasing demand – Scotlands’ population is ageing, with increasingly complex health and social care needs
    - The health and social care workforce is under extreme pressure, with continued recruitment and retention challenges
    - IJBs continue to deal with the impacts of Covid-19 on services
    - There remains considerable uncertainty about the planning and delivery of health and social care services whilst the Scottish Government develop plans to create a National Care Service (NCS).
  - IJB Financial and service challenges
    - IJBs face considerable financial uncertainties and workforce challenges
      - Efficiency and transformational savings alone may be insufficient to meet future financial challenges. Service transformation is needed to ensure financial sustainability and service improvements.
      - The social care sector cannot wait for a NCS to deal with financial, workforce and service demand challenges – action is needed now if we are to improve the outcomes for people who rely on health and social care services.
  - IJB finances 2021/22
    - IJBs returned significant surpluses in 2021/22 mainly due to funding received late in the financial year for specific policy commitments including Covid-19.
    - Total IJB reserves doubled (mainly due to points above)
    - The pandemic continued to impact on the delivery of IJB savings plans.
  - Medium and longer term outlook
    - IJBs have a projected funding gap of £124m for 22/23
    - Three quarters of IJBs have updated their Medium Term Financial Plans

The time past since 2021/22 may limit the usefulness of this report however many of the key messages remain valid.

### **3. Conclusions**

- 3.1. Many of the key messages within the appended reports are directly relevant to Integration Authorities (IJBs).
- 3.2. Audit and Risk members are invited to read and discuss the reports appended.

#### 4. Appendices

Appendix I – Local Government Overview 2023

Appendix II – Integration Joint Boards Financial Analysis 2021/22

<b>Fit with Strategic Priorities:</b>	
Care Closer to Home	☒
Primary Care Transformation	☒
Caring, Connected Communities	☒
Mental Health	☒
Supporting people living with Dementia	☒
Alcohol and Drugs	☒
<b>Enabling Activities</b>	
Technology Enabled Care	☒
Workforce Planning and Development	☒
Housing and Adaptations	☒
Infrastructure	☒
<b>Implications</b>	
<b>Finance:</b>	As detailed within the reports.
<b>Other Resources:</b>	As detailed within the reports.
<b>Legal:</b>	N/A
<b>Risk &amp; mitigation:</b>	The reports contain content which impact the risk environment of the IJB.
<b>Equality and Human Rights:</b>	The content of this report <b>does not</b> require a EQIA
<b>Data Protection:</b>	The content of this report <b>does not</b> require a DPIA
<b>Fairer Duty Scotland</b>	<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: <a href="http://www.gov.scot/Publications/2018/03/6918/2">http://www.gov.scot/Publications/2018/03/6918/2</a></p> <p>The content of this report <b>does not</b> require Fairer Duty Scotland Assessment</p>

# Local government in Scotland

Overview 2023



ACCOUNTS COMMISSION 

Prepared by Audit Scotland  
May 2023



# Who we are

## The Accounts Commission

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance and financial stewardship, and value for money in how they use their resources and provide their services.

### **Our work includes:**

- securing and acting upon the external audit of Scotland's councils and various joint boards and committees
- assessing the performance of councils in relation to Best Value and community planning
- carrying out national performance audits to help councils improve their services
- requiring councils to publish information to help the public assess their performance.

You can find out more about the work of the Accounts Commission on our website:

[www.audit-scotland.gov.uk/about-us/accounts-commission](http://www.audit-scotland.gov.uk/about-us/accounts-commission)

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# Key messages and recommendations

Councils have never faced such a challenging situation, with demand and workforce pressures deepening after the Covid-19 pandemic and funding forecast to reduce in real terms. Radical change, achieved through greater collaboration, is urgently needed if councils are to maintain services.

## 1 Finances and resources

Budget constraints and increasing cost pressures are putting councils' finances under severe strain. An increasing proportion of funding is ringfenced or directed for national policy initiatives. While this is important to help deliver national priorities, it prevents councils from making decisions about how funds can be used at a local level, to meet local need. Councils have had to make significant savings to balance their budgets. Increasingly difficult choices about spending priorities and service provision are having to be made.

### Recommendations:

The **Scottish Government and COSLA** need to take urgent action to finalise the New Deal for local government ([paragraphs 71–73](#)) and agree:

- a new partnership agreement with councils that supports collaboration
- a fiscal framework for local government that supports sustainable funding and greater financial flexibility and transparency.

The **Scottish Government** needs to provide more detailed financial information (eg, breakdown of type of funding and individual council allocations) to support councils longer-term financial planning.

**Councils** need to set out medium- to long-term financial plans that detail:

- how they will make recurring savings and reduce reliance on reserves to fill budget gaps
- how council resources are targeted to achieve their long-term policy and performance priorities.

## 2 Community needs and inequalities

The pandemic has affected performance across all service areas. There are signs of growing backlogs and declining performance in some service areas. Councils have a clear focus on tackling inequalities but the extent and impact of needs not being met is unclear. Some communities are facing crisis, with persistently high levels of poverty and increasing financial hardship putting additional pressure on services, at a time when councils have less capacity to support them.

### Recommendations:

- **Councils** should be more transparent with the public about scale of service demand, the extent of backlogs and changes to eligibility criteria necessary to ration access to services and any impact this has on unmet need.
- **Councils** should have a clear plan for strengthening their use of data to understand needs, make decisions and direct resources. This includes equalities data, and learning from those with lived experience.

## 3 Collaboration

The scale of the challenges ahead means that radical change is needed. It is only by working more collaboratively that councils and their local partners, communities and the third sector will be able to provide sustainable local services and deliver a significant programme of national reform to tackle issues such as climate change, child poverty and inequalities.

The pandemic demonstrated the benefits of partnership working and shared local goals. This needs to continue. Few councils provide services jointly or share professional support services. Many councils engage well with communities and local partners to better understand local priorities and needs. Now councils must better involve service users and communities, including those with lived experience, as they redesign services.

### Recommendations:

**Councils** need to maximise the potential of collaboration by demonstrating they are:

- working with other councils, the wider public sector and the third sector to redesign and provide services
- involving service users and local communities in the redesign of services.

## 4 Leadership

Leaders must think radically and make fundamental changes to how councils operate in future, building on the collaborative and innovative ways of working many demonstrated during the pandemic. Leaders need to be open with their staff, communities and local partners about the difficult decisions ahead and be clear about how change will be achieved. The level of volatility, uncertainty (such as plans for a national care service) and immediate financial pressures make planning and delivering sustainable change more difficult. Ineffective leadership and high turnover identified at several councils, alongside tensions with central government present risks to their ability to make fundamental changes at the pace needed.

### Recommendations:

**Councils' leaders** need to invest time and capacity in thinking radically about their future operating model, and:

- be open and clear with communities and staff about the need for change, what that means for future service delivery and involve communities in making difficult decisions
- set out a clear vision for their long-term policy and performance priorities, and how it will be delivered and monitored
- work with the Scottish Government to rebuild an effective relationship.

## 5 Workforce

Increasing workforce challenges, including a competitive labour market and high sickness absence levels, are putting councils under continued pressure. Councils need to innovate by developing the skills and building on the agility, flexibility and joint working demonstrated during the pandemic to make best use of their existing workforce. Wellbeing initiatives must continue and councils should monitor the impact of new ways of working such as hybrid working on both performance levels and staff wellbeing.

### Recommendations:

**Councils** need to improve workforce planning to effectively develop and deploy their existing workforce. This includes:

- building the capacity, skills, strategic thinking and comprehensive workforce data needed for effective workforce planning
- updating workforce plans to reflect new models of service delivery and ways of working, including how they are:
  - identifying and addressing skills gaps, at operational and leadership levels
  - making best use of their existing workforce by collaborating with partners to overcome recruitment challenges
  - planning for the skills needed to deliver future services, focusing on collaborative and flexible working, including working with the higher education sector to plan and develop skills for the roles needed.

# Background

## About this report

In August 2020, the Accounts Commission agreed a strategic medium-term approach to reporting on the impact of the Covid-19 pandemic. This approach committed to producing a series of annual overview reports over a three-year period.

This report:

- is the third and final overview report in the series
- builds on the previous reports in the series and examines:
  - how has the pandemic affected councils and their performance?
  - what are the current and future challenges facing local government?
  - how well placed are councils to deal with the current and future challenges?
- draws on findings from the financial bulletin, considering these in the context of the wider overview.

The findings of this report are drawn from 2021/22 annual audits, performance and best value audit work carried out during 2022 and from specific research and analysis of available data and intelligence.

## Web resources



To support improvement, we have developed a set of resources for councils which are available on our [website](#). These resources include two supplements:

- a collection of [case studies](#) to illustrate issues and practice across councils
- a checklist with [questions for elected members](#), to help in their scrutiny and decision-making roles and in their work with council executives.

## Previous reports



This report follows the first two reports in the series:

- [Local government in Scotland: Overview 2021](#) considered councils' response to and management of the initial phase of the Covid-19 pandemic.
- [Local government in Scotland: Overview 2022](#) considered the ongoing impact of the pandemic and councils' progress towards recovery and renewal.

Each year we publish a financial overview. The most recent one, [Local government financial bulletin 2021/22](#), was published in January 2023.

# The impact of the pandemic on councils' performance

Service performance was beginning to stall before the pandemic as a result of long-term reductions in funding and wider pressures. The pandemic has affected performance across all service areas. Some services are showing signs of recovery, but there are also signs of growing backlogs, declining performance in some areas and services at capacity. The extent and impact of needs not being met is not clear.

## The pandemic has adversely impacted performance across all service areas and there are signs of growing backlogs, declining performance in some areas and services at capacity

1. In our [Local government in Scotland: Overview 2020](#), we reported that service improvement had begun to stall or even decline as councils dealt with increasingly challenging pressures and long-term reductions in funding. For example:

- performance in many areas of adult social care including delayed discharge, satisfaction and service quality had all slowed or started to decline
- some educational attainment and early years indicators had declined

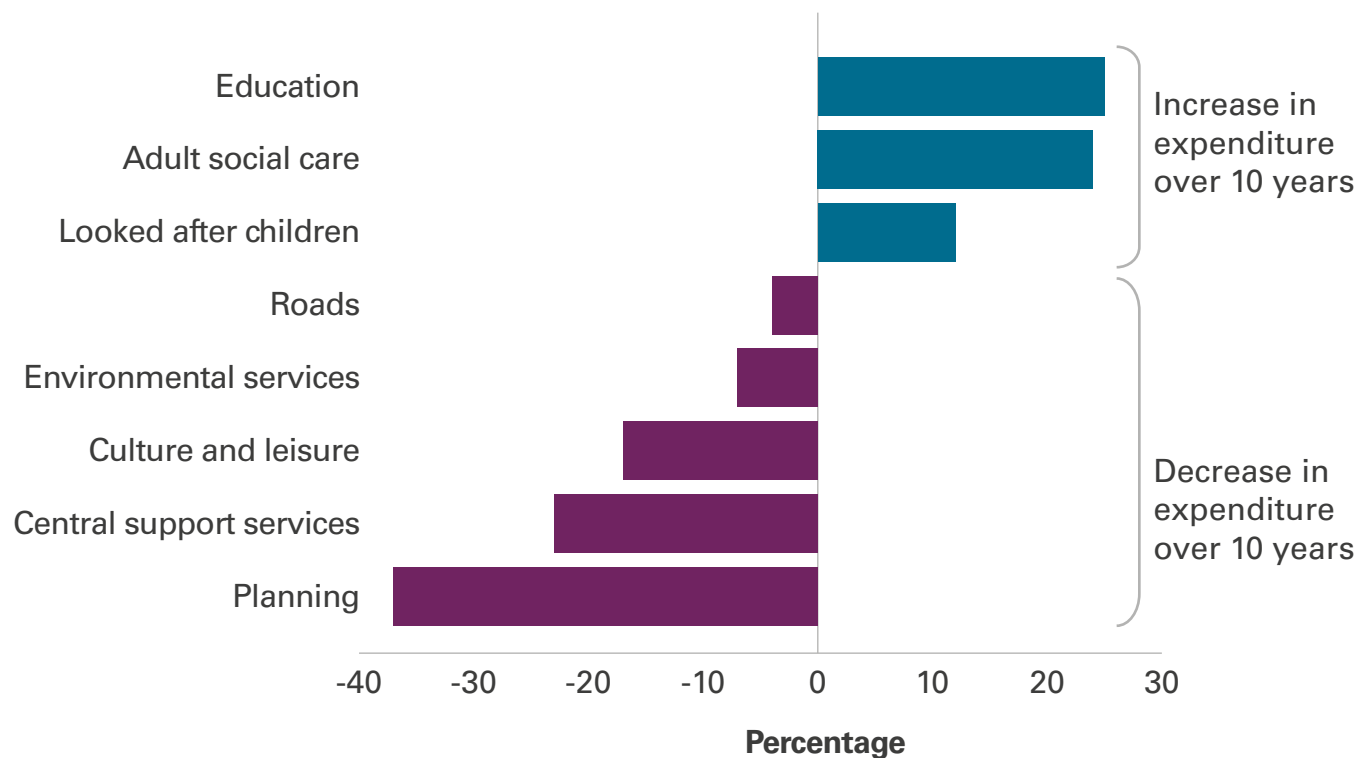
- improvements to recycling levels had stalled and satisfaction with street cleaning and waste collection had reduced
- costs for culture and leisure services had reduced and the number of attendances had increased, but satisfaction had declined across all service areas.<sup>1</sup>

2. Over the last decade, there is a clear divergent pattern of spend. Spending on children's services (education and looked after children) and adult social care has been protected and increased because of national policy directives. This means that the remaining 'unprotected' services have borne a disproportionate level of spending reductions ([Exhibit 1, page 9](#)) and some services entered the pandemic already under pressure.

<sup>1</sup> Local Government Benchmarking Framework 2018/19

## Exhibit 1.

### Percentage change in expenditure (in real terms) over ten years from 2012/13 to 2021/22



Note: Economic development and Tourism services have seen a 43 per cent increase over the period. We have excluded this from the chart as year-to-year expenditure is volatile and there is not a consistent trend in spending over this period.

Source: Local Government Benchmarking Framework, 2021/22



**3.** Since March 2020, the context councils have been operating in has been unprecedented. While staff worked hard and adapted to maintain the delivery of key services during the Covid-19 pandemic, performance across all services areas was adversely impacted.

**4.** During the pandemic, councils gave priority to providing essential front-line services to support the most vulnerable. Other services such as culture and leisure were closed for extended periods in line with Scottish Government guidance. Although councils report that all services have restarted, some are not available to the same extent as before the pandemic, and backlogs remain.

**5.** Councils state that they have a clear understanding of where increased demand and backlogs exist and report on these publicly through committees. We found some good approaches to managing service level demands and backlogs, such as including them in strategic planning and budgeting as well as joint working with local partners.

**6.** A lack of publicly available data means that we do not know the scale of service demand, backlogs and, in particular, unmet need – and nor does the public. Councils need to be more transparent with the public about the impact of the pandemic, and pressures more widely, on service performance, the extent of backlogs and changes to eligibility criteria necessary to ration access to services.

**7. [Exhibit 2 \(page 11\)](#)** shows Local Government Benchmarking Framework performance indicators two years on from the start of the pandemic but before the recent cost-of-living crisis and inflationary cost pressures. Nationally, performance in some services is showing signs of recovery, eg education, but it is concerning that there are signs of backlogs, declining performance, and systems at capacity in some of the services that will be most in demand during the cost-of-living crisis, eg housing, homelessness and social care.

**8.** Councils can make different policy choices about their service and performance priorities. Councils also operate in different environments and these different local factors such as levels of deprivation, population distribution, size of council area and geography affect service demand and performance. An ageing population increases demand for social care services, rurality can make it more difficult to deliver services cost-effectively, and deprivation and poverty have wide-ranging impacts which can affect council services.

## Exhibit 2.

### Service performance during the covid-19 pandemic against selected Local Government Benchmarking Framework indicators up to 2021/22

#### Performance at risk or declining



##### Adult social care

**There are signs that the sector is in crisis, with growing backlogs, declining satisfaction and no clear picture of demand or unmet need.** Spending increased during the pandemic, continuing the longer-term trend. Homecare hours dropped slightly in 2020/21 before increasing to the highest levels ever recorded in 2021/22. Satisfaction continued to decline, and 2021/22 saw a drop of eight per cent in care services graded 'good' or 'better'.<sup>1</sup> Concerns have been raised about day centres not fully reopening. Delayed discharges, an indicator of capacity in the system, dropped at the start of the pandemic but are now at their highest levels since the current guidance came into place in 2016 (delays due to the non-availability of home care are also at their highest).



##### Housing and homelessness<sup>2</sup>

**Housing performance indicators fell during the pandemic as a result of increasing financial hardship and Covid-19 restrictions limiting access to properties.** Loss of income increased from rising rent arrears and voids. Maintenance performance fell. There was a large drop in housing quality in 2021/22 but overall energy efficiency continues to improve. This reflects Covid-19 related delays in carrying out electrical safety inspections, installing smoke and heat detectors, and upgrading work to improve energy efficiency.<sup>3</sup>

**During the first year of the pandemic homelessness fell as a result of emergency extra protections but it is rising again.** Some councils are not meeting their statutory duties in terms of homelessness. Performance in providing temporary accommodation is worsening, with record levels of children living in temporary accommodation. Social housing supply is insufficient to meet demand.



##### Environmental services

**Performance declined during the pandemic.** Recycling rates fell during 2020/21 and have not recovered. Cleanliness levels continued their long-term decline, especially in councils with the highest levels of deprivation. Against the long-term trend, parks expenditure increased in 2021/22 largely due to reinstatement of works, following reduced expenditure/income in 2020/21 during lockdowns.



##### Culture and leisure

**Services were severely affected by the pandemic and future risks are significant.** The impact on these services was severe in 2020/21 and into 2021/22 as many facilities closed in accordance with Scottish Government guidelines. This impact can be seen in lower attendances and increased costs per visit: leisure services and museums saw a partial recovery in 2021/22 but library services saw little rebound. With little resilience in these services owing to long-term funding reductions, future challenges are significant. A recent survey of leisure trusts suggests a high risk of closures as a result of inflationary cost pressures.<sup>4</sup>

Cont.

## Performance mixed or recovering



### Children's services

**Performance during the pandemic was mixed, attainment and progress towards closing the poverty-related attainment gap stalled but has shown some recovery.** Spending increased during the pandemic, continuing the longer-term trend. This was driven by the expansion of early learning provision. Primary schoolchildren's attainment improved in 2021/22 compared with 2020/21 but has not yet recovered to its pre-pandemic level. A similar trend is seen in the poverty-related attainment gap, which narrowed in 2021/22 compared with 2020/21 but remains larger than pre-pandemic. S3 pupils' attainment fell in 2021/22 compared with pre-pandemic, and the attainment gap widened. The improvement in senior secondary school pupils' attainment seen during the pandemic was sustained in 2021/22 when exams resumed, most strongly in councils with high levels of deprivation. It is concerning that the quality ratings of early learning provision continued to decline and developmental concerns for pre-school children have risen.



### Economic development and tourism

**Performance declined during the first year of the pandemic, as activity was refocused on Covid-19 financial support, but shows signs of recovery.** Investment in economic development dropped during 2020/21 before rebounding to its highest level in 2021/22. That period also saw a huge increase in those helped into work by council employability programmes, reversing the previous trend. Councils' support for business start-ups, a measure of investment in wider economic development, fell early in the pandemic but has shown some recovery. Performance is likely to reflect the impact of councils redeploying staff from traditional employability and business support to focus on the distribution of Covid-19 support grants as well as wider uncertainty in the economy, labour shortages and disrupted supply chains.

## Performance maintained



### Corporate services

**Performance dipped slightly but activity significantly increased, as corporate support services had a critical role in delivering Covid-19 grants, supporting financial hardship and facilitating homeworking for councils' workforce.** Spending on the Scottish Welfare Fund and Discretionary Housing Payment rose significantly in 2020/21 and again in 2021/22. Councils processed £72.8 million in self-isolation support grants, mainly in 2021/22.

#### Notes:

Indicators capture national performance before the recent cost-of-living crisis and inflationary cost pressures. The Improvement Service advises that the methodology for measuring satisfaction indicators through the Scottish Household Survey has changed, so we do not have trends available for comparison.

1. Care service quality figures should be interpreted with caution, as the Care Inspectorate states that this may be due to a focus during the pandemic on higher-risk or failing services.

2. Homelessness statistics are not part of the LGBF. Source is Scottish Government homelessness statistics publication.

3. The decrease in performance against housing quality should be interpreted with caution as higher Scottish Housing Quality Standards were introduced in this time period.

4. [Current Landscape for Leisure and Culture Charities in Scotland](#), Community Leisure UK (Scotland), November 2022.

Source: Improvement Service's Local Government Benchmarking Framework 2021/22 and Scottish Government homelessness statistics

9. The impact of the Covid-19 pandemic on performance at a local level varied as these local factors affected the levels of need and demand, and councils' responses and solutions. Councils should use the Local Government Benchmarking Framework (LGBF) alongside local data and intelligence to compare their performance with neighbouring or similar councils to assess the effectiveness of new ways of working and to help inform them where improvements and better outcomes for communities can be achieved ([Case study 1](#)).

10. Given the service demand and cost pressures facing councils it is unlikely that they will be able to maintain performance across all of the services they currently provide without radical change.

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Councils will need to make difficult choices about what their service and performance priorities are. Strengthening the use of data and consulting and involving communities, especially the experience of service users, will be critical to informing these decisions.

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## Case study 1.

### Use of LGBF data to inform improvement

**South Lanarkshire Council worked collaboratively with the Improvement Service to achieve the most value from the LGBF indicators in a way that helps drive its improvement based on its strategic priorities.**

In December 2021, the Improvement Service provided a bespoke analysis of LGBF indicators for the council, structured around the council's new Connect Plan. Each of the council's services considered which LGBF indicators added value for inclusion in a subset of indicators for future reporting. Of the 95 LGBF indicators available, 33 were identified as aligning with the outcomes of the council's new Connect Plan. These were embedded within the Connect Plan's reporting and used to focus attention on how well the council is performing in achieving its strategic outcomes. The bespoke approach aims to provide greater opportunities for elected members to scrutinise the LGBF within a council specific context and should allow for more meaningful use when making strategic decisions.

Source: [South Lanarkshire Council's annual audit report 2021/22](#)

In March 2023, the Improvement Service launched a newly developed [dashboard](#) that allows councils to explore and analyse all the LGBF performance indicators in an interactive data tool. This is intended to help councils better assess and benchmark their performance.



# What are the current challenges facing local government?

Councils are operating in an increasingly volatile and uncertain landscape, as pressures increase after Covid-19 and funding is forecast to be reduced in real terms. Some communities are facing crisis, with increasing poverty and financial hardship putting additional pressure on services at a time when councils have less capacity to support them.



## Financial

Budget constraints and increasing cost pressures are putting councils' finances under severe strain.



## Local needs

Changing demographics, the pandemic and the cost-of-living crisis increase pressure on council services and people already experiencing inequality are most affected.



## National policies

Councils are managing an increasing programme of national reform, including plans for a national care service, which comes with substantial funding implications and increased uncertainty.



## Workforce

Increasing workforce challenges such as difficulty recruiting and high sickness absence levels are putting councils under continued pressure.



## Leadership

While many councils demonstrated strong collaborative leadership during the pandemic, ineffective leadership and high turnover identified at several councils present a risk.



## Budget constraints and increasing cost pressures are putting councils' finances under severe strain

### Councils' funding has been constrained for many years

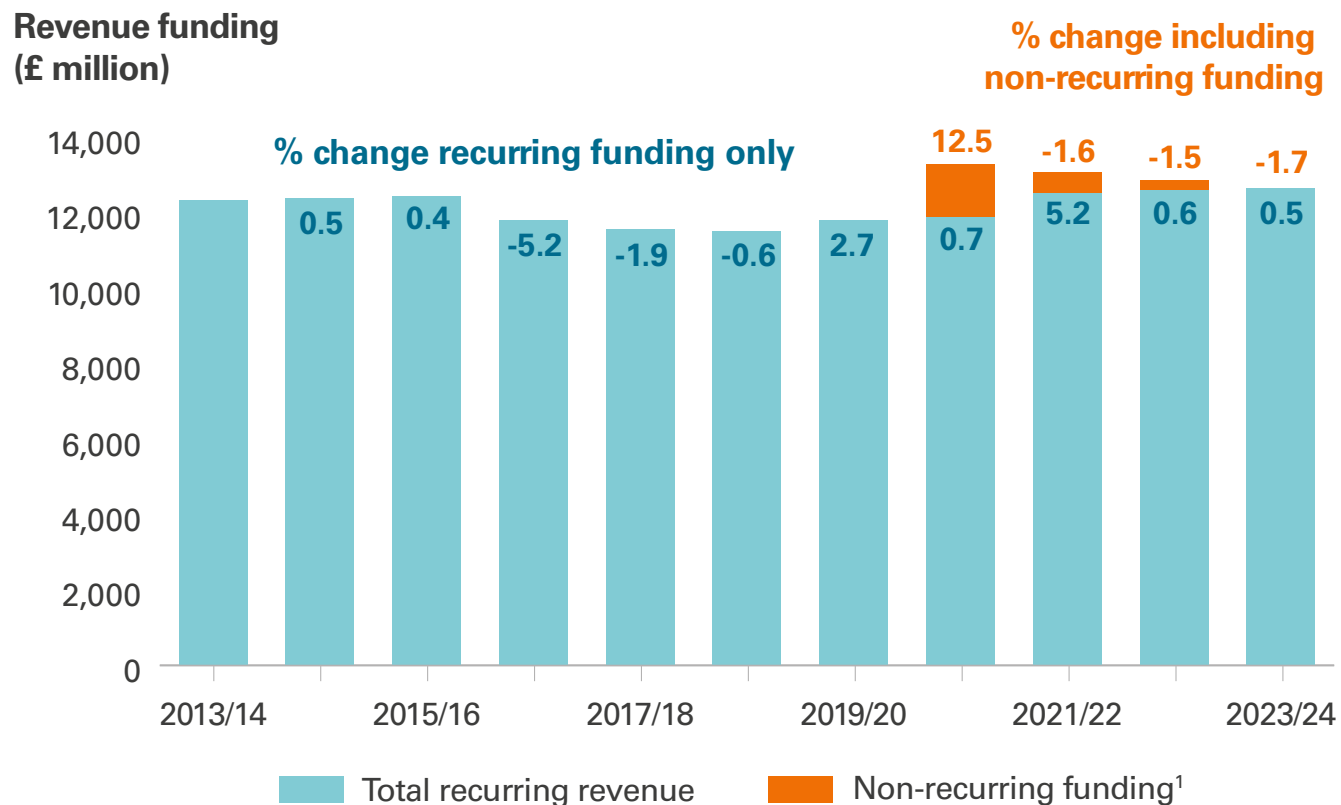
- 11.** Councils receive the majority (over 70 per cent) of their funding from the Scottish Government.
- 12.** [Exhibit 3 \(page 16\)](#) shows funding from the Scottish Government over the last decade. Over this period (comparing 2023/24 to 2013/14), revenue funding to local government has increased by 2.6 per cent in real terms.
- 13.** In 2021/22 (excluding Covid-19 funding elements which are non-recurring) revenue funding from the Scottish Government to councils increased by 5.2 per cent in real terms compared to 2020/21. This increase brought funding back to a level similar to what it was in 2015/16.
- 14.** Total revenue funding saw small real terms increases in both 2022/23 and 2023/24 when non-recurring elements of the settlement are removed.
- 15.** Despite additional Covid-19 funding amounting to £1.8 billion during the first two years of the pandemic, councils continued to face significant financial challenges, requiring substantial savings to deliver balanced budgets and increasingly difficult choices to be made about spending priorities.
- 16.** An additional pressure is that the funding of local government has not kept pace with other parts of the Scottish budget for many years.
- 17.** Our [Local Government in Scotland: Financial Bulletin 2021/22](#) provides further detail on councils' financial position.

### Funding is forecast to reduce in real terms

- 18.** In May 2022, the Scottish Government published its Resource Spending Review 2022. This is the first multi-year spending plan in Scotland since 2013. It set out high level spending plans up to the end of this parliament in 2026/27, which show that 'core' funding is set to reduce in real terms ([Exhibit 4, page 17](#)).
  - 19.** The recent 2023/24 Scottish Budget allocated £10,933 million 'core' funding to local government for 2023/24 which is higher than what was forecast in May 2022. There was no update on whether future years will also see similar uplifts.
- 
- We expect an updated funding outlook for 2024/25 and subsequent years to be published as part of the Scottish Government's medium-term financial strategy in May 2023.*
- 
- 20.** While a multi-year spending plan is welcome, the financial information within the plan is not sufficiently detailed (nor is it broken down to individual council allocation) to fully support long-term planning purposes.

## Exhibit 3.

### Scottish Government revenue funding to local government (in real terms) and year-on-year percentage change, 2013/14 to 2023/24



Notes:

1. Non-recurring funding refers to Covid-19 related funding in 2020/21 and 2021/22 and cost-of-living support for council tax bills in 2022/23.

2. We use the finance circulars to compare the funding position year-on-year as we believe this is the most accurate comparison. These figures include funding for national policy initiatives and transfers from other portfolios. Figures calculated at 2023/24 prices.

Source: Scottish Local Government Finance Circulars

## Exhibit 4.

### Resource Spending Review financial outlook to 2026/27

The plan projected real-term reductions to 'core' funding for local government.

(£000s)	2023/24	2024/25	2025/26	2026/27	2027/28
Cash terms	10,616 <sup>1</sup>	10,616	10,616	10,616	10,716
Real terms	10,616 <sup>1</sup>	10,452	10,352	10,230	10,158
Percentage change cash		0.0%	0.0%	0.0%	0.9%
Percentage change real		-1.5%	-1.0%	-1.2%	-0.7%

Notes:

1. Since publication of the Resource Spending Review the 2023/24 Budget has been agreed which saw local government's allocation increased to £10,933 million for that year.

2. These figures represent funding before transfers from other portfolios. Real terms figures calculated at 2023/24 prices.

Source: Audit Scotland using the Resource Spending Review, May 2022 and the Scottish Budget 2023/24

### Increasing cost pressures jeopardise the sustainability of local services

**21.** At a time when councils and their communities are still feeling the impact of the Covid-19 pandemic, councils are now also having to manage increasing cost pressures including:

- inflationary pressures, including rising energy costs, which are having a significant impact on the cost of providing services
- managing the ongoing recovery from Covid-19 and its longer-term impact, now that one-off Covid-19 funding has ended
- meeting the cost of new pay awards and Real Living Wage
- increasing demand for services from a population that is ageing, less healthy and facing increasing financial hardship
- higher costs of capital programmes as a result of inflation, slippage due to the pandemic and shortages in construction materials. These increased costs may affect councils' ability to deliver on capital transformation programmes, which are a necessary component of modernising services to deliver improved outcomes for local communities. We report further on capital pressures in our [Local Government in Scotland: Financial Bulletin 2021/22](#).

**22.** These significant cost pressures alongside forecasted reductions to funding are leading some chief executives to be concerned about the sustainability of councils. This could lead to cuts to services and job losses, particularly in the absence of a radical reform of services.



**23.** A UK-wide survey by the Society of Local Authority Chief Executives (SOLACE) found that 78 per cent of council chief executives and senior managers responding to the survey stated that they were facing a large or very large budget gap in 2023/24.<sup>1</sup> Those services they identified as at risk of cuts included:

- Environmental service (identified by 75 per cent of respondents)
- Libraries, leisure and tourism (67 per cent)
- Regeneration (50 per cent)
- Adult social care (44 per cent)
- Transport (38 per cent)
- Children’s services (37 per cent)
- Housing (33 per cent).

**24.** While there is no doubt that cost pressures and budget constraints are putting pressure on services, there is no clear picture yet of the scale and impact of service cuts or reductions.

### **Councils are relying on reserves to bridge budget gaps**

**25.** In 2022/23 councils’ total budget gap stood at £0.4 billion. COSLA estimates that the budget gap for 2023/24 will be £1 billion. There is a large gap between what COSLA states councils need and the Scottish Government’s funding allocation and it warns this could mean fewer jobs and cuts to services.

**26.** Two-thirds of councils intended to use reserves to bridge the 2022/23 budget gap and target recovery activity. While this is understandable as some of this was Covid-19 funding carried forwards via reserves to spend in the following year, these funds were one-off payments. It is not sustainable to keep using reserves to meet financial pressures.

**27.** It is important that councils maintain overall reserve levels in line with local strategies to ensure longer-term resilience and sustainability. Having robust medium- and longer-term financial plans in place will continue to be key to maintaining financial sustainability. Councils will also need to make difficult choices about spending priorities.

### **Increasingly ring-fenced and directed budgets reduce financial flexibility**

**28.** 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.

**29.** In our [Local Government in Scotland: Financial Bulletin 2021/22](#), we calculated this to be 23 per cent of total revenue funding in 2021/22 compared to 18 per cent in the previous year. Ring-fenced and directed funding helps support the delivery of key Scottish Government policies but limits local discretion and flexibility over how these funds can be used locally by councils.

**30.** [Exhibit 5 \(page 19\)](#) details how we calculated ring-fenced and directed funding and how the Scottish Government and COSLA interpretations differ.

<sup>1</sup> SOLACE [Autumn statement survey](#), November 2022.

## Exhibit 5.

### Views on ring-fenced or directed elements of the Scottish Government's revenue funding to local government



#### Scottish Government's view

Only the specific revenue grant is formally ring-fenced to fund identified policies. Other funding commitments are directed for national policy commitments but are not formally ringfenced.

In 2021/22, the specific revenue grant was £776 million, representing seven per cent of total revenue funding for local government. This included funding for early learning and childcare expansion, Pupil Equity Fund and criminal justice social work.



#### COSLA's view

Includes the specific revenue grant plus obligations created by current and past Scottish Government policy initiatives and fixed obligations such as loan charges.

In 2021/22, COSLA estimated that these represented 65 per cent of local government revenue funding. As part of their estimate COSLA include all school teaching staff costs (due to the national commitment to maintain teacher numbers), all adult social work costs devolved to IJBs alongside other policies such as universal Free School Meal provision for P1–5.



#### Our calculation

We include the specific revenue grant and funding outlined in local government finance circulars and Scottish Government budget documents as being directed for national policy initiatives.

For 2021/22, we estimated that ring-fenced and directed funding totalled £2.7 billion, representing 23 per cent of total revenue funding for local government. A large amount of this was to support elements of education and social care service provision.

Source: [Local government in Scotland: Financial overview 2018/19](#), [Local government in Scotland: financial bulletin 2021/22](#) and information from COSLA including their [submission](#) to the Scottish Parliament's Finance and Public Administration Committee work on The Impact of the Cost of Living and Public Service Reform, August 2022



## Changing demographics, the pandemic and the cost-of-living crisis increase pressure on council services and people already experiencing inequality are most affected

**31.** While the local impact of national demographic trends varies, for many years we have been reporting how changes in the structure of the population affect the need for and demands on many council services. These changes include:

- a declining population that is also ageing, with the proportion aged over 65 projected to increase by a third by mid-2045<sup>2</sup>
- falling life expectancy and falling healthy life expectancy. The gap in healthy life expectancy between the top and bottom socio-economic groups is about 25 years.<sup>3 4</sup>

**32.** The legacy of the Covid-19 pandemic and now the cost-of-living crisis have brought new pressures or exacerbated existing ones ([Exhibit 6, page 21](#)). The situation faced by some is stark, with increasing financial hardship and a decline in levels of mental wellbeing. Low-income households and people already experiencing inequalities are most affected.

**33.** Child poverty remains persistently high. In 2019–22, 24 per cent of children were living in relative poverty, the same level as five years ago.<sup>5</sup> Two issues should be taken into consideration when considering this year's child poverty statistics:

- As noted in our [Tackling child poverty](#) briefing paper the main indicator – relative poverty – is based primarily on income rather than outgoings and so does not fully capture the impact of the cost-of-living crisis on children and families.
- Two key policies that may have a positive impact on child poverty figures – the rollout and increase in value of the Scottish Child Payment and the expansion of funded early learning and childcare to 1,140 hours – are not yet fully captured in the data.

**34.** Councils have a key role in tackling these issues and providing support. These growing pressures affect:

- the demand for services, including social care, education, financial support such as Scottish Welfare Fund grants and discretionary housing payments, housing and homelessness, and employability
- council income in terms of rent and council tax arrears.

**35.** At a time when councils are under severe financial strain, finding the capacity and resources to respond to these pressures in the short and longer term will be a challenge.

<sup>2</sup> [Projected Population of Scotland \(2020-based\)](#), National Records of Scotland.

<sup>3</sup> [Life Expectancy in Scotland, 2019–2021](#), National Records of Scotland.

<sup>4</sup> [Healthy Life Expectancy 2019–2021](#), National Records of Scotland.

<sup>5</sup> [Poverty and Income Inequality in Scotland 2019–22](#), March 2023.

## Exhibit 6.

### Examples of growing pressures



#### **Persistently high levels of child poverty**

In 2019–22, 24 per cent of children were living in poverty, affecting every aspect of their wellbeing and life chances. This is at the same level as five years ago, and the ongoing increases in the cost-of-living crisis risk more children experiencing poverty.

#### **Increasing financial hardship for people living with a disability**

Sixty-four per cent of respondents to a small survey by Inclusion Scotland in September 2022 said that they are cutting down on or going without items or services used directly to manage their impairment or health condition.

#### **Increasingly stark situation for low-income families**

Almost one in five low-income families are unable to afford food or heating. Eighteen per cent of low-income households have skipped or reduced the size of meals and not heated their home due to the cost-of-living crisis (Poverty in Scotland 2022, Joseph Rowntree Foundation).

#### **Increasing food insecurity**

In 2021, nine per cent of adults were worried about running out of food, six per cent were eating less, and three per cent were running out of food (The Scottish Health Survey, 2021). 45 per cent of children living in poverty live in households that lack food security (2019–22 Child Poverty Statistics).



#### **Increasing rent arrears**

Over 110,000 council tenants were in arrears as of March 2022 (an increase of 6.6 per cent since March 2021).

#### **Ethnic minority households more likely to experience deeper levels of poverty**

Ethnic minority households are likely to spend a greater proportion of their income on essentials that are subject to inflation. The proportion of children in relative poverty after housing costs in minority ethnic households is 39 per cent (2019–22 Child Poverty Statistics).

#### **Increasing financial hardship for single parent families**

Three in five single parents find it extremely difficult or are no longer able to afford utility payments, and two out of five say the same about food (One Parent Families Scotland research, March 2022).

#### **Declining average levels of mental wellbeing**

Levels were lower in 2021 than in 2019, following a decade in which levels had remained fairly constant. Women's average mental wellbeing fell by more than men's during the pandemic, and those people living in more deprived areas continue to report lower wellbeing. The lowest mental wellbeing scores were reported for young adults in the most deprived areas (Scottish health survey, 2021).



## Councils are managing an increasing programme of national reform, including plans for a national care service, which comes with substantial funding implications and increased uncertainty

**36.** Councils have a unique role in shaping local communities. They provide many of the key local services that individuals and communities rely on. They also have a key local and, in many cases, regional role working with partners to set local priorities and improve long-term outcomes for their communities.

**37.** Alongside local priorities, councils play a leading role in delivering many national policies. Current areas of national policy or reform affect nearly every aspect of local government, such as education, early learning provision, tackling child poverty, adult social care and achieving net zero targets.

**38.** These policy initiatives will see fundamental changes in how council services are provided, come with substantial funding implications, and increased uncertainty. National policy initiatives also take up an increasing amount of council budgets which brings challenges in delivering local priorities and sustaining other service areas. This context makes longer-term financial planning challenging yet vital to ensure financial and service sustainability.

### **Plans for the new National Care Service are uncertain and divide opinion**

**39.** The social care sector is under severe pressure from high demand and persistent workforce challenges, and a lack of action now presents serious risks to the delivery of care services for individuals. The [Independent Review of Adult Social Care](#) (IRASC), published in February 2021, sometimes referred to as the Feeley Report, proposed the formation of a National Care Service stating that the potential of social care support

in Scotland cannot be achieved without a new delivery system and that a National Care Service is needed to achieve consistency, drive national improvements, ensure strategic integration with the National Health Service, set national standards and terms and conditions, and bring national oversight and accountability by bringing together everyone with a role to play in planning and providing social care support.

**40.** The National Care Service Bill is at stage 1 but has been postponed until at least September 2023 because of concerns about the adequacy of parliamentary scrutiny based on only a framework Bill. There are still many unknowns. Details of the arrangements have yet to be determined and the scale of the costs involved in the financial memorandum are estimates with many caveats. The affordability of the vision set out is not certain given the actual scale of the costs are not yet clear. It is difficult for councils to plan current services with such uncertainty.

**41.** While there is consensus that fundamental reform is essential for long-term sustainability, there is not agreement about what that reform looks like and how it will be implemented.

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Although local government agrees that reform is necessary, it disagrees that centralising services and structural reform will achieve the improvements needed. While the Scottish Government wants consistency of service across the country, stakeholders have raised concerns about the scale of reform and the time it will take to implement it.

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**42.** Immediate concerns in the sector are that current issues (such as workforce and financial sustainability) in social care are in a critical state and these need addressed now.

**43.** We highlighted in our [Social Care](#) briefing (January 2022) that lessons need to be learned from past restructuring and public service reform, for example health and social care integration, police and fire reform, college sector regionalisation, and the development of social security responsibilities in Scotland.

**44.** Our reports in these sectors have found that reform is challenging, and public bodies have experienced difficulties implementing elements of reform – expected benefits are not always clearly defined and, even if they are, reform does not always deliver the expected benefits, particularly in the short term. Any difficulties in implementing social care reform could have a significant negative impact on vulnerable people who rely on care and support.



#### Our recent reports on other national policy areas:

**Child poverty:** in September 2022 the Accounts Commission and Auditor General for Scotland produced a briefing [Tackling child poverty](#).

**Education:** in March 2023, we published a blog [Encouraging progress on education data but still a long way to go](#).

**Early learning and childcare:** in June 2023 we will publish our third performance audit on the expansion of early learning and childcare.

## Councils have a critical role in meeting national climate change goals

**45.** Councils have a critical role in achieving Scotland's national climate change goals and contributing towards the national target of net zero by 2045. This includes councils:

- managing their own activities, estates, and assets to reduce their greenhouse gas emissions and achieve net zero – councils' corporate emissions are the largest element of all public sector emissions in Scotland
- demonstrating leadership to tackle climate change across their local area, supporting behaviour change by helping their communities to adopt low carbon lifestyles and working with local partners to help communities adapt to the impacts of climate change.

**46.** In September 2022 we published [Scotland's councils' approach to addressing climate change](#) which set out that there are big differences in the targets that councils have set and their timescales for reaching net zero. We also found that councils need to be more transparent about their targets, their plans to meet them and the challenge ahead. Successfully addressing climate change is a huge challenge and will only be achieved with collaboration across all parts of government and society.

**47.** Financial constraints and a lack of specialist skills risk net zero ambitions not being realised. Failure to act early enough, however, will increase costs in future years. It could also make existing health and social inequalities worse, because the impacts of climate change, such as extreme weather events, can have a disproportionate effect on vulnerable groups and those living in poverty.



# Increasing workforce challenges such as recruitment difficulties and high sickness absence levels are putting councils under continued pressure

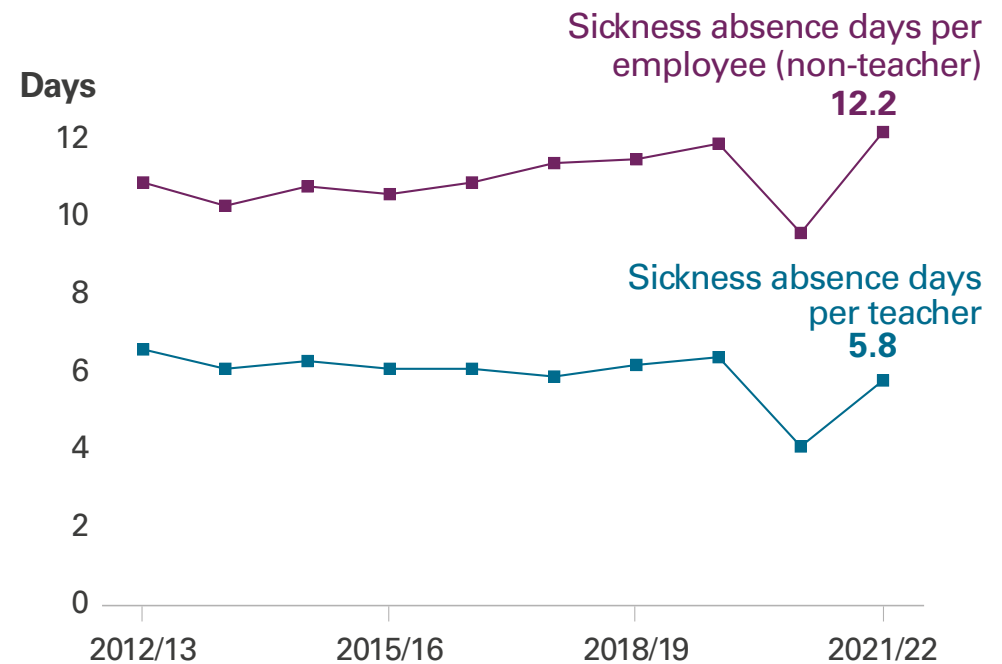
- 48.** Staff worked under unprecedented strain during the pandemic to adapt and maintain services and support communities. That same workforce is still under pressure.
- 49.** Despite a focus on wellbeing, overall absence levels for non-teaching staff in 2021/22 were the highest on record ([Exhibit 7](#)). The Improvement Service highlight stress and burn-out as contributing to high absence levels.<sup>6</sup>
- 50.** Recruitment and retention continue to be a challenge in both senior and front-line roles across Scotland as the employment market remains highly competitive ([info box, page 25](#)).
- 51.** In our 2022 [Social care briefing](#), we reported that the sector faced ongoing recruitment and retention challenges, with high vacancy rates. This situation has worsened since, with 47 per cent of services reporting vacancies in 2021 compared with 36 per cent the previous year and 11 per cent across all sectors in Scotland. The whole-time equivalent vacancy rate in 2021 was 8.1 per cent, up from 5.1 per cent the previous year. In comparison, the vacancy rate across all sectors in Scotland was 1.9 per cent.<sup>7</sup> Our briefing highlighted issues such as poor terms and conditions and staff not feeling valued as contributing to these recruitment difficulties.

<sup>6</sup> [National Benchmarking Framework Overview Report 2021–22](#), Improvement Service, March 2023.

<sup>7</sup> Care Inspectorate and Scottish Social Services Council (SSSC), Staff vacancies in care services 2021 report, Scottish Government’s Employer Skills Survey 2020.

## Exhibit 7. Sickness absence levels over ten years from 2012/13 to 2021/22

Staff absence levels (excluding teachers) were the highest ever recorded in 2021/22. Teacher absence levels also increased in 2021/22 but remain lower than pre-pandemic levels.



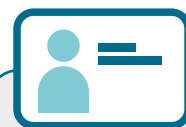
Note: Covid-19 absences are recorded separately and do not contribute to the trends.

Source: Local Government Benchmarking Framework 2021/22

**52.** The Society of Personnel and Development Scotland (SPDS) and the Improvement Service state that councils are also reporting emerging recruitment problems in new areas such as accountancy and corporate services, which may present risks to financial management.

**53.** The cost-of-living crisis, driven by inflationary cost pressures, led to industrial action by refuse workers and teachers over pay. While pay claims increase the pressure on budgets, prolonged negotiations adversely affect staff morale and service delivery.

**54.** Councils showed considerable flexibility in redeploying staff and adopting remote or hybrid working during the pandemic. However, it is still unclear exactly what impact hybrid working has on productivity or future models of service delivery. Recent research undertaken by the Scottish Government on this presents mixed findings.<sup>8</sup> Our recent report [Resourcing the benefit service: A thematic study](#) found that remote working may present a risk to claims processing performance and recommended that councils regularly review flexible location working arrangements to determine the impact on service delivery and performance.



### Reasons for recruitment and retention issues

**Hybrid working has changed the way people work:** they can now work remotely for an organisation in England or further afield. Private sector firms are offering hybrid working and looking to offer further improvements in quality of life.

**Senior roles:** bottom loading pay deals have narrowed the gap between junior and senior roles and made the latter less desirable. Public sector pay at senior levels has not kept pace with other sectors, so staff are leaving for better paid positions.

**Retirement:** the workforce is ageing and people are retiring, but now councils are seeing people retiring earlier.

Source: Audit Scotland using information from the Improvement Service, SPDS and Local Government Information Unit (LGIU)

<sup>8</sup> [Working from home during the COVID-19 pandemic: benefits, challenges and considerations for future ways of working](#), Scottish Government, October 2022





While many councils demonstrated strong collaborative leadership during the pandemic, ineffective leadership and high levels of change in senior officers identified at several councils present a risk

**55.** During the Covid-19 pandemic, many councils demonstrated strong collaborative leadership, working at pace with communities, the third sector and partners to provide the response needed. Councils' response was quicker where good partnership arrangements were already in place.<sup>9</sup> Leaders used their local knowledge and set out clear priorities for working towards a common purpose.

**56.** Despite this, the following leadership risks have been identified in recent audit work:

- **Ineffective strategic leadership:** of the four Best Value Assurance Reports (BVARs) completed last year, in three (Moray, Shetland and Eilean Siar) we found that elected members were not demonstrating effective strategic leadership alongside senior management. This included leaders needing to better coordinate and drive forward plans, to have a stronger focus on strategic issues and elected members needing to work better together to deliver priorities.
- **Ineffective governance or scrutiny:** our 2021/22 annual audit work identified leadership risks relating to ineffective leadership in nine councils, often linked to ineffective governance, scrutiny, or both.
- **High levels of turnover:** most councils reported changes in senior leadership during 2021/22. Six chief executive or depute positions saw changes. Recent BVARs highlight that some councils are experiencing persistent difficulties in recruiting to key leadership posts.

**57.** The growing scale of the challenges facing local government requires leaders to make decisive and fundamental changes to how councils will operate in future. The leadership and strategic vision of elected members and senior officers will be crucial. Ineffective leadership and high turnover put at risk councils' leadership capacity to bring about fundamental change at the pace needed.

### **The pandemic and cost-of-living crisis have exacerbated tensions in central and local government relations**

**58.** Effective partnership working between the Scottish Government and local government, built on a foundation of mutual trust, is essential for councils to be able to perform their key role in leading and shaping communities.

**59.** The pandemic and cost-of-living crisis has exacerbated tensions in central and local government relations. While local government demonstrated the positives of localism during the pandemic, and the Scottish Government is committed to local self-governance and community empowerment, local government feels that it should be involved in policymaking as well as implementing those policies at a local level.

**60.** There is appetite to rebuild an effective relationship between local and central government so that the strengths and capacity of both can be maximised to meet the challenges. Meaningful steps to realising these potential benefits would include Scottish Government and COSLA agreeing the New Deal ([paragraphs 71–73](#)).

<sup>9</sup> [Community empowerment: Covid-19 update](#), Audit Scotland, October 2021

# How are councils responding?

Councils must focus urgently on solutions that will deliver a sustainable future for local government.

## Councils need to challenge old ways of doing things and take urgent action to reform

**61.** The scale of the challenge that lies ahead is greater than anything local government leaders (elected members and senior officers) will have ever experienced. Councils must work on three planning horizons: continue to deliver services here and now, identify and make improvements in the short term and plan for the longer-term radical change. This is an incredibly hard thing to do with an exhausted workforce but with councils' future funding position forecast to reduce in real terms, radical change is necessary so that councils can continue to serve their communities, respond to needs, meet demand and improve outcomes for people in the future.

**62.** Delivering services differently should be focused on improving performance and outcomes in ways that are innovative, affordable, and sustainable. A decade on, the four pillars in the Christie Commission report – people, prevention, performance, and partnership – are just as important and councils should embed them into their long-term visions and priorities.<sup>1</sup>

**63.** The Commission recognises the challenges, complexities, and uncertainties that local government faces. In our [Local Government in Scotland 2019](#) report, we emphasised the need for councils to urgently consider making fundamental changes in how they provide

services. No one could have predicted the years that were to follow, nor the pressures that councils would face, yet evidence that councils are delivering radical sustainable reform is limited.

**64.** In this section, we set out how councils are placed to respond to the challenges they face and to move towards adopting a sustainable future model of local government. We consider the following themes:



### Finances and resources



### Leadership



### Collaboration



### Workforce



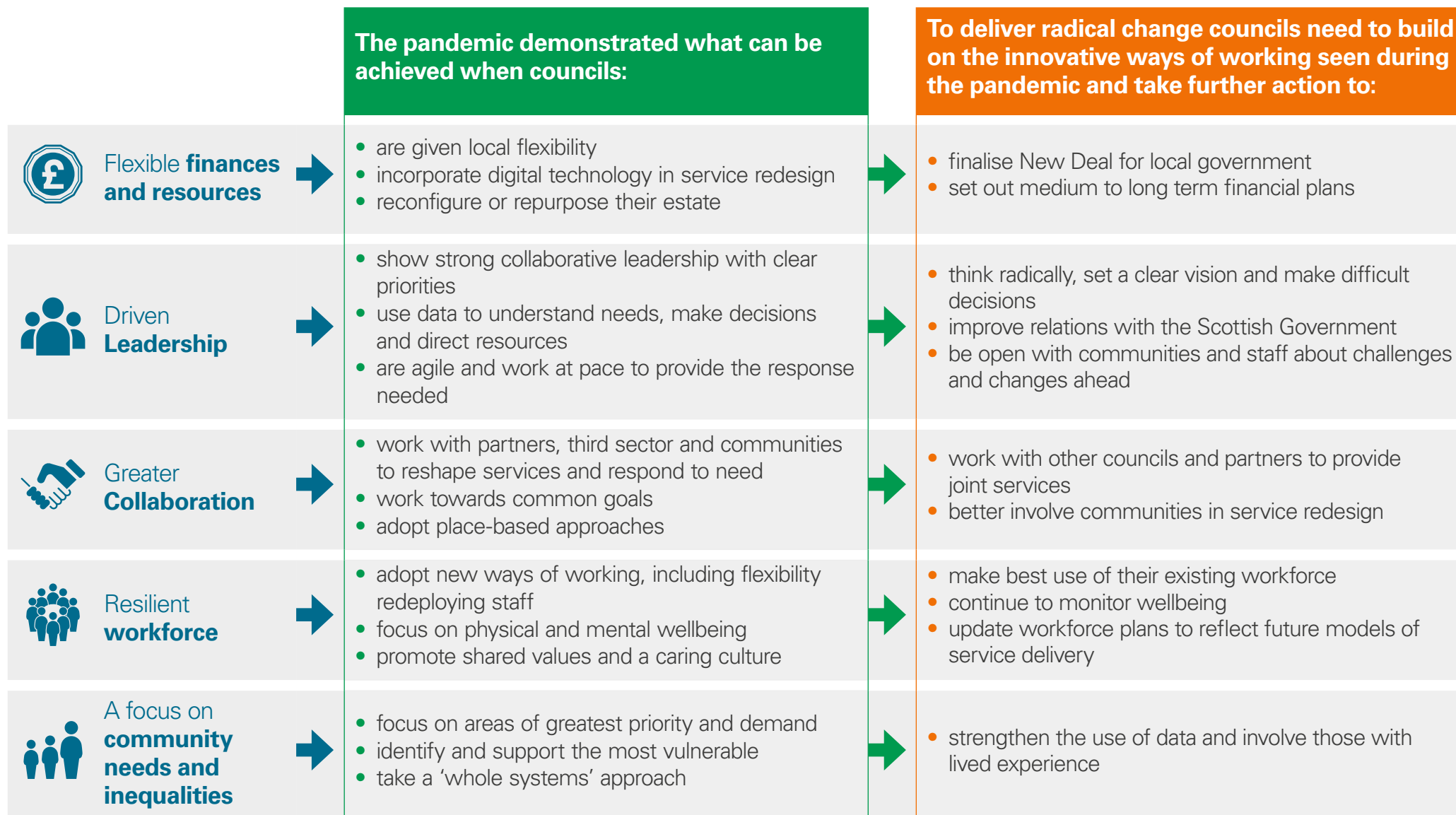
### Community needs and inequalities

**65.** To achieve radical change, leaders need to build on the innovative ways of working demonstrated during the pandemic. [Exhibit 8 \(page 28\)](#) draws on lessons learned from the pandemic response based around the five themes above as well as outlining where we judge that more still needs to be done.

<sup>1</sup> [Christie Commission on the future delivery of public services, June 2011](#)

## Exhibit 8.

### Lessons learned from the pandemic and what more needs to be done





## Councils need to balance immediate financial pressures with planning for and delivering long-term sustainable services

**66.** As the whole public sector faces the most difficult financial outlook seen for many years, councils need to make increasingly difficult choices about their spending priorities and balance short-term pressures with planning fundamental reform to provide long-term financial sustainability.

**67.** In the short term, councils have focused on immediate budget pressures. In our [Local Government in Scotland: Financial bulletin 2021/22](#) we reported that for 2022/23 the majority of the estimated budget gap (that is the gap between anticipated expenditure and revenue) was planned to be bridged by:

- **Recurring savings:** these savings were expected to meet about 37 per cent of the budget gap. For 2021/22 (the most recent year of accounts), councils' savings performance continued to improve but some chief executives and COSLA are concerned that forecasted reductions to funding will mean reductions or cuts in services and job losses.
- **Use of reserves:** two-thirds of councils intended to use reserves to help bridge the gap. This reliance on non-recurring reserves is not sustainable in the medium to long term.
- **Increasing council tax rates:** the Scottish Government lifted the freeze on council tax in December 2021. For 2022/23, the majority of councils increased council tax rates by three percent (in 2023/24, the majority increased rates by five per cent).
- **Use of financial flexibilities:** about four per cent of the gap was expected to be met by councils reprofiling their loans funds repayments by extending the repayment period. This generates one-off savings and is not sustainable in the long term.

- **Increasing income through fees and charges:** the scope for increasing income and the scale that can be achieved is currently limited but options being explored include councils introducing charges for garden waste, a transient visitor levy ('tourist tax') and tariffs for public electric vehicle charging.

**68.** The achievement of recurring savings and a movement away from the reliance and use of non-recurring savings and reserves will be important to ensuring longer-term financial sustainability.

**69.** Councils also need to focus on making increasingly difficult choices about their spending priorities and medium- to long-term financial planning must mature as councils look to make more fundamental change.

**70.** In May 2022, the Scottish Government published the first multi-year resource spending review in Scotland since 2011, outlining its resource spending plans up to the end of this Parliament in 2026/27.

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While welcome, the financial information was not sufficiently detailed for planning purposes, with spending plans expressed at 'level 2' for the four years of the spending review period without individual council allocations indicated.

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## Agreeing the New Deal will be an important step forward

**71.** The May 2022 Resource Spending Review also set out plans to agree a New Deal for local government. The Scottish Government, COSLA and SOLACE are working together to advance this, building on the work of the paused local governance review (which was launched in 2017).

**72.** In its Programme for Government 2022/23 (published in September 2022), the Scottish Government reinforced its commitment to agreeing a New Deal including a fiscal framework for local government. The New Deal was expected to be agreed by April 2023.<sup>2</sup> However, the Cabinet Secretary for Social Justice, Housing and Local Government indicated in January 2023 that it was likely to be delayed by several months.<sup>3</sup> Since then there has been a new First Minister and changes to senior posts in the Scottish Government and COSLA.

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While it is important to get the New Deal right, action is now urgently needed to agree this. Further delays present considerable risks to the wider urgent action that councils need to take.

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**73.** The New Deal is an important step in developing a partnership agreement that supports collaboration and trust, as well as developing a new fiscal framework that supports more certainty of funding, greater transparency and more flexibilities for local government. This should enable councils to better plan their long-term priorities and future service delivery models, and to manage council resources more effectively to deliver them.

<sup>2</sup> [Investing in Scotland's Future: Resource Spending Review](#), Scottish Government, May 2022.

<sup>3</sup> [17 January 2023 Local Government, Housing and Planning Committee](#).



### The New Deal is anticipated to include three elements:

- a partnership agreement with councils
- a fiscal framework to support greater transparency and accountability
- a working group to explore different options for the funding of local government in the future.

### The aims of the New Deal include:

- balancing greater financial flexibility with accountability for delivering national priorities
- increased flexibility in and scope for revenue raising powers, such as the 'tourist tax' and workplace parking levy
- exploring how best to transform the digital administration of the non-domestic rates system
- increasing the flexibility available to councils for existing service concession arrangements, such as PFI- or NPD-funded projects
- a comprehensive capital accounting review.

Source: Audit Scotland using information from the [Scottish Government's Resource Spending Review](#), May 2022 and updates from [Letter from the Cabinet Secretary](#) to the Social Justice, Housing and Local Government, July 2022 and [Committee report](#), Net Zero, Energy and Transport Committee, January 2023.



## Leaders need to invest time and capacity into thinking radically about their councils' future operating model, how it will be achieved and be open with communities and staff

**74.** Leaders (elected members and senior officers) must respond to the immediate pressures while also providing a long-term vision for their local areas and how services will be delivered differently in future. Leaders are vocal about the challenges ahead, and there is an increasingly clear appetite for change. However, the level of uncertainty and volatility faced by councils makes planning for the future more difficult.

**75.** In our Best Value reports on individual councils, we have seen that the quality of leadership and the pace and appetite for change varies. The current challenges may reinforce this gap with the risk that some councils will be left behind. The experience of leading through the pandemic and building on the lessons learned; reducing bureaucracy, working with partners and communities, focusing on the vulnerable, pivoting to digital and using the workforce in flexible ways must be consolidated and built upon.

**76.** In our [2022 report](#), we outlined important leadership principles that enabled councils' response to the pandemic – communication, collaboration, emotional intelligence, data-driven, agile and flexible, culture-focused, and enabling community empowerment. Leaders should draw on these to overcome the challenges now faced.

**77.** The challenging context needs leaders to invest time and capacity into thinking about radical changes to their council's future operating model. It is important that leaders are clear about their long-term policy and performance priorities, are managing council resources effectively to deliver them and are open with communities about what range and levels of services they can expect to receive in future.

**78.** It is important that councils with identified leadership risks develop the leadership skills needed to respond to this complex and uncertain

environment. It is positive that most councils have undertaken an assessment of senior leadership skills and developed action plans to address any skills gaps. High turnover at leadership level presents a risk to delivering change, and councils will need to continue to assess how best to recruit, pay and keep the talent needed.

**79.** Councils have structured induction programmes for new elected members and many also have further training programmes or development opportunities. Several councils have personal development plans to provide bespoke training for elected members ([Case study 2, page 32](#)). Elected members have a crucial role in engaging with their communities to explain future priorities and what that means for services and the local area, and to manage expectations. Many councils have been working on this through participatory budgeting and consultations on spending and service priorities ([Case study 3, page 32](#)).

**80.** Leaders recognise the need to engage with staff and trade unions on the implications of fundamental reforms for the workforce. They also recognise the need to involve them in developing solutions, innovating, and committing to a clear vision and aims for the council, its services, and the way it works with partners, the third sector and communities to make the most of scarce resources in their places. It is recognised, however, that this is particularly challenging in an environment of potential job losses.

Leadership is the focus of the Commission's annual Best Value thematic work this year and will be covered in all council annual audit reports published in Autumn 2023.

## Case study 2. Elected member training and induction

**West Lothian Council** has an elected member development programme, which includes an online structured induction programme. Key topics include climate change, emergency planning and quality assurance procedures. Members are also supported to complete a personal development plan to enable them to identify and discuss specific and individual needs. Members are encouraged to review their role and consider what will help them to improve their performance and develop their knowledge, skills and abilities. This could be through training events, coaching, working with an experienced colleague or project work.

An evaluation of the induction programme was undertaken in July 2022 and positive feedback was received from elected members.

Source: Audit Scotland auditor data return and information from West Lothian Council

## Case study 3. Community budget consultations

**Perth and Kinross Council** asked residents for their views on the council's 2023/24 budget and priorities for the next five years via an online survey accessed through the council's consultation hub. The council also held several in-person and online budget and corporate plan engagement events where communities could voice their views on the proposed new vision for Perth and Kinross. Residents were presented with the council's seven draft priorities and asked whether they agreed that these are the key issues that the council should focus on.

A summary of the responses from the survey and the engagement sessions was included in the report considered by the council when agreeing the corporate plan and budget.

Source: Audit Scotland using information from Perth and Kinross Council



## Councils need to collaborate with communities, other councils and the wider public sector to tackle the challenges

### Collaboration with communities

**81.** Our [2022 overview](#) report outlined how communities were a vital asset in the response phase of the pandemic but that more needed to be done to involve communities and service users in the recovery and the redesign of services. As councils take steps to fundamentally change how they provide services, the involvement of service users and communities will be critical to redesigning services that meet community needs and tackle long-term issues such as climate change and inequalities while also being sustainable.

**82.** Councils regularly consult with their communities to inform decision-making, including on setting annual budgets, redesigning services, and priorities for strategic plans. Reflecting the exceptionally challenging funding context this year, we have seen examples of councils engaging with their communities to explain the gaps in their budget and how they intend to bridge them ([Case study 3, page 32](#)).

**83.** We found good approaches to consulting communities to better understand the impact of the pandemic and inform decision-making on emerging challenges such as community impact assessments, research focused on the impact of the pandemic and establishing lived experience panels for the cost-of-living crisis ([Case study 4](#)).

**84.** Councils could still do more to empower communities and work more with them on the redesign of services. Our [Community empowerment: Covid-19 update](#) report brings together the learning points from the community response to the pandemic to help public bodies develop their longer-term approaches to supporting and empowering communities.

### Case study 4.

#### Community engagement to better understand community needs and inform decision-making

**East Renfrewshire Council** uses a wide range of consultation and engagement approaches to understand community needs and issues and uses this intelligence to identify local priorities and inform strategic plans and service redesign. For example, it recently commissioned research on the impact of the pandemic to inform strategic decision-making and the redesign of services.

Source: Audit Scotland using information from East Renfrewshire Council



## Collaboration with local partners

**85.** Councils have a good history of working with local partners and a statutory duty to do so through community planning partnerships.

**86.** The Covid-19 pandemic showed what can be achieved by working closely with local partners, including the third sector. Councils led a 'place-based approach' ([info box, page 35](#)) that worked across organisational and functional boundaries with aligned objectives and outcomes. This should now be consolidated into service delivery but there is concern that the momentum could be lost. Many organisations are facing their own funding and demand pressures that could threaten their ability to provide services and limit their capacity to explore new partnership working.

**87.** A recent report exploring barriers to effective collaboration between the third and public sectors identified four main themes: funding, meaningful collaboration, procurement and the cross-cutting issue of lack of trust.<sup>1</sup> All partners need to work with each other to overcome these barriers if councils are going to meet the challenge to deliver sustainable public services going forward.

**88.** Despite the barriers there are many positive examples of collaborative, place-based approaches and existing partnerships for councils to build on ([Case study 5](#)). The scale of the challenges mean that it is only by working together that councils and their local partners (including their communities and the third sector) will be able to provide sustainable public services and tackle long-term complex issues such as climate change, child poverty and inequalities.

<sup>1</sup> [Supporting collaboration between the third and public sectors: evidence review](#), Scottish Government, COSLA, SCVO and TSI Scotland Network, October 2022.

## Case study 5. Local partnership working

### **Clackmannanshire Council works with local public sector partners and relevant third sector partners to deliver the STRIVE (Safeguarding through Rapid Intervention) programme.**

Sharing crucial pieces of information at the earliest opportunity between trusted partners means practitioners are better able to 'join the dots' to understand the overall vulnerability of cases and share knowledge of existing support and interventions underway: this better informs the most appropriate action, reduces the likelihood and impact of people experiencing crisis and reduces the intensive resource required by services. An evaluation of STRIVE was undertaken in March 2021 and identified many benefits including preventing homelessness, improving financial security, providing rapid and direct access to mental health support, keeping families together and reducing alcohol and drug use. Building on the success to date, an early intervention approach has been added to other Family Wellbeing Partnership work in the area.

Source: Audit Scotland using information from COSLA and Clackmannanshire Council

## Collaboration with other councils

**89.** Councils need to radically rethink how they work with other councils to move towards a more sustainable model of service delivery. Shared services and shared professionals offer efficiencies and can help to manage recruitment pressures and skills shortages.

**90.** Councils have made limited progress in this area. Few councils are sharing services. Only six out of 26 councils reported sharing services and four of these were sharing internal auditors ([Case study 6](#)).

### Case study 6. Working with other councils

**Scottish Borders Council and Dumfries and Galloway Council** are working with other regional partners to develop and deliver a south of Scotland regional economic strategy. Through a Regional Economic Partnership, the councils have developed a long-term vision to guide and coordinate efforts to recover from the impacts of the Covid-19 pandemic, adjust to the UK's withdrawal from the EU, address the climate crisis and capitalise on new opportunities.

Source: Audit Scotland using information from Dumfries and Galloway Council and the South of Scotland Regional Economic Partnership



**A place-based approach** is about understanding the issues, interconnections and relationships in a place and coordinating action and investment to improve the quality of life for that community. The Scottish Government and COSLA have adopted a Place Principle. This promotes the need for communities, public organisations and businesses to work collaboratively with the assets and services in a place to achieve better outcomes.



Workforce planning must improve so that councils have the staff, skills and leaders needed to bring about change and create a resilient workforce for the future

**91.** Councils and their leaders need to respond to the direct pressures facing their workforce in terms of wellbeing and recruitment while managing the impact of pay demands and balancing the budget. Councils must invest in workforce planning to ensure a resilient workforce in the future.

**92.** Staff wellbeing was a priority during the pandemic and councils continue to take measures to promote staff health and wellbeing. With rising absence levels and persistent recruitment issues, some councils are looking at making roles more attractive by improving work-life balance through new ways of working ([Case study 7](#)).

**93.** Lessons learned from the pivot to remote working and then hybrid working during the pandemic indicate there are many potential benefits. For example, the flexibility to work remotely attracts more people and from a wider geographic spread, potentially bringing in more skills, it can support increased wellbeing and work life balance for existing staff, as well as reducing the carbon footprint through less travel to work. However, councils should continue to monitor the impact of new ways of working on employees' wellbeing and on service users' experience, productivity, and the local economy.

**94.** In future, councils' workforces may look and work quite differently as a result of job losses (fewer staff), increased digital processes, changing population demographics (an ageing workforce) and new service delivery models. Councils should embed the approaches they took during the Covid-19 pandemic which saw them adapt to working flexibly and being agile in how they deployed staff and working more closely with partners and communities.

## Case study 7. Wellbeing initiatives

**Angus Council** runs a resilience programme to promote staff wellbeing and a programme for leaders is in development.

**Dumfries and Galloway Council** has created a robust wellbeing framework that includes cross-council and cross-sector collaboration.

**North Lanarkshire Council** updated its wellbeing communications to reflect new working practices and is also working closely with partners and providers to make sure the council's wellbeing offering meets staff needs.

**South Lanarkshire Council** has developed a 'New Deal for Employees' which encourages and supports employees to prioritise their own health and wellbeing. South Lanarkshire Council is the first in Scotland to ensure employees have the 'right to disconnect' outside of working hours.

[More information](#) is available on our website.

Source: Audit Scotland using information from the Improvement Service

**95.** The severe financial situation facing councils inhibits their ability to recruit and brings the risk of job losses. To meet rising demand and to deliver new Scottish Government policies, councils need to innovate to make the best use they can of their existing workforce to continue to provide sustainable services.

**96.** Effective workforce planning will be essential to:

- address current workforce challenges in recruitment, retention and skills shortages
- look ahead at longer-term capacity and skills requirements as councils fundamentally change how they deliver services
- ensure that councils reduce their workforce in an informed way so that skills and knowledge are not lost.

This requires sufficient capacity and skills, strategic thinking and comprehensive workforce data. See Audit Scotland’s workforce planning maturity matrix ([Exhibit 9](#)).

**97.** For several years we have reported that workforce planning needs to improve. Our auditors have told us that 16 out of 26 councils have updated their workforce plans since the Covid-19 pandemic and a further three have plans in development. Some councils have also been working to include succession planning in their workforce plans to develop future leaders or specific skills required across their workforce. Some are also now working with a three-year, rather than five-year, workforce planning cycle reflecting the more uncertain context.

**98.** However, councils continue to report that they lack the resources to support workforce planning, and that they are looking at ways to try and address this. Councils have been collaborating with one another, the Improvement Service and SPDS to share practice and to make improvements. The SPDS has suggested that COSLA have a role in engaging with the Scottish Government to develop a more holistic approach.

**99.** Workforce planning is the focus of the Commission’s annual Best Value thematic work next year and will be covered in all council annual audit reports published in Autumn 2024, followed by a national thematic report.

## Exhibit 9. Workforce planning maturity matrix

Basic	Developing	Mature
<ul style="list-style-type: none"> <li>• Short-term operational focus</li> <li>• Limited workforce data and analytics</li> <li>• Workforce plan not linked to priorities and delivery of strategic plans</li> </ul>	<ul style="list-style-type: none"> <li>• Medium-term focus</li> <li>• Aligned to delivering priorities</li> <li>• Workforce and recruitment plans</li> <li>• Some workforce analysis</li> <li>• Annual review</li> </ul>	<ul style="list-style-type: none"> <li>• Long-term focus on strategic priorities</li> <li>• Workforce and market analysis</li> <li>• Recruitment, development, retention and succession included in workforce planning</li> <li>• Workforce plans reflect new ways of working and scenario planning of future models service delivery and demands</li> <li>• Real time monitoring including of performance levels and staff wellbeing</li> </ul>

Source: Audit Scotland



## Councils have a clear focus on tackling inequalities and strengthening the use of data will help them to better understand community needs and focus fundamental change on improving long-term outcomes

**100.** Councils have a clear focus on tackling inequalities. We found evidence of data-driven approaches, partnership working, and community engagement being used to understand community needs and to develop plans and programmes to target inequalities and poverty. Positive findings include councils:

- setting up specific committees focusing on tackling poverty and inequalities ([Case study 8, page 39](#))
- working with partners, especially community planning partnerships, to understand need and develop place-based plans to tackle inequalities
- involving people with lived experience to better understand needs and demand.

**101.** Using lessons learned from the pandemic, councils have moved quickly to offer support to people in their communities most affected by the cost-of-living crisis. Many councils are working closely with third sector partners to help distribute crisis grants and provide support and funding to third sector partners directly to increase their support work. Some exceptional data-driven approaches are being used to identify and offer support to those most in need ([Case studies 9 and 10, page 39](#)).

**102.** Data can help councils to understand need, inform decision-making and service redesign, and drive improvement. Making better use of local data is still challenging especially the availability of equalities data and data sharing. Councils should supplement national datasets with local data and insight. Information from Scotland's Census 2022 is expected later in 2023 and should provide a valuable source of intelligence.

**103.** While we are seeing the emergence of some positive approaches to involving people with lived experience to better understand their needs, councils can do more ([Case study 4, page 33](#)). As councils take steps to radically change how they deliver services, the needs of the most vulnerable or people living in poverty must be at the centre. A key objective from the Christie Commission is that reform should 'prioritise prevention, reduce inequalities and promote equality'. While the pressures facing councils are immediate, they must not lose the focus on prevention and improving outcomes in the long term. A loss of preventative services will increase demand in the long term.

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### 'Children growing up in poverty are at risk of poorer outcomes in the short and longer term'

#### [Tackling child poverty](#)

Accounts Commission and Auditor General for Scotland

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#### Digital exclusion

**104.** The Covid-19 pandemic accelerated the shift to online services. While essential during the pandemic to allow the continued delivery of some services, the shift has increased the risk of digital exclusion. Councils have a variety of initiatives to reduce digital exclusion, such as working alongside the third sector to develop place-based approaches to reducing digital exclusion via library services or providing devices with internet access.

**105.** Digital technology will be a central component of future service delivery. Councils need to understand the needs of people experiencing digital exclusion and develop strategies to ensure that no one is left behind. We are currently undertaking a performance audit on digital exclusion. Our findings will be published later this year.

## Case study 8. An approach to tackling inequalities

**Aberdeen City Council** has set up an anti-poverty and inequality committee to determine steps the city can take and to help key groups such as children, disabled people, women, people from black and ethnic minority communities, and those of pensionable age. The committee will also seek the views of those with lived experience and consider in-work poverty, youth employability, community food provision and energy costs. Several external advisers have been appointed to the committee. The expected benefits of the new committee include centralising all poverty and inequalities information which should allow elected members to thoroughly scrutinise reports, question council managers and directors and engage with the external advisers.

Source: Audit Scotland using information from Aberdeen City Council

## Case studies 9 and 10. Supporting vulnerable communities

**Inverclyde Council's** Warm Hand of Friendship initiative was set up to help ensure that spaces, resources, advice and support are available throughout the council area for those who need them. Working with its partners and voluntary organisations, the council offers warm spaces or hubs and have delivered more than 400 activity sessions for adults and children such as book clubs and classes on IT skills. This has resulted in over 3,500 people being provided with a warm space, food and social interaction. Two thousand 'Warm Boxes' packed with useful items such as tea bags and blankets to help the most vulnerable keep comfortable throughout the winter were also distributed free to people receiving homecare support in Inverclyde.

Source: Audit Scotland using information from Inverclyde Council

**Glasgow City Council:** last year we reported on the council's innovative approach of using administrative data to identify and target resources at the most vulnerable communities during the pandemic. The council has continued this approach to target resources at those most affected by the cost-of-living crisis. The council distributed gift cards worth £105 to 85,000 to households who receive council tax reductions. They have also used data to identify people potentially eligible for Attendance Allowance and other benefits and used this provide an income maximisation service to clients over the age of eighty. Over the last year, 571 clients have been contacted by the service and over £1 million of financial gains have been secured on behalf of clients.

Source: Audit Scotland using information from Glasgow City Council

See our [website](#) for more examples of councils' approaches to reducing inequalities and better understanding the impact cuts have on people experiencing inequality.

# Local government in Scotland

## Overview 2023

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# Integration Joint Boards

Financial analysis 2021/22



ACCOUNTS COMMISSION 

Prepared by Audit Scotland  
April 2023



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Further information about our work on [Transforming health and social care in Scotland](#) is available on the Audit Scotland website as well as the following outputs:

**Health and social care integration: Update on progress**  
November 2018

**What is integration? A short guide to the integration of health and social care services in Scotland**  
April 2018

**Health and social care integration**  
December 2015



# Key messages

## IJB operating context

- IJBs face increasing demand – Scotland’s population is ageing, with increasingly complex health and social care needs.
- The health and social care workforce is under extreme pressure, with continued recruitment and retention challenges.
- IJBs continue to deal with the impacts of Covid-19 on services.
- There remains considerable uncertainty about the planning and delivery of health and social care services whilst the Scottish Government develop plans to create a National Care Service (NCS).

## IJB financial and service challenges

- IJBs face considerable financial uncertainties and workforce challenges.
  - Efficiency and transformational savings alone may be insufficient to meet future financial challenges. Significant transformation is needed to ensure financial sustainability and service improvements.
  - The social care sector cannot wait for a NCS to deal with financial, workforce and service demand challenges– action is needed now if we are to improve the outcomes for people who rely on health and social care services.

## IJB finances 2021/22

- IJBs returned significant surpluses in 2021/22, mainly due to additional funding received late in the financial year for specific policy commitments, including Covid-19, as well as underspends on the cost of providing services.
- Total IJB reserves have doubled in 2021/22 to £1,262 million largely due to additional funding received late in the financial year for national policy commitments, including the response to Covid-19. Due to changes to future anticipated IJB Covid-19 spend, the Scottish Government are exploring options to recover around two thirds of Covid-19 related reserve balances held at the 2021/22 year end.
- The pandemic continued to impact on the delivery of IJB savings plans, with the Scottish Government providing specific financial support in 2021/22 to support unachieved savings on a non-recurring basis. This typically means that these savings have to be achieved in future years. It is essential that comprehensive plans are in place, demonstrating how IJBs will achieve recurring savings and support required service transformation.

## Medium- and longer-term outlook

- IJBs have a projected funding gap of £124 million for 2022/23. Fourteen per cent of the 2022/23 projected funding gap is anticipated to be bridged by drawing on reserves, with other savings delivered on a non-recurring basis. Savings options had not been identified for 28 per cent of the gap. The identification and delivery of recurring savings and reducing reliance on using reserves to fund revenue expenditure is key to ensuring long-term financial sustainability.
  - Three quarters of IJBs have recently updated their Medium Term Financial Plans (MTFPs). Doing so allows IJBs to respond more effectively to the long-term impacts of Covid-19, alongside increased cost pressures, including rising demand and inflation.
-

# Introduction

**1.** This Accounts Commission report provides a high-level independent analysis of the financial performance of Integration Joint Boards (IJBs) during 2021/22 and their financial position at the end of that year. It also looks ahead and comments on the financial outlook for IJBs in 2022/23 and financial planning in the medium and longer terms. The IJB Financial Analysis forms one part of the Commission's wider programme of audit work on IJBs and health and social care integration.

**2.** IJBs were under significant pressure in 2021/22 – from increasing workforce challenges, the demand pressures of an ageing population and trying to address the disruption caused by Covid-19 on services. The pandemic increased the challenges facing IJBs already trying to respond to financial and demand pressures.

**3.** Alongside this, all IJBs are having to manage immense pressures on the health and social care workforce. Within social care services in 2021, there were around 208,360 people working across Scotland with a 30 per cent turnover of staff per year. The proportion of care services reporting vacancies increased by 11 per cent to 47 per cent in 2021.<sup>1</sup> The most common reasons for vacancies not being filled were too few applicants, and too few who were experienced and qualified. The effects of the pandemic exacerbated existing pressures on the workforce with low pay, antisocial hours and 'burnout' causing experienced staff to leave their posts.

**4.** Together with the Auditor General for Scotland and Audit Scotland, we have [reported on the significant ongoing challenges](#) which impact the delivery of health and social care services. Most recently, we highlighted this in our 2022 [Social care briefing](#). This will continue to be a focus for our future work.

## What is an Integration Joint Board?

**5.** The Public Bodies (Joint Working) (Scotland) Act 2014 (the Act) is intended to ensure that health and social care services are well integrated, so that people receive the care they need at the right time and in the right setting, with a focus on community-based, preventative care. The reforms affect everyone who receives, delivers and plans health and care services in Scotland. The Act requires councils and NHS boards to work together in partnerships, known as Integration Authorities (IAs). There are 31 IAs, established through partnerships between the 14 territorial NHS boards and 32 councils in Scotland.



There were around 208,360 people working across social care services in Scotland in 2021.



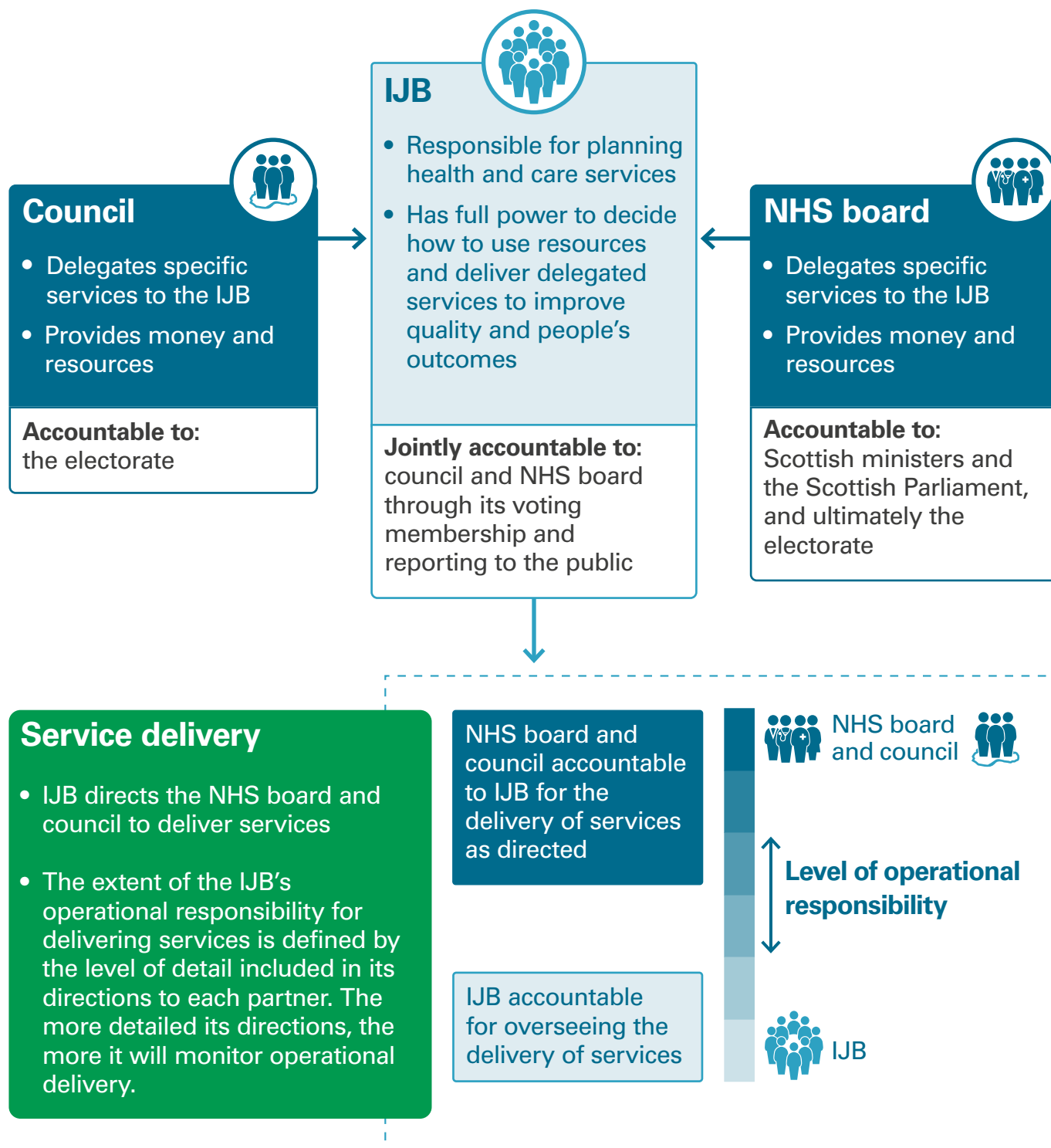
The annual turnover of staff working in social care services was 30%.



Care services reporting staff vacancies increased by 11 per cent to 47 per cent in 2021.

<sup>1</sup> 'Staff vacancies in care services 2021' Scottish Social Services Council

6. As part of the Act, new bodies were created – Integration Joint Boards (IJBs). The IJB is a separate legal entity, responsible for the strategic planning and commissioning of the wide range of health and social care services across a partnership area. Of the 31 IAs in Scotland, 30 are IJBs and one area, Highland, follows a Lead Agency model. In Highland, the NHS board and council each lead integrated services. Clackmannanshire and Stirling councils have created a single IA with NHS Forth Valley.



7. IJBs provide a wide range of services to vulnerable members of the community. Each IJB differs in terms of the services they are responsible for and local needs and pressures. The Act sets out the services that are required to be delegated to the IJB as a minimum, with the largest areas including the governance, planning and resourcing of the following:

### IJB largest service areas

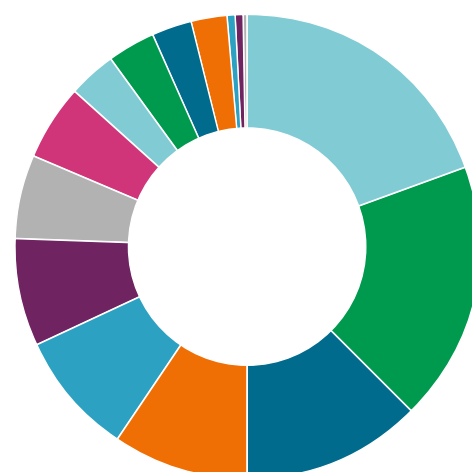
	Adult and older people social work
	General practitioner services
	Services for adults with physical disabilities
	Mental Health services
	Drug and alcohol services
	Allied health professional services
	Pharmaceutical services

8. In some areas, partners have also integrated children's services, social work criminal justice services and some planned hospital services.

9. The budget split varies between IJBs and depends on what services have been delegated. Generally, two-thirds of budgets were for health-related services are provided by the NHS, with the remaining one-third relating to social care services provided by councils and a range of external providers. The exhibit below provides an illustrative example of what IJBs direct money to be spent on, by service:

### Illustrative IJB spending

	Community Health Services	19%
	Family Health Services	18%
	GP prescribing	13%
	Hospital and long term care	9%
	Resource Transfer and other payments	9%
	Adult placements	7%
	Older people nursing and residential	6%
	Homecare Services	5%
	Adult Supported Living	3%
	Children's Services	3%
	Social Care fieldwork teams	3%
	Older people residential and day care	2%
	Adults Fife Wide	1%
	Housing	0%
	Social Care other	0%



Source: Fife IJB revenue budget 2021 to 2024

# Funding and expenditure

## Overall funding to IJBs increased by seven per cent in 2021/22

**10.** Overall funding to IJBs in 2021/22 increased by £704 million in cash terms (or seven per cent) to £11.3 billion. The changes in funding included:

- contributions from councils increasing by two per cent from £2.8 billion to £3.0 billion
- NHS contributions increasing by eight per cent from £6.5 billion to £7.9 billion
- service income increasing from £0.3 billion to £0.5 billion.

**11.** Scottish Government Covid-19 funding was passed on to IJBs via the NHS, explaining the majority of this increase. The increase in the identified service income was largely due to an improved transparency in the way that this income was presented in the IJB accounts rather than an increase in the amount of service income received.

## Over a third of Covid-19 funding received in 2021/22 was carried forward to 2022/23

**12.** IJBs received £960 million<sup>2</sup> of additional funding in year to support them in responding to Covid-19 related costs. Over a third (37 per cent) of Covid-19 related funding received in 2021/22 was carried forward in ringfenced reserves. This situation has arisen largely from the significant allocation of additional Scottish Government funding received towards the end of the financial year. There was initially an expectation that this would be used to fund ongoing Covid-19 related costs. A significant proportion of this funding is now anticipated to be recovered by the Scottish Government via reductions in the NHS funding allocation to IJBs. More information can be found in [paragraph 21](#).

## All IJBs recorded significant surplus positions in 2021/22 arising mainly from the receipt of additional ringfenced funding

**13.** All 30 IJBs reported a surplus position for 2021/22, totalling £679 million, representing seven per cent of the 2021/22 net cost of services. The overall surplus position arose from three main areas ([Exhibit 1, page 10](#)):

- Non-recurring Covid-19 funding in excess of in-year Covid-19 related expenditure accounted for 52 per cent of the cumulative surplus (three per cent of net cost of services).



IJBs received £960 million of additional funding in year to support them in responding to Covid-19 related costs.

<sup>2</sup> £1 billion, when including support for the Highland Lead Agency model.

- Non-recurring Scottish Government funding allocated for specific purposes accounted for 34 per cent of the cumulative surplus (two per cent of net cost of services).
- Underspends on the costs of providing services accounted for 14 per cent of the cumulative surplus (one per cent of net cost of services).

### **Most IJBs reported an underspend position on the costs of providing services**

**14.** The net underspend position on the costs of providing services across IJBs was £93 million. IJBs reported that these underspends were driven largely by vacancies and staff turnover and pandemic-related reductions in service provision. Three IJBs reported an overspending on service budgets and these were funded largely through additional partner funding allocations.

### **Delivery of savings continues to be impacted by the pandemic**

**15.** An analysis of a sample of 27 IJBs identified that three-fifths of total planned savings were achieved compared to just over half of planned savings being delivered in 2020/21. It was not possible to determine the proportion of savings that were delivered on a recurring basis as a result of management actions and what proportion related to one off non-recurring savings.

**16.** The achievement of savings varied significantly, ranging from zero to 100 per cent. Fourteen IJBs achieved over 75 per cent of their savings targets and four IJBs achieving all their required savings in full. Two IJBs either did not achieve any savings or had no savings target in place for the year ([Exhibit 2, page 11](#)).

**17.** Similarly to 2020/21, to reflect the impact of the pandemic on savings plans the Scottish Government provided IJBs with additional funding to cover the projected 2021/22 shortfalls in efficiency savings plans on a non-recurring basis. The total funding to cover this shortfall in 2021/22 was £41.2m. This will have contributed to the IJBs' overall year-end surplus position.

**18.** Savings delivered, or funded, on a non-recurring basis largely get carried forward to be achieved in future years. It is essential that comprehensive plans are put in place to demonstrate how IJBs intend to achieve ongoing saving requirements on a recurring basis and support required service transformation.



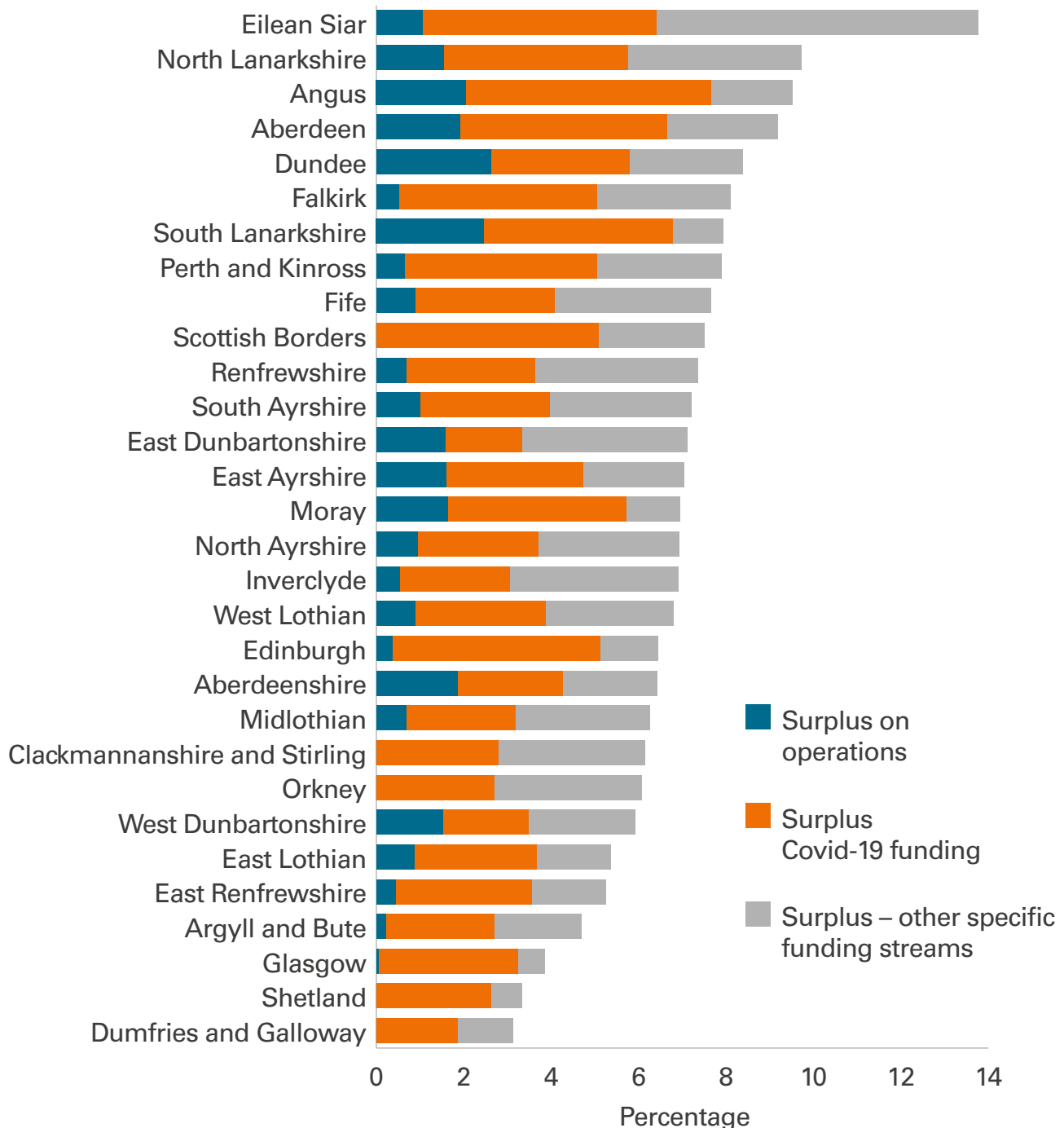
It is essential that comprehensive plans are put in place to demonstrate how IJBs intend to achieve ongoing saving requirements on a recurring basis.



## Exhibit 1.

### Surplus as a proportion of net cost of services

Most IJBs reported an underspend position on the costs of providing services.



#### Notes:

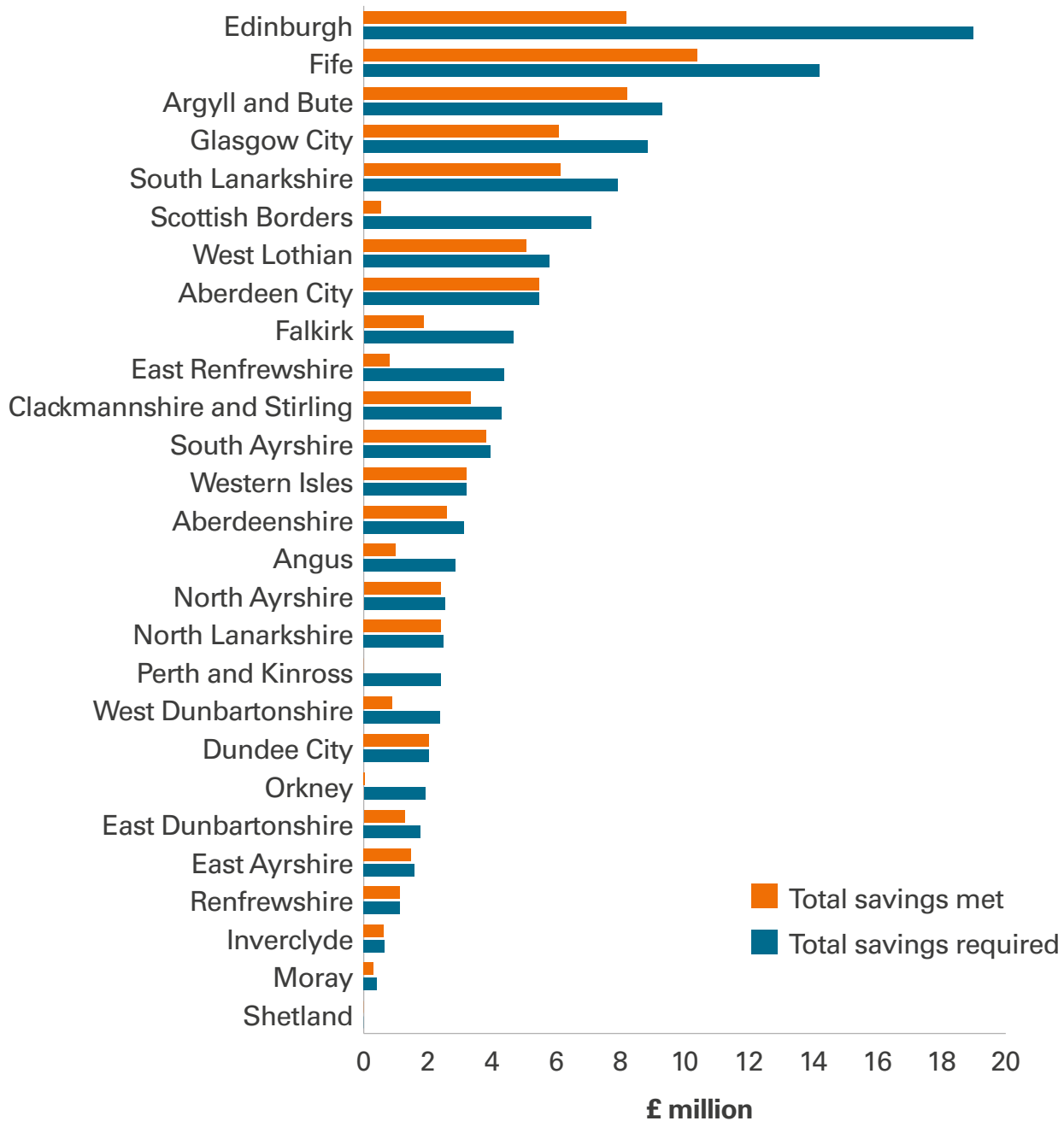
1. Dumfries and Galloway, Shetland and Scottish Borders recorded deficits on the costs of providing services, requiring additional contributions from partner bodies.
2. Orkney and Clackmannanshire/Stirling IJBs reported break-even on the costs of providing services.
3. For South Lanarkshire and Glasgow, where the operational surplus/deficit was not reported, the movement in unearmarked reserves was used instead.

Source: 2021/22 Audited Accounts, IJB 2021/22 Outturn reports

## Exhibit 2.

### 2021/22 Savings performance

Three fifths of total planned savings were achieved compared to just over half of planned savings being delivered in 2020/21.



Notes:

1. In some cases savings met may include one-off compensating savings which were not part of the original planned savings.
2. For West Lothian, where the savings achieved have not been reported, the unmet savings have been set to the amount of gross Covid-19 savings funding received.
3. Dumfries and Galloway, East Lothian and Midlothian have been excluded as information on savings performance was not reported.

Source: 2021/22 Audited Accounts, IJB 2021/22 Outturn reports

# Reserves

## **Total reserves held by IJBs have doubled to £1,262 million in 2021/22 largely due to additional funding received late in the financial year**

**19.** In 2021/22, all IJBs recorded an increase in their level of reserves with the overall reserve balance increasing by £679 million (116 per cent) to £1,262 million. Total reserves held at the year-end now represented 12 per cent of the net cost of service. This represents almost an eightfold increase in reserves since the start of the pandemic.

**20.** Reserves largely consisted of four main areas ([Exhibit 3, page 13](#)), as follows:

- Covid-19 related reserves of £502 million (£152 million in 2020/21) representing all unspent funding received to support the impact of the pandemic on IJB services.
- Earmarked reserves of £426 million (£201 million in 2020/21) include a wide range of individual IJB specific reserves covering a number of areas, including reserves associated with winter planning and strategic/transformational change.
- Ringfenced reserves of £185 million (£115 million in 2020/21) to support Scottish Government national policy objectives. Examples include the Primary Care Improvement Fund, Mental Health Recovery and Renewal, Mental Health Action 15, Community Living Change Fund and Alcohol and Drug Partnership funding.
- Contingency reserves of £148 million (£112 million in 2020/21), representing reserves that have not been earmarked for a specific purpose. These reserves are used to mitigate the financial impact of unforeseen circumstances.

## **The Scottish Government is exploring options to recover around two-thirds of 2021/22 year-end Covid-19 related reserve balances**

**21.** The Scottish Government wrote to IJBs in late 2022 highlighting that significant changes to Public Health policies have resulted in the profile of Covid-19 spending decreasing significantly. In response to this reduction in anticipated spending, the Scottish Government confirmed in January 2023 that they planned to recover £321 million (64 per cent) of Covid-19 related reserves held by IJBs at the end of 2021/22. This would have the impact of reducing the total year-end reserves position to £941 million.

**22.** It is anticipated that there will be engagement with the IJB Chief Finance Officers in April 2023 to determine any adjustments required around Covid-19 related expenditure incurred during the remainder of 2022/23.

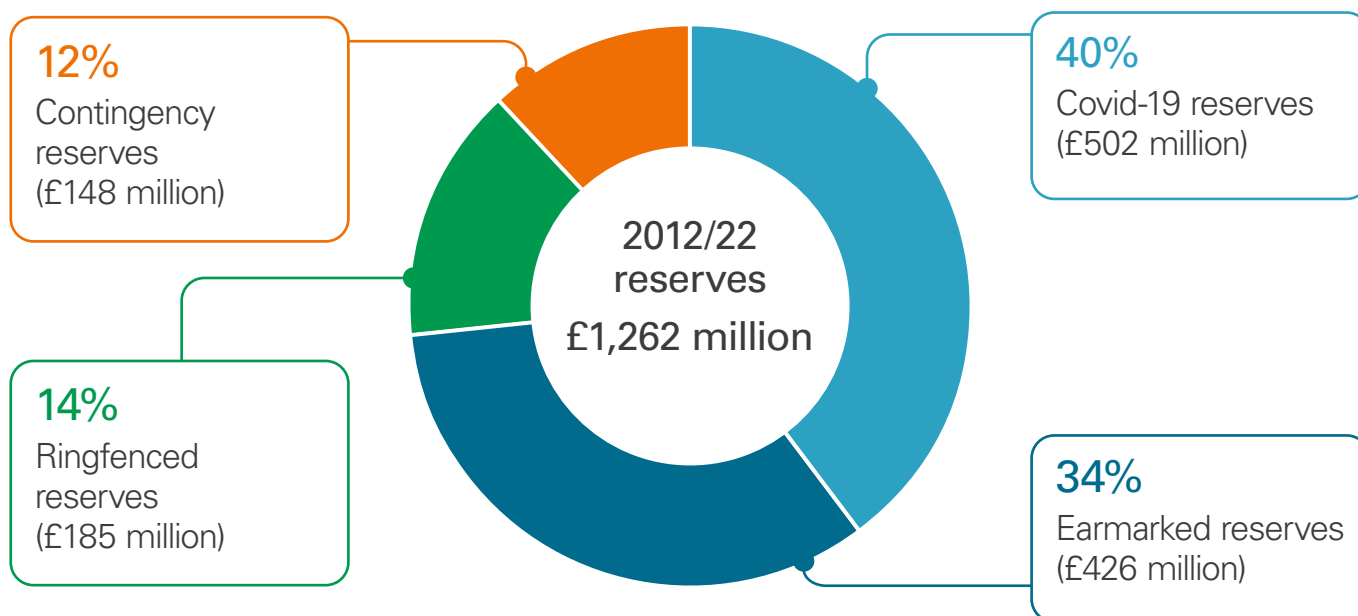


The Scottish Government plans to recover £321 million (64 per cent) of Covid-19 related reserves held by IJBs.

## Exhibit 3.

### 2021/22 reserves

Total reserves held by IJBs have doubled to £1,262 million in 2021/22 largely due to additional funding for Covid-19 and other specific purposes received late in the financial year.



Source: 2021/22 Audited Accounts, IJB 2021/22 Outturn reports

### Contingency reserves now represent a fifth of the total year-end reserves balance once Covid-19 related balances have been excluded

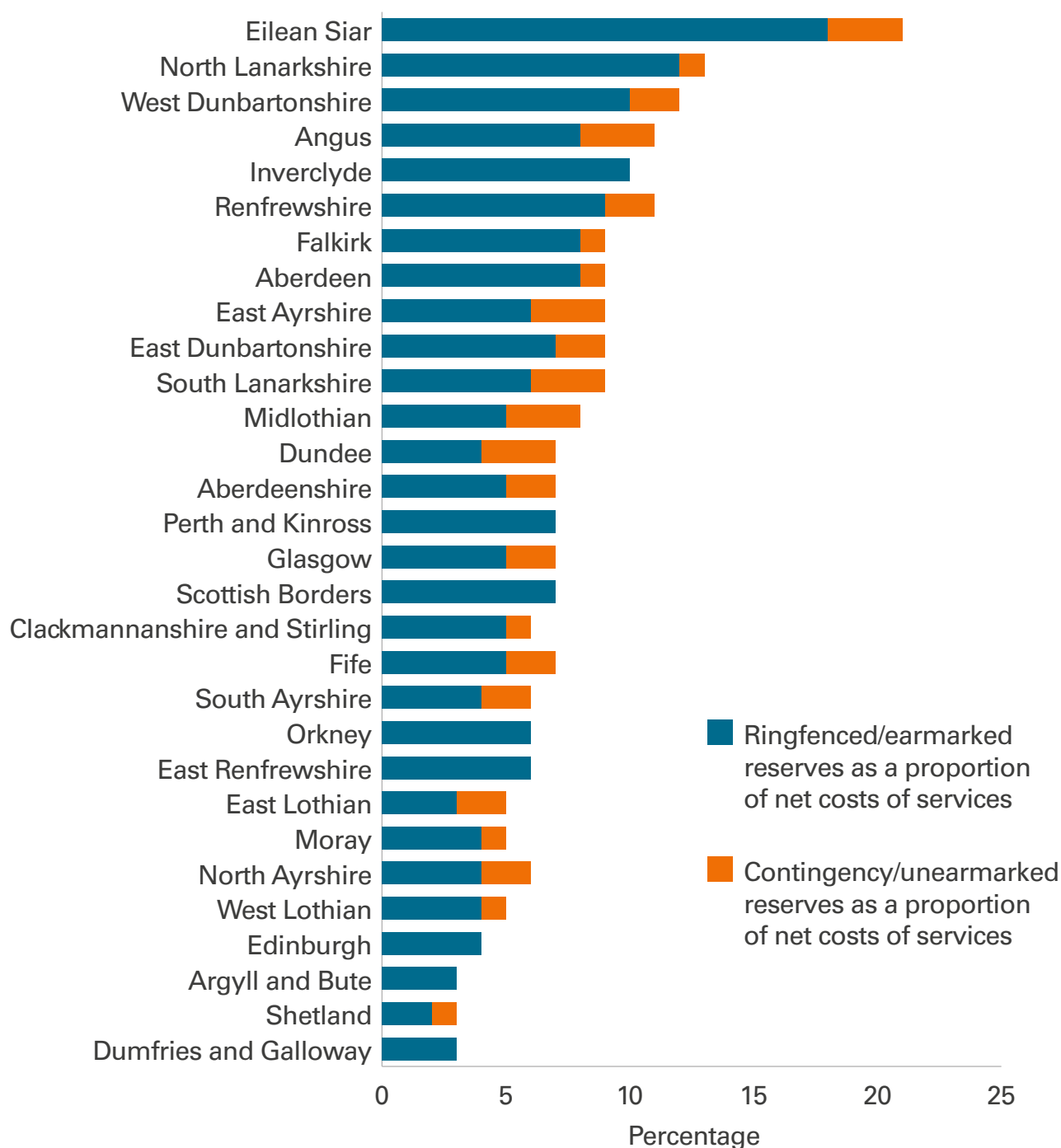
**23.** Once Covid-19 related reserves are excluded, 19 per cent of reserves were classified as contingency reserves, increasing from 16 per cent in 2020/21. Individual proportions ranged from zero to 43 per cent, with 14 IJBs having contingency reserves representing over 20 per cent of individual IJB total reserves.

**24.** Contingency reserves are levels of uncommitted funds used to mitigate against the impact of unanticipated events or emergencies. It is considered prudent for IJBs to have access to a level of contingency funds, especially during periods of increased financial uncertainty, and levels will be determined by each individual IJB depending on their circumstances. The level of uncommitted contingency funds held by each IJB will vary depending on individual IJB reserve policy. From a review of a sample of IJB reserve policies, IJBs were determining that a contingent reserve level of around two per cent of annual budgeted expenditure was prudent. Across the IJBs, contingency reserves as a proportion of net cost of services, ranged from zero per cent and three per cent; 27 per cent of IJBs had contingency reserve levels of between two and three per cent of net cost of services. For 43 per cent of IJBs, the level was either less than one per cent or zero ([Exhibit 4, page 14](#)).

## Exhibit 4.

### 2021/22 year-end IJB reserves as a proportion of the net cost of services (excluding Covid-19 reserves)

Almost half of all IJBs had contingency reserve levels of less than one per cent of net cost of services.



Source: 2021/22 Audited Accounts

# Financial outlook

## Most IJBs agreed a balanced 2022/23 budget with partners before the start of the financial year

**25.** IJBs have a requirement to agree their budgets by 31 March each year. For 2022/23, 23 of the 30 IJBs agreed a balanced budget before the start of the financial year. Delays in the agreement of savings plans and NHS partner funding were the most common reasons for balanced budgets not being agreed at the start of the financial year.

## The 2022/23 projected funding gap was £124 million, down from £151 million in 2021/22

**26.** IJB annual accounts and budget papers identified an overall funding gap of £124 million for 2022/23. This is down from the £151 million funding gap in 2021/22. Individual funding gaps, as a proportion of the net cost of services, ranged from zero per cent to six per cent in Eilean Siar ([Exhibit 5, page 16](#)).

**27.** Of the total funding gap, 57 per cent (72 per cent in 2021/22) is anticipated to be met by identified savings, 15 per cent from the use of reserves, with actions yet to be identified to bridge the remaining gap ([Exhibit 6, page 17](#)).

## A third of the 2022/23 projected funding gap is anticipated to be bridged on a non-recurring basis

**28.** The use of reserves makes up 14 per cent of plans to bridge the funding gap. The identified savings also includes a proportion of non-recurring savings. There was a significant proportion of the funding gap that had yet to have planned action agreed at the time of budget setting. The increased reliance on non-recurring sources of income is not sustainable in the medium to long term. The identification and delivery of recurring savings and a reduced reliance on drawing from reserves to fund revenue expenditure will be key to ensuring long-term financial sustainability ([Exhibit 6, page 17](#)).

**29.** From a review of 2021/22 Annual Audit Reports, auditors reported that future funding gaps are unlikely to be addressed through efficiency and transformation savings alone. The scale of the challenges faced by IJBs means that services will need to change if they are to be sustainable in the future. IJBs will need to work with partners to develop revised financial strategies to ensure that they remain financially sustainable.

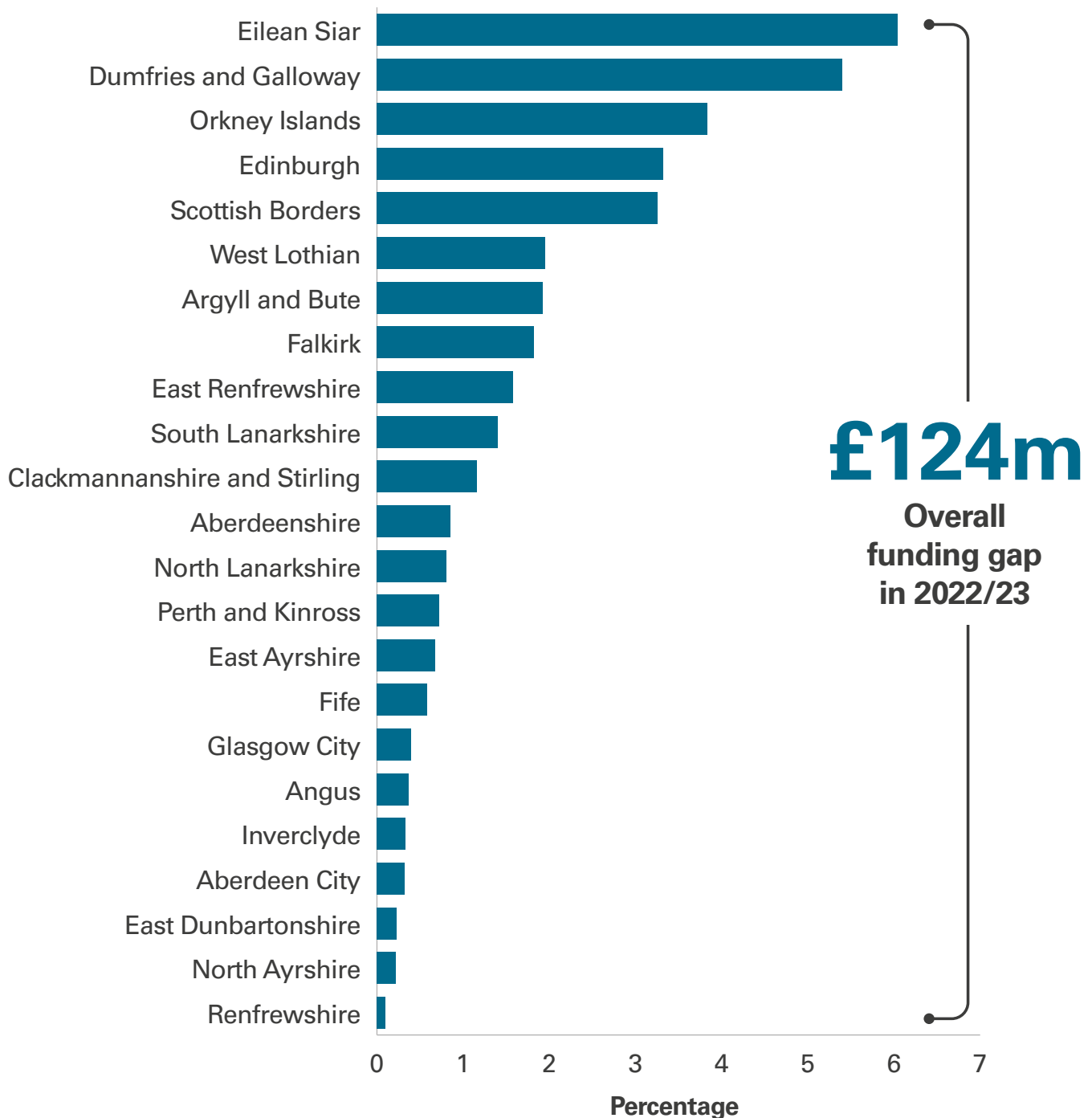


IJBs will need to work with partners to develop revised financial strategies to ensure that they remain financially sustainable.

## Exhibit 5.

### 2022/23 IJB funding gap, excluding Covid-19 related costs, as proportion of 2021/22 net cost of services

IJB annual accounts and budget papers identified an overall funding gap of £124 million for 2022/23, down from £151 million funding gap in 2021/22. Individual funding gaps, as a proportion of the net cost of services, ranged from zero to six per cent.



Notes:

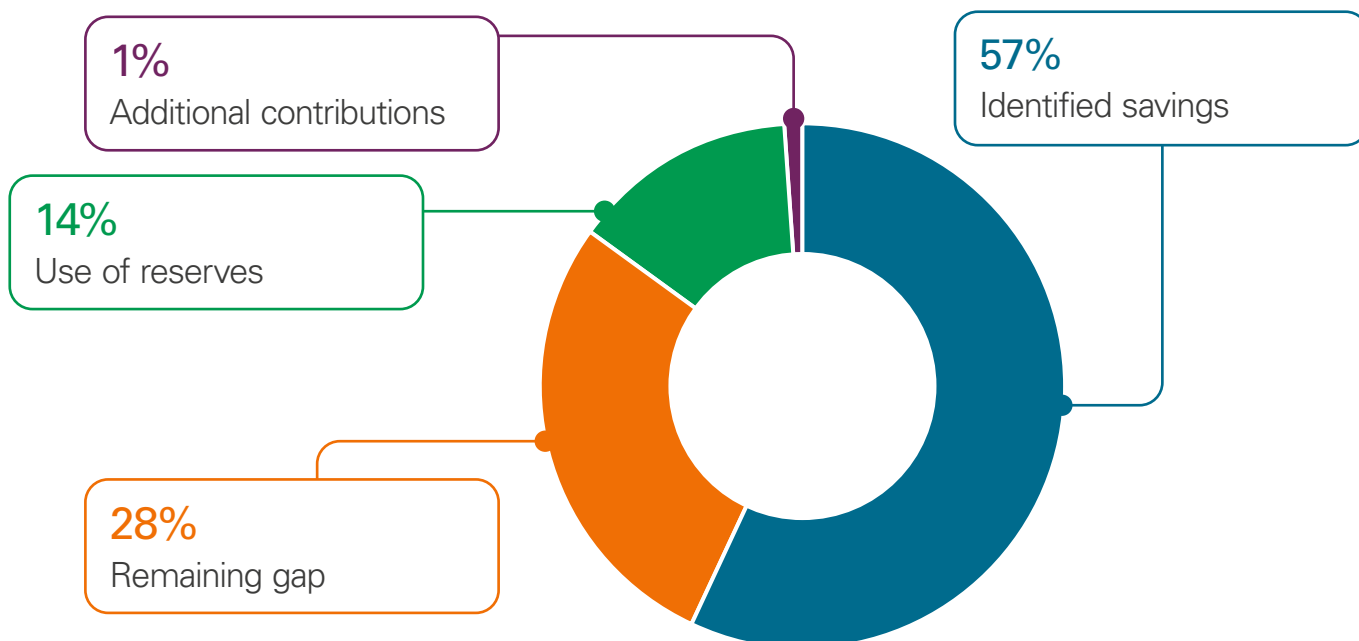
1. Seven IJBs report no funding gap for 2022/23.
2. In some cases it was not clear from reports whether unachieved savings brought forward were included in the 2022/23 funding gap.

Source: 2021/22 Audited Accounts, IJB 2021/22 Outturn reports, IJB MTFPs

## Exhibit 6.

### 2021/22 IJB funding gap planned action

The use of non-recurring reserves makes up 14 per cent of plans to bridge the funding gap.



Note: It was not clear from reports the proportion of savings that were planned to be delivered on a recurring or non-recurring basis.

Source: 2021/22 Audited Accounts, IJB 2021/22 Outturn reports, IJB MTFPs

### Three-quarters of IJBs have revised their medium-term financial plans (MTFP) since 2022

**30.** Twenty-three IJBs have a MTFP in place that has been updated since 2022, whereas five IJBs do not currently have a MTFP in place. The impact of Covid-19 and the current levels of financial uncertainty was cited as a reason for the delays in developing or updating MTFPs. It is important that IJBs revise their MTFPs to allow them to respond effectively to the long-term impacts of Covid-19 and increased cost pressures, including rising demand and inflation.

**31.** Some examples of the anticipated funding gaps over the period 2022/23 to 2024/25 included:

- Glasgow anticipating a funding gap of £60 million representing four per cent of their 2021/22 net cost of services
- Renfrewshire anticipating a funding gap between £37 million to £48 million representing 11–15 per cent of their 2021/22 net cost of services
- Eilean Siar anticipating a funding gap of £7 million representing 11 per cent of their 2021/22 net cost of services.



It is important that IJBs revise their MTFPs to respond effectively to the long-term impacts of Covid-19 and increased cost pressures.



**32.** Common cost pressures and challenges raised in MTFPs included:

- inflationary pressures impacting the cost of providing service
- increasing complexity of care
- staff shortages and difficulty in recruiting leading to increased locum and agency bank costs
- meeting climate change commitments
- uncertainties around the long-term impact of Covid-19 on frailty and its potential impact on demand for services.

**Seven IJBs reported a change of Chief Officer or Chief Finance Officer in 2021/22 and instability of leadership continues to be a challenge**

**33.** Seven IJBs reported a change in a senior officer role in 2021/22 compared to changes at 12 IJBs reported in 2019/20. Although this represents an improvement on the 2019/20 position, instability of leadership continues to be a challenge and has the potential to contribute to delays in strategic planning and issues with workforce planning.

**34.** With the council elections in May 2022, membership of IJBs will have been subject to change. Structured programmes of induction for new members will help ensure they have the skills and knowledge to provide a high standard of scrutiny and decision-making.

**IJBs face considerable challenges and uncertainties and significant and long-term transformation is required to ensure they have the organisational and financial capacity to ensure high quality services in the longer term**

**35.** Auditors reported that efficiency and transformational savings alone may be insufficient to meet future financial challenges and that significant and long-term transformation will be needed to ensure financial sustainability. IJBs are facing a range of significant challenges and uncertainties, including:

- level and terms of future funding settlements
- recruitment and retention difficulties, both internally and with external providers
- rising demand, including demographic challenges of an ageing population
- cost of living crisis and inflationary pressures
- ongoing impact of Covid-19
- potential financial implications of the creation of a National Care Service (NCS).

**36.** The National Care Service (Scotland) Bill (the Bill) was introduced in June 2022, with the policy objective of improving quality and consistency of social services in Scotland. The Scottish Government published a [Financial Memorandum](#) to accompany the Bill. This sets out that total estimated cost ranges of the Bill will be £24–36 million in 2022/23, increasing to £241–527 million by 2026/27. Our view, as set out in our [NCS Bill – Call for Evidence](#) document is that the potential costs summarised in the financial memorandum are likely to significantly understate the margin on uncertainty and range of potential costs of establishing the NCS.

**37.** Stage One of the Bill was due to be completed in March 2023 but has been postponed until 30 June. This will allow the Scottish Government time to respond to some of the points raised through the parliamentary scrutiny process to date. The Scottish Parliament’s Finance and Public Administration Committee published a [report](#) on the Financial Memorandum in December 2022, where it raised significant concerns in relation to costing estimates. The committee has requested that the Scottish Government revises the Financial Memorandum, updating financial costing estimates. The Scottish Parliament’s Delegated Powers and Law Reform Committee published its [report](#) stating that it does not believe the Bill should progress in its current form. It is concerned that there is currently insufficient detail in the Bill documents to allow for meaningful parliamentary scrutiny.

**38.** The sector cannot wait for a NCS to deal with the huge challenges it faces and action is needed now. These challenges will have been exacerbated by the further pressures on Scotland’s public finances from rising demand and inflation, as set out in our report [Scotland’s public finances: Challenges and risks](#). In particular, recent demand pressures, as well as the cost of living crisis has put real pressure on both the demand for services, and the provision of these services – notably the workforce. Recovery from the pandemic is having an ongoing impact, with increasing levels of unmet need having a real impact on the outcomes for individuals.

**39.** A measure of success for any reforms will be to ensure that a preventative, person-centred approach, as set out by Christie ten years ago, is embedded to improve outcomes and reduce inequalities. To do so, it will be essential that appropriate funding is put in place to deliver on these ambitions.

**40.** Further information about our work on [Transforming health and social care in Scotland](#) is available on the Audit Scotland website as well as the following outputs:

- [What is integration? A short guide to the integration of health and social care services in Scotland \(2018\)](#)
- [Health and social care integration \(2015\)](#)
- [Health and social care integration: Update on progress \(2018\)](#)

# Integration Joint Boards

## Financial analysis 2021/22

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