

A **meeting** of the **Integration Joint Board Audit & Risk Committee** will be held on 21 February 2024 in The Board Room, Carseview House, Stirling and hybrid via MS Teams

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

AGENDA

1. **Apologies for Absence**
2. **Declarations of Interest**
3. **Minute of previous meeting held on 29 September 2023** **For Approval**
4. **Matters arising/urgent business brought forward by Chair**
Internal Audit Report Sharing
5. **Review of Terms of Reference & Committee Workplan** **For Recommendation & Approval**
Paper presented by Ewan C Murray, Chief Finance Officer
6. **Review of Directions Policy** **For Recommendation**
Paper presented by Ewan C Murray, Chief Finance Officer
7. **Review of Reserves Strategy & Policy** **For Recommendation**
Paper presented by Ewan C Murray, Chief Finance Officer
8. **Progress Update on Annual Audit Report Recommendations** **For Noting & Assurance**
Paper by Ewan C Murray, Chief Finance Officer
9. **Annual Audit Plan 2023/2024** **For Approval**
Paper presented by Fadhil Muhammad, Audit Manager, Deloitte LLP
10. **Internal Audit Progress Report** **For Noting**
Paper presented by Isobel Wright, Chief Internal Auditor
11. **Strategic Risk Register** **For Approval**
Paper presented by Ewan Murray, Chief Finance Officer
12. **Audit & Risk Committee Annual Assurance Statement for 2023-24** **For Approval**
Paper presented by Ewan Murray, Chief Finance Officer
13. **Relevant National Reports** **For Noting**
Paper presented by Ewan C Murray, Chief Finance Officer
14. **Any Other Competent Business**
15. **Date of Next Meeting**
26 June 2024



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

held on **Wednesday 13 September, 2 pm – 4 pm** The Boardroom, First Floor,
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)
Councillor Janine Rennie, Clackmannanshire Council

Non Voting Member

Narek Bido, Recovery Scotland

In Attendance:

Annemargaret Black, Chief Officer
Ewan Murray, Chief Finance Officer
Gregor Dewar, Management Accountant
Fadhil Muhammad, Audit Manager, Deloitte LLP
Karlyn Watt, Senior 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:

Isabel Wright, Internal Audit Manager, Falkirk Council (Chief Internal Auditor to IJB)
Pat Kenny, Senior Manager, Deloitte LLP

2. DECLARATION(S) OF INTEREST

No declarations of interest were noted.

3. DRAFT MINUTE OF PREVIOUS MEETING HELD 28 JUNE 2023

The draft minute of the previous meeting held on 28 June 2023 was approved subject to the following amendments:

Mr Murray agreed to amend the wording regarding the follow-up of the recommendations in Item 7, Annual Internal Audit Report.

4. MATTERS ARISING/URGENT BUSINESS BROUGHT FORWARD BY CHAIR

None

5. PROPOSED ANNUAL REPORT (AAR)

Ms Karlyn Watt, Senior Manager, and Fadhill Mohammad, Audit Manager, Deloitte LLP, presented the proposed Annual Audit Report to the Committee.

The final report from the 2022/23 audit was split into 2 key parts, the wider scope work, and the conclusions. Ms Watt confirmed that overall, subject to concluding on outstanding points, it was a clean audit opinion. She provided an overview of financial management, financial sustainability, vision leadership and governance, and the use of resources to improve outcomes.

Ms Watt provided assurance that the Integrated Joint Board (IJB) had sufficient arrangements in place to secure the best value and had a clear understanding of the areas that required further developments. Significant work was still required to make the level of lasting transformational change needed to ensure financial sustainability.

Mr Mohammad discussed with the Committee the key conclusions from the financial statements audit work. This included the key areas of the report which included quality indicators, explaining the impact these had on the execution of the audit, and significant risks identified in relation to the management override of controls.

The challenges in obtaining evidence from the relevant constituent authorities, which were required to prepare the annual accounts were noted and this had caused significant delays in the completion of the audit. The Committee discussed ways improvements could be made to improve the efficiency of the audit process and it was suggested that going forward the IJB and constituent authorities' finance officers discussed and agreed on a clear timetable for the preparation of the annual accounts and audit. The Committee agreed it would be helpful to be kept updated on the progress of this.

Mr Murray agreed there was a requirement to have more work completed in advance of the initial work required by auditors, to avoid delay, from both sides. It was important to look at ways to work with the audit team to minimise duplication going forward. Mr Murray confirmed the IJB, the constituent authorities, and Deloitte would be meeting to have a debrief on how the process could be more efficient going forward. Updates of meetings would be provided to the Committee.

For clarity, Ms Black highlighted that under vision, leadership, and governance it should have stated that it was the constituent authorities' responsibility to review the integration scheme, not the IJB. Ms Watt agreed to make this change for the final report.

Mr Earl thanked Ms Watt, Mr Muhammad, and Deloitte for the good work reflected in the report, given the challenging circumstances.

The Audit and Risk Committee:

- 1) Noted the Annual Audit Report subject to discussed further amendments.

6. 2022/2023 IJB ANNUAL ACCOUNTS

Mr Ewan Murray, Chief Finance Officer presented the 2022/2023 IJB Annual Accounts to the Committee.

Mr Murray explained that financial performance remained unchanged. There had been an adjustment between the draft and final accounts in relation to reserves, resulting in COVID reserves being reduced by £201,000. This was because of an adjustment between the closure of the IJB draft accounts and Clackmannanshire Council closing their draft accounts slightly later. The IJB was required to adjust figures in relation to payments to Social Care providers in relation to national COVID provider support arrangements.

Mr Murray confirmed the Annual Governance Statement had been updated to reflect the Annual Assurance Report, brought by the Chief Internal Auditor at the previous Audit and Risk Committee. However, due to the lateness of national information, he had not been able to incorporate the national health and wellbeing indicators annex to the Annual Performance Report. It is anticipated this will be included in

Councillor Rennie raised concerns regarding outdated IT data and information systems and asked whether measures were in place to update these. The Committee discussed and agreed that these systems required modernisation to reduce risks in the information provided for reporting purposes. Ms Black reiterated that the systems were the responsibility of the constituent authorities.

Councillor Earl questioned the fortuitous underspends wording, the visual on co-production, and the pension contributions. Following discussion Mr Murray confirmed he would amend the wording and add a short explanatory note about the employer pensions contributions for the year 2022/23.

The Audit and Risk Committee:

- 1) Considered and discussed the audited 2022/23 annual accounts.
- 2) Recommended the 2022/23 annual accounts to the Integration Joint Board for approval, signing, and publication on the IJB website subject to the amendments detailed above being made.

7. STRATEGIC RISK REGISTER

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

Mr Murray confirmed the risk workshop had been organised to take place on 27 September, before the IJB meeting. The workshop would focus on discussions around risk appetite and tolerance and reviewing the structure and content of the strategic risk register.

Mr Murray explained there had been a 'light touch' review of the Strategic Risk Register, and the risks had not been restructured although risk controls had been updated where required.

The Committee discussed the narrative around some of the risks and reasoning for scoring suggesting reviewing other IJBs to understand what was working well for them. Councillor Earl suggested that, after the workshop on 27 September, follow-up workshops are arranged to have deep dives into specific risks.

The Audit and Risk Committee:

- 1) Reviewed and approved the Strategic Risk Register

8. AUDIT AND RISK COMMITTEE SELF ASSESSMENT

Mr Ewan Murray, Chief Finance Officer presented the Audit and Risk Committee Self-Assessment to the Committee.

Mr Murray explained he had also discussed this with Isobel Wright who agreed there was a requirement for the Committee to perform a self-assessment. As this acknowledged best practice Mr Murray confirmed he would use the CIPFA self-assessment checklist to complete a self-assessment of the Audit & Risk Committee. The committee agreed this was a worthwhile assessment.

The Audit and Risk Committee:

- 1) Noted and commented on the requirement to carry out a Self-Assessment; and
- 2) Approved and asked the IJB Chief Finance Officer to take forward plans for a Self-Assessment using CIPFA's Audit Committee Self-Assessment template and report the outcome to the next meeting.

9. RELEVANT NATIONAL REPORTS

Audit Scotland: Public Audit in Scotland 2023-28

Mr Ewan Murray, Chief Finance Officer presented the report which was of significance to the business of the IJB and asked the Committee to note the key messages within.

The Audit and Risk Committee:

- 1) Noted the report and its relevance to the operating context of the IJB as a public body and Health and Social Care Partnership as the operational construct services are delivered within.

10. ANY OTHER COMPETENT BUSINESS

Councillor Earl asked whether a date had been arranged to review the Reserves Policy. Mr Murray confirmed this had not been arranged, as he was still reviewing the policy. The Committee agreed that the matter should be discussed at the next meeting on 6 December.

In addition, it was suggested the chairs and vice chairs of the constituent authorities' Audit and risk Committees meet to discuss the ongoing IT developments and how these could support planning and delivery of integration functions going forward.

11. Date of Next Meeting

06 December 2023

Clackmannanshire & Stirling Integration Joint Board Audit and Risk Committee

21 February 2024

Agenda Item 5

Review of Terms of Reference & Proposed Workplan

For Recommendation & Approval

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

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

Purpose of Report:	To review the Audit & Risk Committee’s Terms of Reference and proposed Workplan for 2024-25 which will support them and provide assurance to the IJB that those functions referred are fulfilled.
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Recommendations:	<p>The Audit and Risk Committee is asked to:</p> <ol style="list-style-type: none"> 1) Review and agree the Terms of Reference for approval by the IJB. 2) Consider and approve the proposed Workplan for 2024/25.
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1. Background

- 1.2 The overall purpose of the IJB is to ensure efficient, effective and accountable governance, to provide strategic leadership and direction, and to focus on agreed outcomes. Detailed scrutiny should take place at Committee level, with each committee providing assurance and escalating key issues to the IJB as required. For this to be achieved successfully, Committees must be clear about their roles and priorities and must monitor their own performance rigorously. Committee remits are approved by the IJB and must ensure that they are focused on the IJB’s priorities and on the risks delegated to them, providing assurances back to the IJB on any risks, actions, and controls for which they are responsible.
- 1.3 The IJB’s Committees are required to review their Terms of Reference on an annual basis. A reflection on current governance arrangements by the Interim Chief Officer will be discussed with the IJB in March. Therefore, a light touch update is proposed at this point in time appreciating a more fundamental review of governance arrangements including committees may require to be considered in the near future. However, point 8 has been added to the terms of reference for explicit consideration.

2. Wider Governance arrangements/developments

- 2.1 A number of Internal Audits have been undertaken by the constituent authorities which cover the services delegated to the IJB and along with the ongoing review of the Integration Scheme the governance landscape will continue to develop and further improve.

- 2.3 The workplan proposed sets out the areas of focus and scrutiny (appendix 2) and will be reviewed again at the end of the financial year to ensure relevant assurance have been received regarding the core business and specific work areas undertaken by the Audit & Risk Committee. This includes internal financial controls, internal/ external audit plans and internal/external audit reports along with relevant national audit reports particularly those relating to Health and Social Care Integration from Audit Scotland.
 - 2.4 While minutes are shared with the IJB for noting this is not necessarily an efficient and effective source of assurance. It is proposed a more overt method would provide further assurance. It is has been agreed that an annual Chair's Report could be provided and presented to give a quick and comprehensive summary of the key areas of successes, assurances received and key issues or emerging risks which need to be highlighted or escalated.
 - 2.5 A year-end report will then be submitted to the IJB to confirm they have assessed the adequacy and effectiveness of the IJB's internal controls and corporate governance arrangements and considered the annual governance reports and assurances to ensure that the highest standards of probity and public accountability have been demonstrated. It will also provide a broad conclusion on whether the level of assurance provided was acceptable and show how any key risks/concerns highlighted will be reflected in the workplan for the year ahead.
3. [Appendices](#)
Appendix 1 – Proposed revised Terms of Reference.

Appendix 1

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

Constitution

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

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

Chairperson

The Integration Joint Board shall appoint the Chair and Vice Chair of the Committee who will be voting members of the Committee.

Membership

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

Substitutions are permitted but must be voting members of the Integration Joint Board and at least one voting member of the Committee must be present.

Quorum

50% of the voting members from two constituent authorities being present will constitute a quorum.

Functions Referred

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

1. Assess the adequacy and effectiveness of the Integration Joint Board's internal controls and corporate governance arrangements and consider the annual governance reports and assurances to ensure that the highest standards of probity and public accountability are demonstrated.

2. Ensure existence of and compliance with an appropriate Risk Management Strategy. Review risk management arrangements and receive regular risk management updates and reports; Regularly scrutinise the IJBs Strategic Risk Register and ensure high risks are incorporated within reporting to the IJB by exception.
3. Review and approve the Internal Audit Annual Plan on behalf of the Integration Joint Board, receive reports and oversee and review progress on actions taken on audit recommendations and report to the Integration Joint Board on these as appropriate.
4. Consider the External Audit Annual Plan on behalf of the Integration Joint Board, receive reports, and consider matters arising from these and management actions identified in response before submission to the Integration Joint Board; The Audit Committee may also consider relevant national audit reports particularly those relating to Health and Social Care Integration from Audit Scotland.
5. Consider annual financial accounts and related matters before submission to and approval by the Integration Joint Board.
6. Consider reasonable arrangements for ensuring best value for delegated integration functions.
7. The Committee is authorised by the Integration Joint Board to investigate any activity within its terms of reference, and in so doing, may seek any information it requires.
8. Consider how the IJB Audit and Risk Committee can work with the Audit Committees from the constituent authorities to minimise duplication and achieve improved clarity of respective accountabilities in a transparent and proportionate manner.

Appendix 2: Audit & Risk Committee Workplan 2024-25

	26 June 2024	18 September 2024	4 December 2024	26 March 2025
Accounts				
Consideration of Unaudited Accounts, including Annual Governance Statement	Yes			
Consideration and Scrutiny of Audited Accounts		Yes		
Risk				
Risk Management Strategy – as and when required				
Risk Management Improvement Plan				
Strategic Risk Register updates (Quarterly)	Yes	Yes	Yes	Yes
Internal Audit				
Audit Plan		Yes		
Audit Progress Plan	Yes	Yes	Yes	Yes
Audit Annual Report & Assurance Statement	Yes			
External Audit				
Audit Plan				Yes
Annual Report		Yes		
National Reports as Appropriate	Yes	Yes	Yes	Yes
Other items				
Terms of Reference (Annually)				Yes
Progress or Specific Governance Related Report	Yes	Yes	Yes	Yes

Clackmannanshire & Stirling Integration Joint Board Audit and Risk Committee

21 February 2024

Agenda Item 6

Review of Directions Policy

For Recommendation

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

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

Purpose of Report:	To consider the reviewed Directions policy and recommend it to the IJB for approval
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Recommendations:	<p>The Audit and Risk Committee is asked to:</p> <ol style="list-style-type: none"> 1) Note the background to the Directions policy. 2) Consider and recommend approval of the updated directions policy to the IJB.
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1. Background

- 1.1. Directions are a key aspect of the IJB's governance and decision making frameworks. They form part of the legal basis, per the Public Bodies (Joint Working) Scotland Act 2014, of how delegated services are to be delivered and funded.
- 1.2. The IJB approved the extant directions policy in September 2021, however the policy has not to date been fully implemented. The policy requires review every 2 years and this paper forms both the required periodic review and also signals a clear intent to implement the policy from April 2024.
- 1.3. As the key issue is the implementation of policy rather than the policy itself the updates are relatively minor and take due account of the Internal Audit report also presented to the committee today. The directions policy is based on national guidance and emergent practice across Scotland. It is far to say many Integration Authorities continue to find directions an area of challenge in practice.

2. Considerations

- 2.1. In line with the provisions of sections 26-28 of the Public Bodies (Joint Working) (Scotland) Act 2014, Directions are the mechanism by which the IJBs strategic plans are enacted.
- 2.2. Directions are issued by the IJB to constituent authorities, setting out how all delegated functions are to be delivered and funded via the Strategic Plan Budget. Directions are legally binding and provide a formal record and audit trail of IJB decisions and responsibilities between Partners.

- 2.3. The monitoring of directions and directions log requires to be undertaken by the IJB or a committee of the IJB. The IJB previously tasked the Finance and Performance Committee with this function.
 - 2.4. The format and structure of the directions policy are based on guidance published by the Scottish Government in January 2020. Due account of evolving practice in relation to directions elsewhere in Scotland has also been taken into account.
 - 2.5. Previous considerations of the committee and IJB with regard to Directions Policy applied a caveat that application of the directions policy should be proportionate and not unduly draining on management capacity. This would appear a logical principle to continue to consider as the directions policy is implemented in practice.
 - 2.6. Subject to the considerations of the committee further engagement will take place with the Chief Executives, Governance Officers and Chief Financial Officers of the constituent authorities prior to the March 2024 IJB meeting.
3. [Appendices](#)
- Appendix 1 – Proposed Updated Directions Policy
 - Appendix 2 – Draft Directions Template
 - Appendix 3 - Visual Representation of Directions Process

Clackmannanshire & Stirling Integration Joint Board (CSIJB) Directions Policy

1.0 Introduction and policy context

1.1 This policy document outlines the process for drafting, approving, issuing and monitoring Directions from Clackmannanshire & Stirling Integration Joint Board (IJB) to the constituent authorities Clackmannanshire and Stirling Councils and Forth Valley NHS Board. The policy has been developed with reference to relevant legislation and statutory guidance and should be reviewed on an annual basis.

1.2 In line with the provisions of sections 26 to 28 of the Public Bodies (Joint Working) (Scotland) Act 2014, Directions are the key mechanism by which the IJB's strategic commissioning plans are actioned.

1.3 Directions are issued by the IJB to Clackmannanshire & Stirling Councils and Forth Valley NHS Board, setting out how all delegated services which fall under the control of the IJB, as defined in the integration scheme, are to be delivered and funded via the Strategic Plan budget (Integrated Budget and Set Aside Budget for large hospital services).

1.4 Directions are legally binding and provide a formal record and audit trail of IJB decisions and responsibilities between Partners.

1.5 Statutory guidance relating to Directions was published by the Scottish Government in January 2020 to promote best practice and improve the manner in which Directions are issued and implemented. The statutory guidance can be found here: [Directions from integration authorities to health boards and local authorities: statutory guidance - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/statutory-guidance-2020-01/pages/10.aspx)

1.6 In order to comply with statutory guidance, the IJB is required to have a formal Directions policy in place.

1.7 The Directions policy also supports the governance and accountability proposals contained within the Ministerial Strategic Group for Health and Community Care's report published in February 2019 regarding progress with the integration of Health and Social Care in Scotland.

2.0 Form and content of Directions

2.1 Directions are a necessary and important element of the IJB's governance structure designed to convey IJB decisions and clarify responsibilities between constituent authorities, whilst providing a clear framework for the operational delivery of delegated services.

2.2 As such, Directions must be in writing and drafted in sufficient detail to ensure IJB decision making is accurately and effectively communicated to both Clackmannanshire and Stirling Councils and Forth Valley NHS Board.

2.3 In addition, all Directions must comply with clinical and care governance standards to safeguard patient safety and public protection together with staff welfare and financial governance arrangements.

2.4 As a minimum, a Direction must provide the following information:

- A reference number to maintain version control and support audit.
- Details of the scope and scale of the service involved (distinguishing between set aside and integrated functions as appropriate).
- Details of overall budget and funding source (i.e. payment/integrated budget or set aside).
- Details of the actions or outcomes required in line with the IJB's strategic plan priorities and decision making process.
- An outline of the potential impact on key stakeholders, including consideration of consultation requirements.
- Timescales for delivery and performance/progress monitoring arrangements.

A standard template has been developed to capture the information referred to above in a consistent format (see appendix A).

3.0 Process for approval and issue of Directions

3.1 The IJB is responsible for approving all Directions. Directions will be issued to partners by the Chief Officer as soon as practicable following approval by the IJB. Directions will be prepared and issued in respect the delegated functions referred to in annex 1 (part 2) and annex 2 (part 2) of the Integration Scheme at the start of each financial year.

3.2 The Directions will remain in force until they are varied, revoked or superseded as a consequence of IJB decisions or in response to changes in strategic and financial priorities during the course of the year.

3.3 A clear audit trail will be maintained through the creation of a chronological Directions log.

3.4 In order to determine when a new or amended Direction is required, the standard report format for the IJB and all sub committees includes a section on Directions.

3.5 This will act as a prompt for the report author to consider whether a new or amended Direction requires to be issued to Clackmannanshire Council, Stirling Council and/or Forth Valley NHS Board and to seek approval from the IJB as appropriate. Where the report author is uncertain whether a direction requires to be issued advice should be taken from the Chief Officer, Chief Finance Officer and Clerk to the IJB as early as possible.

3.6 Where a new or amended Direction is required a draft should be included with the report using the standard template provided at appendix A.

3.7 In this way, a Direction should always be initiated by a decision made by the IJB (a Direction represents the formal end point of the decision making process).

3.8 Further work is required to determine the arrangements for Directions where the IJB is the lead for a range of Forth Valley wide healthcare services on behalf of Falkirk Integration Joint Board (i.e. hosted/coordinated services) and to finalise set aside arrangements.

4.0 Implementation of Directions

4.1 Clackmannanshire Council, Stirling Council and Forth Valley NHS Board are responsible for complying with and implementing the Directions. The Chief Executives of the three organisations are expected to formally acknowledge receipt of all Directions issued by the IJB.

4.2 The Directions are legally binding and as such partners may not amend, disregard, appeal or veto any Direction. Similarly, neither partner may use the resources allocated via the IJB for any other purpose than that intended in the Directions.

4.3 The IJB may seek information from both Clackmannanshire Council, Stirling Council and Forth Valley NHS Board for performance monitoring and reporting purposes (see section below). The required performance measures and outcomes will be articulated in the Direction.

4.4 Should either partner experience difficulty in implementing the Directions, this should be discussed with the Chief Officer initially. The Chief Officer will seek to resolve the matter on an informal basis in the first instance, in conjunction with the IJB Chair and Vice Chair and considering professional advice as appropriate.

4.5 In the unlikely event that formal dispute resolution is required, the dispute resolution mechanism outlined in section 14 of the Integration Scheme will apply.

5.0 Monitoring and review of Directions

5.1 The Directions may be subject to Audit.

5.2 As part of the IJB's performance management framework, the Finance and Performance Committee will oversee progress in implementing the Directions (by conducting regular reviews of the Directions log, requesting progress reports from partners and escalating issues to the IJB as appropriate). In addition, the Finance and Performance Committee will provide an annual assurance report to the IJB.

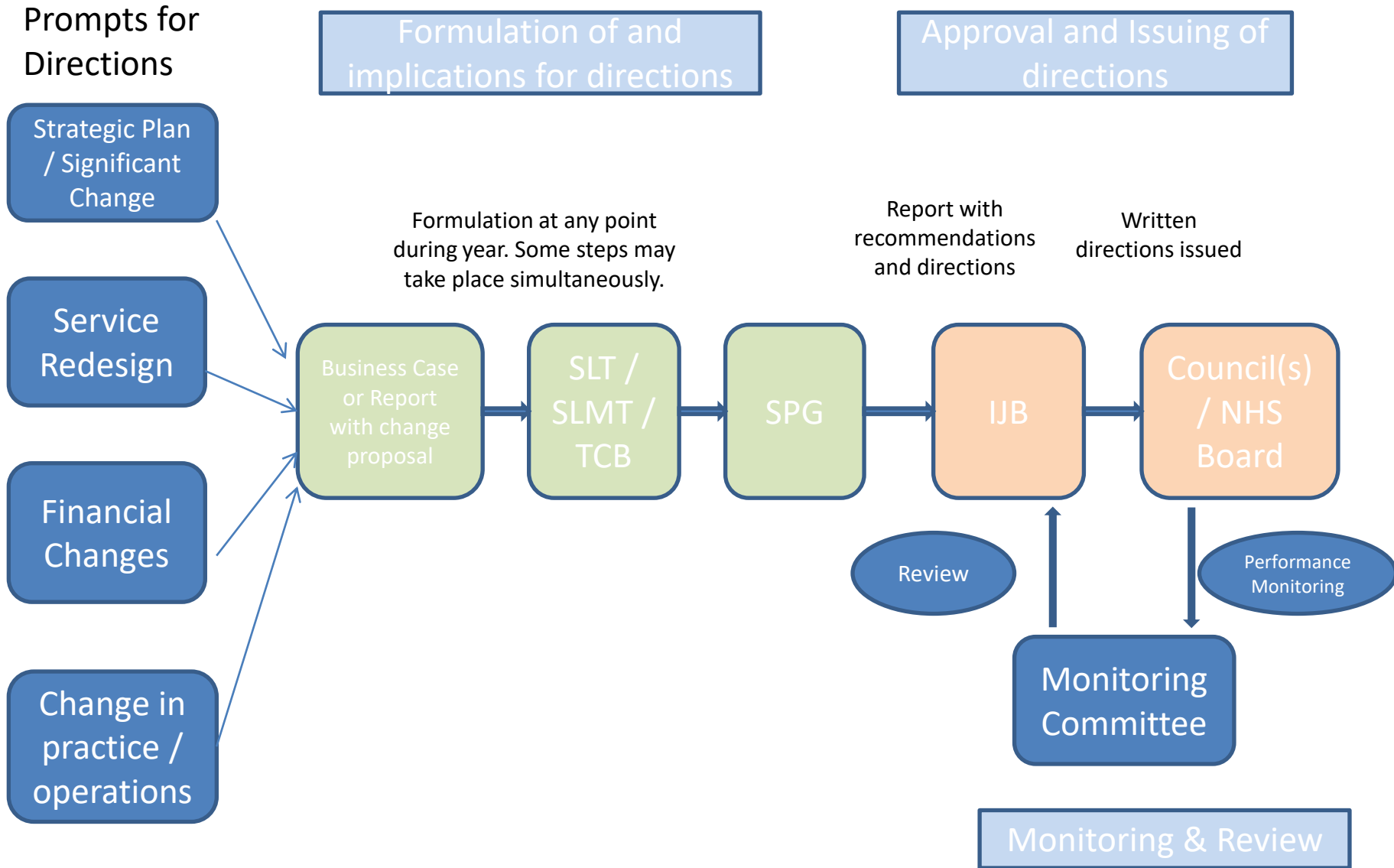
5.3 The Directions policy will be reviewed every two years. It is also possible the policy may require review when a revised Integration Scheme is approved.

APPENDIX 2 - DIRECTIONS TEMPLATE TO ACCOMPANY CSIJB REPORTS

DIRECTION FROM CLACKMANNANSHIRE & STIRLING INTEGRATION JOINT BOARD

Reference Number	Use year date sequential number Eg CSIJB- 2021_22/001
Does this direction supersede, vary or revoke an existing direction?	Yes / No (delete as appropriate)
If yes please provide reference number of existing direction	If yes, provide reference here.
Approval Date	Date of IJB where approved
Services / functions covered	List all services / integration functions subject to the direction
Full text of Direction	Describe the required action including the purpose/ strategic intent and how progress and outcomes will be monitored.
List of key stakeholders impacted and any specific engagement and consultation requirements	Include reference to when Strategic Planning Group consulted
Timescale(s) for Delivery	Include detail of when decision will be implemented if approved
Direction to	Clackmannanshire Council Stirling Council NHS Forth Valley
Link to relevant IJB report(s)	Insert Hyperlink
Budget / finances allocated	State the financial resources to enable implementation of the direction providing sufficient detail
Performance Measures	Please list performance measures specific to the project or programme or refer to the section of the business case which contains this information
Date direction will be reviewed	Provide month/year. No more than 1 year from date of approval

Appendix 3 – Visual process for directions



Key: IJB (Integration Joint Board) SLT/SLMT (Senior Leadership Team/Senior Leadership Management Team) SPG (Strategic Planning Group)
TCB Transforming Care Board

Clackmannanshire & Stirling Integration Joint Board Audit and Risk Committee

21 February 2024

Agenda Item 7

Review of Reserves Strategy & Policy

For Recommendation

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

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

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

- 1.1. Reserves policy and strategies form part of sound financial management arrangements for the IJB.
- 1.2. The IJB agreed a revised reserves policy as part of its 2022/23 Revenue Budget with a minimum general or contingency reserves level of 1% of budgeted expenditure and a prudential target for reserves of 2.5% of budgeted expenditure.
- 1.3. The rationale for minimum general or contingency reserves level was, as IJBs are a joint venture between councils and NHS Boards, it was deemed appropriate that the IJBs reserves policy sat somewhere between minimum general reserves held by councils (often 2%) and NHS Boards (0% as current financial frameworks do not permit).
- 1.4. The appended draft reserves strategy embeds the reserves policy within an updated reserves strategy forming an element of ongoing work to continually review and strengthen the IJBs Governance Frameworks.

2. Considerations

- 2.1. The appended draft reserves strategy is based upon Chartered Institute of Public Finance and Accountancy (CIPFA) issued guidance to local authorities and similar bodies in the form of the Local Authority Accounting Panel (LAAP) Bulletin 55 'Guidance Note on Local Authority Reserves and Balances'.

- 2.2. In developing the reserves strategy, the IJB Chief Finance Officer has also taken account of emergent practice across IJBs in Scotland with regards to reserves.
- 2.3. The draft reserves policy is substantively the same as the extant strategy approved as part of the 2023/24 Revenue Budget. Only minor grammatical changes have been made along with the inclusion of a defined maximum reserves level of 4%.

The key elements of reserves policy are:

A prudential reserves target of 2.5% of budgeted expenditure for the integrated budget: and

A minimum general or contingency reserves level of 1%

Maximum reserves level of 4%

Based on an estimated total revenue budget in the region of £260m this would represent £6.5m, £2.6m and £10.4m respectively.

- 2.4. Reserves levels held by the IJB have been in excess of 4% in the last 2 years predominantly as a result of covid funding held in an earmarked reserve.
- 2.5. As the financial risk profile of the IJB (and the public sector as a whole) is increasing there is no current justification for a reserves policy which would require holding less reserves and there is would appear to be little short term ability to increase the levels of reserves being held.
- 2.6. Indeed, given the level of current financial challenge it is significantly more likely that the provisions set out in section 16 of the policy will be the case, specifically *'Where it is assumed that the financial environment at the time of setting the budget does not support a prudent level of reserves to be held, this should be reported to the IJB together with an aspirational reserves position.'*
- 2.7. Should the above be the case the IJBs Medium Term Financial Plan should consider how the aspirational reserves position could be achieved over time.
- 2.8. The reserves policy and strategy will be next reviewed by March 2025 linked to setting of the 2025/26 Revenue Budget.

3. Conclusions

- 3.1. Audit and Risk members are invited to consider the appended draft reserves strategy and approve its recommendation to the Integration Joint Board.
- 3.2. Subject to this recommendation it will be presented to the Integration Joint Board for approval within the 2024/25 Revenue Budget.

4. **Appendices**

Appendix 1 –Reserves Strategy & Policy

CLACKMANNANSHIRE AND STIRLING INTEGRATION JOINT BOARD RESERVES STRATEGY & POLICY

BACKGROUND

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

The purpose of a Reserves Strategy is to:

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

STATUTORY / REGULATORY FRAMEWORK FOR RESERVES

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

Usable Reserves:

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

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

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

5. For each reserve there should be a protocol setting out:
 - The reason for / purpose of the reserve;
 - How and when the reserve can be used;
 - Procedures for the reserves management and control; and
 - The review timescale to ensure continuing relevance and adequacy.
6. Updated Financial Regulations for Clackmannanshire and Stirling IJB were formally approved by the IJB on 27 September 2023. A review and update of the Financial Regulations will be undertaken periodically.

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

OPERATION OF RESERVES

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

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

ROLE OF THE IJB CHIEF FINANCE OFFICER

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

LEVEL OF BALANCES HELD

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

On this basis a minimum contingency or general reserves level of 1% of budgeted expenditure was agreed as part of the IJBs 2023/24 Revenue Budget. This will continue to require to be reviewed annually as an integral element of budget setting.

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

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

16. In recognition of the scale of the IJB's responsibilities, it is proposed to retain a prudent level of general reserves. The value of general reserves will be reviewed annually as part of the annual revenue budget approval process and development, review and approval of the Strategic Commissioning Plan, taking account of the financial environment at that time. Where it is assumed that the financial environment at the time of setting the budget does not support a prudent level of reserves to be held, this should be reported to the IJB together with an aspirational reserves position. The value of other earmarked funds will be established as part of the annual financial accounting process.
17. While there is no defined level of reserves to be held, a number of organisations, including several IJBs have set a target level of 2%-4% of annual budgeted expenditure for the integrated budget. The IJB should therefore continue to aspire to hold 2.5% of annual

budgeted expenditure for the integrated budget as general fund balances (total contingency and earmarked reserves).

In terms of maximum reserves, it is not envisaged the IJB would hold total general fund balances in excess of 4% of budgeted expenditure for the integrated budget at any point other than in exceptional circumstances such as an unforeseen windfall or significant unanticipated allocation from Scottish Government late in a financial year.

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

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

REVIEW OF BALANCES

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

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

FINANCIAL MANAGEMENT AND FINANCIAL REPORTING ARRANGEMENTS

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

REVIEW OF RESERVES STRATEGY

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

Date of Review: 21 February 2024

Date of Next Review: By March 2025

Clackmannanshire & Stirling Integration Joint Board Audit and Risk Committee

21 February 2024

Agenda Item 8

Progress Update on Annual Audit Report
Recommendations

For Noting and Assurance

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

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

Purpose of Report:	To present the Audit and Risk Committee with a progress update on the recommendations contained within the 2022/23 Annual Audit Report
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Recommendations:	<p>The Audit and Risk Committee is asked to:</p> <p>1) Note and draw assurance from the progress update on the recommendations contained within the 2022/23 Annual Audit Report</p>
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1. Background

- 1.1. The 2022/23 Audited Annual Accounts and Annual Audit Report (AAR) were presented to the IJB in September 2023.
- 1.2. The AAR contained 3 new recommendations and a number of outstanding recommendations from the previous AAR.

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

- 2.1. The progress report on AAR recommendations is appended to this report at Appendix 1.
- 2.2. The progress report illustrates where progress is complete or in progress along with an explanatory narrative.
- 2.3. A further update on progress will be brought to the June Audit Committee along with the draft annual accounts.

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

- 3.1. The Chief Finance Officer and Partnership Management Accountant have been engaging with the External Audit team on audit planning and timescales and the Annual Audit Plan is also presented to this committee for consideration and approval.
- 3.2. Committee members are reminded that compliance with the Annual Audit Plan is dependent on the constituent authorities meeting key timelines for provision

of draft and final year end positions and assurance statements from Chief Financial Officers.

4. **Appendices**

Appendix 1 –AAR Recommendations Progress Report

Appendix 1 - Progress on Recommendations from Annual Audit Report (AAR)

2022/2023 Annual External Audit Report

Note: Recommendations 1-3 were new recommendations and 4-10 follow up from 2021/22 Recommendations. Deloitte assigned priority levels to new recommendations.

Recommendation	Management Response	Update on Progress	Priority / Responsible Officer	Target Date	Revised Date
<p>1. Lack of preparation for the IJB audit We would recommend that in the future, there is better communication between the constituent authorities and the IJB and that there is an agreed timetable in place with the IJB and the constituent authorities to collate information for the start of the audit</p>	<p>It is acknowledged that, as most year-end timetables moved back to pre-Covid / regulation timeframes for 2022/23 some elements of planning could be further improved including across the IJBs arrangements which impact the group accounts of constituent authorities.</p> <p>Via the Finance Working Group (IJB CFO and Chief Officer, Local Authority CFOs) a consolidated timetable will be discussed with key dates.</p> <p>The Finance Working Group will also review issuing arising from 2022/23 audits to agree learning points and consider improvements</p>	<p>In progress All 22/23 audits have not yet been concluded however interim discussion on learning point was held with Finance Working Group.</p> <p>IJB CFO also completed survey issued by Audit Scotland.</p> <p>23/24 year end timetable drafted and will be discussed at Finance Working Group prior to year-end.</p>	<p>Medium / Chief Finance Officer</p>	<p>December 2023</p>	<p>March 2024</p>

	once all 2022/23 audits are complete.				
<p>2. Financial Reporting</p> <p>The reporting format could be further enhanced by incorporating the following:</p> <ul style="list-style-type: none"> • Including a clear reconciliation from the original approved budget to the revised budget updated during the year. • A RAG rating against the savings plan to show the likelihood of savings being achieved, and where there are risks of non-achievement, setting out the implications (for both current and future years). • Clearer analysis on the progress with the approved use of reserves and projected position on earmarked balances. 	<p>Work is ongoing on producing a revised style and content of integrated financial reporting for IJB and IJB Finance and Performance Committee.</p> <p>The issues highlighted are all areas where further development of the reporting format is planned once the committee and IJB have had opportunity to provide initial feedback on revised reporting style and format.</p>	<p>Mostly complete. Reconciliation from initial budget will be incorporated in financial reports to February Finance and Performance Committee and March IJB.</p>	<p>Low / Chief Finance Officer</p>	<p>December 2023</p>	<p>February 2024 (most actions were completed within target date)</p>
<p>3. Transformation</p> <p>Tools should be developed to</p>	<p>The IJB approved the commissioning of some external support to review</p>	<p>In progress The transformation and sustainability programme is being reframed from 2024/25 onwards. A</p>	<p>Medium / Chef Officer, Heads of Service, Chief Finance Officer</p>	<p>January 2024</p>	<p>May 2024</p>

<p>consistently track the benefits achieved (both financial and outcomes) from the transformational change to demonstrate that it is achieving the desired outcomes.</p>	<p>and help enhance our arrangements including measurement and reporting of benefits realisation.</p> <p>It is intended to bring forward an initial review and recommendations from this work after the initial phase</p>	<p>number of workshops have been held on this and a reduced number of key themes/projects identified which will form basis for 2024/25 revenue budget proposals. IJB, Finance and Performance Committee and Budget Working Group have been kept informed of developments.</p> <p>Work is ongoing to agree reporting and monitoring arrangements which will be monthly from May 2024.</p>			
<p>4. Content of Finance Reports IJB regular financial reports should be updated to detail total expenditure against budget.</p>	<p>The Annual Internal Audit report contained a recommendation to survey IJB members on desired style and format of financial reporting. This management action in response to this recommendation is being taken forward before introducing substantive changes to the IJB Finance Report.</p> <p>This notwithstanding we agree that the recommendation made here is reflective of good practice and will be actioned.</p>	<p>Complete</p>	<p>Chief Finance Officer</p>	<p>August 2023</p>	

<p>5. Delegation of Services The Board should work with partners to prioritise delegation of all planned services to the IJB.</p>		<p>Complete (as reflected in Annual Audit Report)</p>	<p>Chief Officer</p>		
<p>6. Performance Reporting targets Performance reporting could be improved through the addition of clear performance targets to allow assessment of how the IJB is performing relative to expectation</p>	<p>The new Strategic Commissioning Plan, under development, will support a refreshed performance reporting style including service focused performance targets, management information as well as benchmarking across services and more widely; this has been in place over the past year to better manage performance across discharge planning and community capacity including care at home, care homes and community hospitals. Some recording systems are being replaced to ensure better quality reporting based in better recording. Post-pandemic, the learning from streamlined recording and reporting is being utilised to improve whole systems</p>	<p>In progress. The initial management responses referred to replacement of information systems which is unlikely to occur in the short term. Therefore, progress will continue to be limited by the constraints of current information systems and capacity. An integrated performance framework is being developed to align to all of the delegated functions of the IJB.</p>	<p>Head of Strategic Planning and Health Improvement</p>	<p>June 2024</p>	<p>June 2024 with some elements being ongoing due to constraints/ system limitations.</p>

	performance management and comparative analysis				
<p>7. Management Commentary The IJB should review and update the structure and content, including clearer performance and financial information and better highlight the organisational achievements for the year under review. 2021/22 Update: The structure and content is significantly impacted since this recommendation was originally raised. However, management should continue to improve their process for production of the Management Commentary, in particular the timely inclusion of performance data</p>	<p>The style and content of the management commentary will continue to be developed to improve understanding, clarity and triangulation of financial and performance information and alignment to strategic priorities. This in turn assists in demonstrating best value. Earlier availability of the performance information which will be incorporated within the Annual Performance Report will continue to be pursued however this is dependent on both local and national availability of data. This is aimed to be achieved through aligning annual accounts and annual performance report timetable</p>	<p>In progress The format and style of the management commentary will continue to be refined and improved where possible. However, incorporation of performance information within the draft accounts is unlikely due to timing of national information and lack of alignment between accounts and Annual Performance Report timescales. An updated management commentary incorporating an overview of performance will therefore continue to be incorporated within final accounts post approval and publication of the Annual Performance Report.</p>	Chief Finance Officer	June 2024	June & September 2024 (for draft and final accounts)
<p>9. Financial Sustainability The IJB should update the MTFP to reflect the</p>	<p>Work to review and update the MTFP is underway and is being aligned to • The Scottish Government</p>	<p>In progress An assessment of medium-term financial gap was completed as part</p>	Chief Finance Officer	November 2023	March 2024

<p>impacts of Covid-19 at the earliest appropriate opportunity</p>	<p>Resource Spending Review published in May 2022 • The 2023/24 Scottish Draft Budget being published on 15 December 2022 • The 2023/2033 IJB Strategic Commissioning Plan to be approved and published in March 2023 The MTFP will take cognisance of both direct and indirect impacts of Covid including the higher levels of service demand and complexity/acuity of care.</p>	<p>of the 2023/24 Revenue Budget and this will be refreshed and updated as part of the 2024/25 Revenue Budget. It remains difficult to accurately predict cost and resource levels due to uncertainty with regard to Scottish Government policy and ongoing single year settlements from both UK and Scottish Governments.</p>			
<p>10. Update of governance documents As part of the review of the governance framework the IJB and its constituent authorities should look to update the supporting documents including the integration scheme, scheme of delegation and counter fraud policy.</p>	<p>Revised Scheme of Delegation was completed and approved by IJB in March 2023. Review of Financial Regulations and further consideration of counter fraud policy and/or requirement for more overt assurance on counter fraud arrangements from the constituent authorities. Additionally, in relation the Integration Scheme, the IJB will continue to work with constituent authorities to identify if there is a requirement to prepare a revised integration scheme.</p>	<p>In progress The Integration Scheme is the legal partnership agreement of the constituent authorities not the IJB. Work is underway on this and it is understood it is currently envisaged that this will conclude by October 2024. There is likely to be a requirement to review and update the scheme of delegation thereafter. Other governance documents are subject to periodic review and update with the financial regulations having been updated and approved in September 2023 and a review of the directions policy in progress. Work is ongoing in developing a local code of corporate governance for the IJB which will seek to improve</p>	<p>Chief Finance Officer / Chief Officer</p>	<p>March 2024</p>	<p>October 2024 (Integration Scheme) / March 2024 (Directions Policy) / June 2024 (Local Code of Corporate Governance)</p>

		and clarify the relationship between governance arrangements within the constituent authorities to the accountabilities and governance arrangements of the IJB. This will cover issues such as counter fraud and whistleblowing and will be presented to the Audit and Risk Committee in June 2024.			
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Clackmannanshire & Stirling Integration Joint Board Audit and Risk Committee

21 February 2024

Agenda Item 9

Annual Audit Plan 2023/24

For Approval

Paper Approved for Submission by:	Ewan Murray, Chief Finance Officer
Paper presented by	Fadhil Muhammad, Deloitte LLP
Author	Cover Paper Ewan Murray, CFO Draft Annual Audit Plan - Deloitte LLP
Exempt Report	No

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

Purpose of Report:	To present the 2023/24 Annual Audit Plan to the Audit and Risk Committee for consideration and approval
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Recommendations:	The Audit and Risk Committee are asked to consider, discuss and approve the Annual Audit Plan
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1. Background

- 1.1 As previously advised Deloitte LLP have been appointed as the IJB External Auditors from 2022/23.
- 1.2 The IJB Chief Finance Officer and the audit team from Deloitte have engaged in audit planning work to support the development of the audit plan.
- 1.3 It is good practice that the annual audit plan is considered by the Board or a committee charged with governance prior to the end of the financial year which the plan pertains to.
- 1.4 The Chief Finance Officer has had the opportunity to review and provide comment on the draft Annual Audit Plan prior to issue to the Audit and Risk Committee.
- 1.5 Deloitte will also issue the draft plan to Audit Scotland prior to 31 March 2024 in line with requirements.

Appendices

Appendix 1 – Draft Annual Audit Plan for Clackmannanshire and Stirling Integration Joint Board 2023/24.



Clackmannanshire & Stirling Integration Joint Board

Planning report to the IJB Audit and Risk Committee on the 2023/24 audit,
– Issued on 14 February 2024 for the meeting on 21 February 2024

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1.1 Introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our planning report to the Audit and Risk Committee (“the Committee”) of Clackmannanshire and Stirling Integration Joint Board (“the IJB”) for the 2023/24 audit. I would like to draw your attention to the key messages of this paper:

Audit plan

We have gained an understanding of the IJB through discussion with management and review of relevant documentation from across the IJB.

Based on these procedures, we have developed this plan in collaboration with the IJB to ensure that we provide an effective audit service that meets your expectations and focuses on the most significant areas of importance and risk to the IJB.

Key risks

We have taken an initial view as to the significant audit risks the IJB faces. These are presented as a summary dashboard on page [14](#).

Wider scope requirements

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider-scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks.

In carrying out our risk assessment, we have considered the arrangements in place for each area, building on any findings and conclusions from the previous auditor, planning guidance from Audit Scotland and developments within the organisation during the year. Our wider scope significant risks are presented on pages [16](#) to [19](#). As part of this work, we will consider the arrangements in place to secure Best Value (BV).

1.2 Introduction (continued)

The key messages in this report (continued)

Our commitment to quality

We are committed to providing the highest quality audit, with input from our market leading specialists, sophisticated data analytics and our wealth of experience.

Added value

Our aim is to add value to the IJB through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the IJB promote improved standards of governance, better management and decision making and more effective use of resources.

We have also shared our recent research, informed perspectives and best practice from our work across the wider public sector on pages [20](#) to [23](#) of this plan.

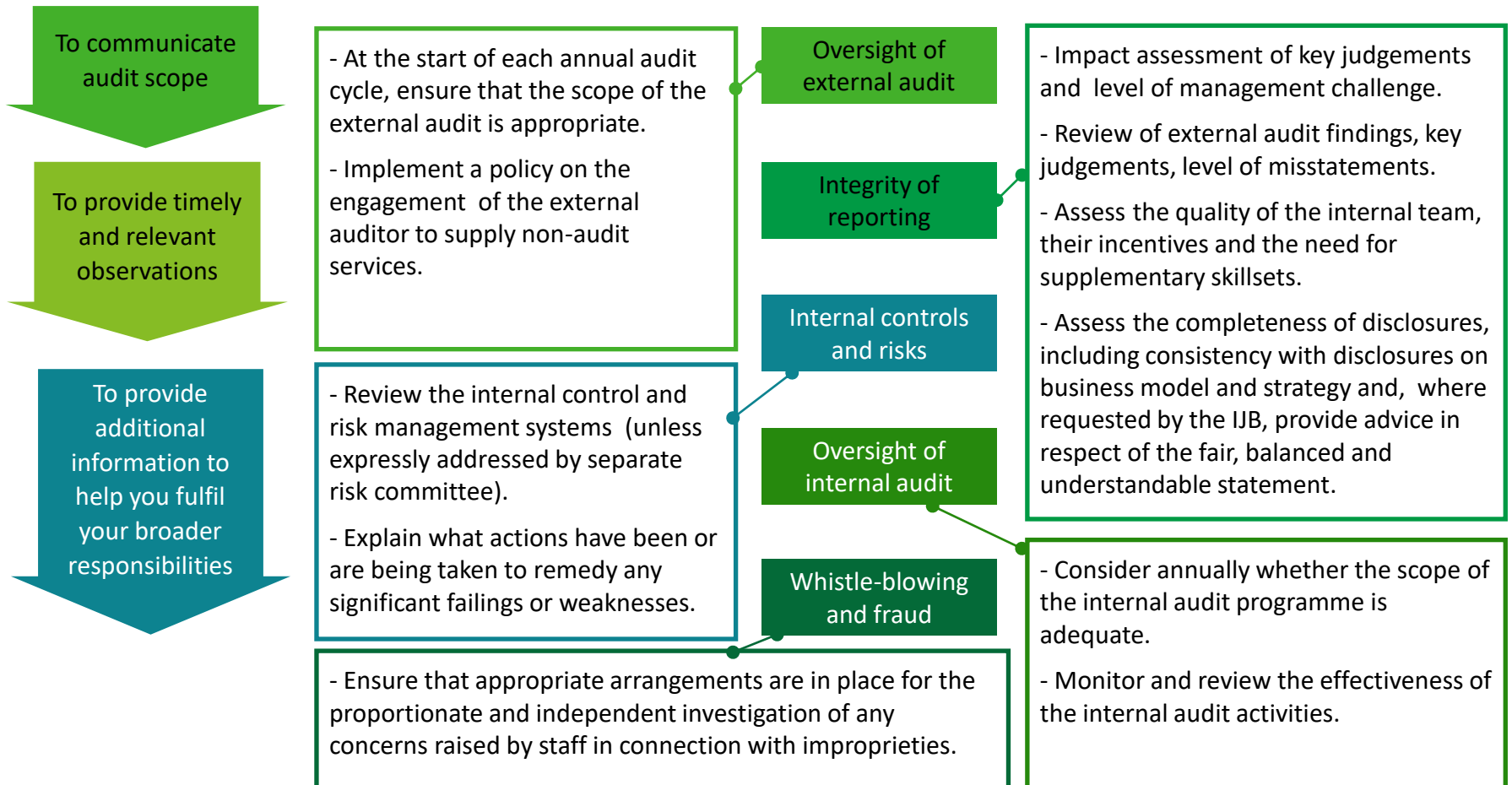
Pat Kenny
Associate Partner

2 Responsibilities of the Audit and Risk Committee

Helping you fulfil your responsibilities

Why do we interact with the Audit and Risk Committee?

As a result of regulatory change in recent years, the role of the Audit and Risk Committee has significantly expanded. We set out here a summary of the core areas of Audit and Risk Committee responsibility to provide a reference in respect of these broader responsibilities and highlight throughout the document where there is key information which helps the Audit and Risk Committee in fulfilling its remit.



3 Our audit explained

What we consider when we plan the audit

Responsibilities of management

We expect management and those charged with governance to recognise the importance of a strong control environment and take proactive steps to deal with deficiencies identified on a timely basis.

Auditing standards require us to only accept or continue with an audit engagement when the preconditions for an audit are present. These preconditions include obtaining the agreement of management and those charged with governance that they acknowledge and understand their responsibilities for, amongst other things, internal control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

FRC guidance on good practice

The FRC, in its Review of Governance Reporting, issued November 2021, has identified good practice as including a detailed description of the process for reviewing the effectiveness of risk management and internal control systems and clarity on what should be reported from the outcome of the review. This would include whether any weaknesses or inefficiencies were identified and explanations of what actions the IJB has taken, or will take, to remedy these.

Responsibilities of the Audit and Risk Committee

As explained further in the Responsibilities of the Audit and Risk Committee slide on page [5](#), the Audit and Risk Committee is responsible for:

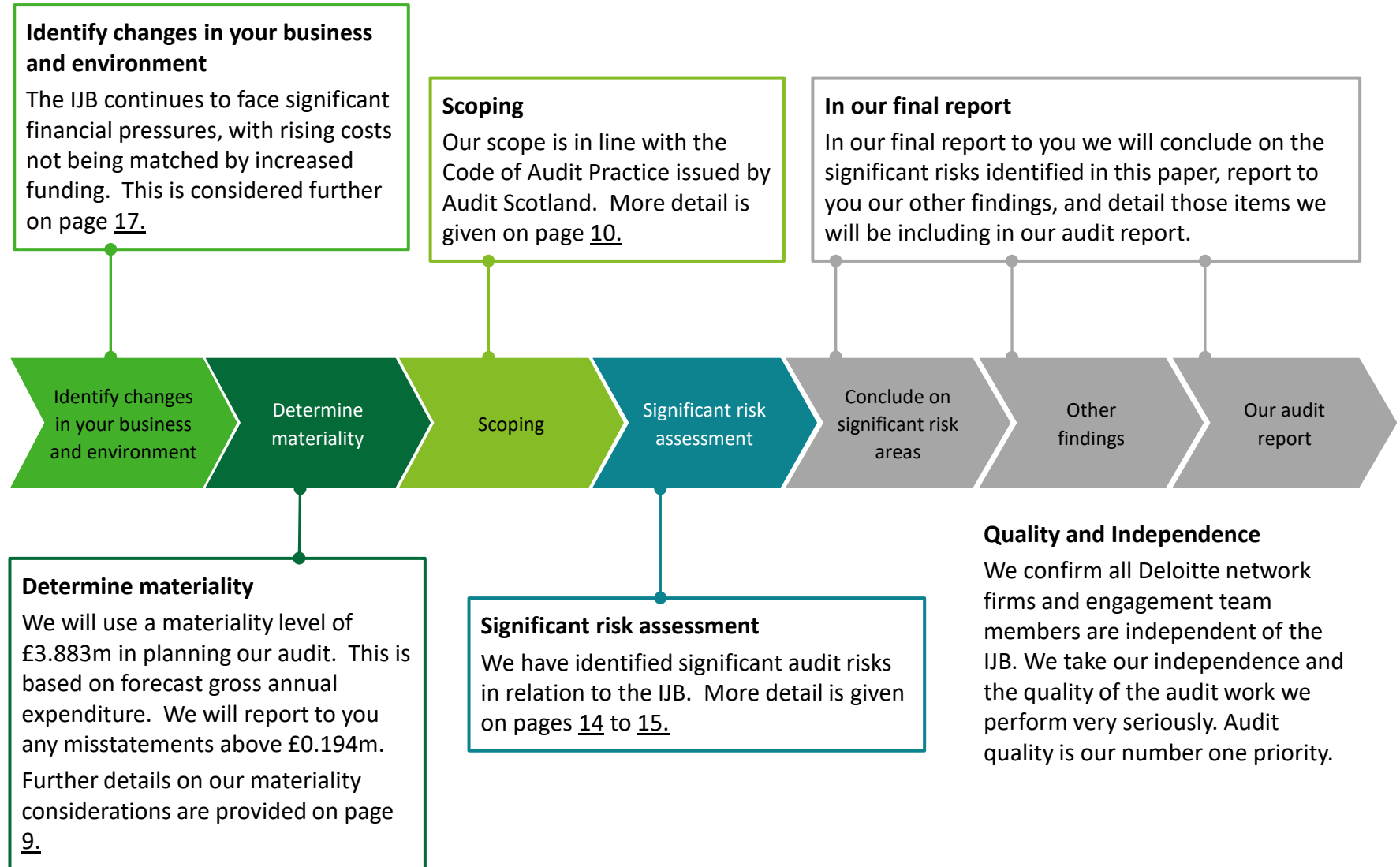
- Reviewing internal financial controls and internal control and risk management systems (unless expressly addressed by a separate risk committee or by the IJB itself).
- Monitoring and reviewing the effectiveness of the internal audit function; where there isn't one, explaining the absence, how internal assurance is achieved, and how this affects the work of external audit.
- Reporting in the annual report on the annual review of the effectiveness of risk management and internal control systems.
- Explaining what actions have been or are being taken to remedy any significant failings or weaknesses.

Our response

As stakeholders tell us they wish to understand how external audit challenges and responds to the quality of an entity's control environment, we are seeking to enhance how we plan and report on the results of the audit in response. We will be placing increased focus on how the control environment impacts the audit, from our initial risk assessment, to our testing approach and how we report on misstatements and control deficiencies.

4 An audit tailored to you

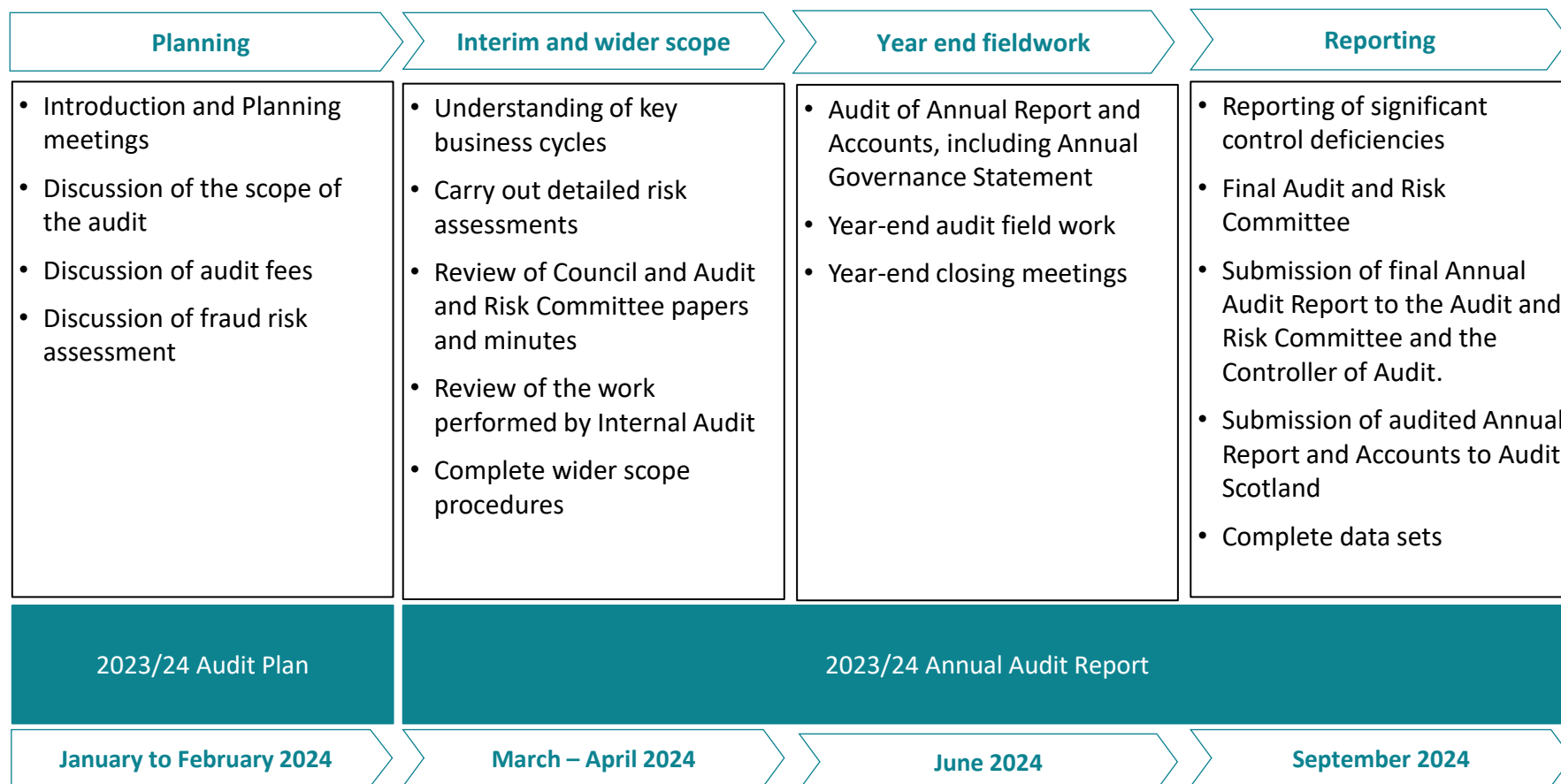
Overview of our audit plan



5 Continuous communication and reporting

Planned timing of the audit

As the audit plan is executed throughout the year, the results will be analysed continuously, and conclusions (preliminary and otherwise) will be drawn. The following sets out the expected timing of our reporting to and communication with you.



Ongoing communication and feedback

6 Materiality

Our approach to materiality

Basis of our materiality benchmark

- The audit partner has determined materiality as £3.883m (2023: £3.661m) and performance materiality of £2.912m (2023: £ 2.562m), based on professional judgement, the requirement of auditing standards and the financial measures most relevant to users of the Annual Report and Accounts.
- We have used 1.4% of forecast gross annual expenditure as the benchmark for determining materiality and applied 75% as performance materiality. We have judged expenditure to be the most relevant measure for the users of the accounts.

Reporting to those charged with governance

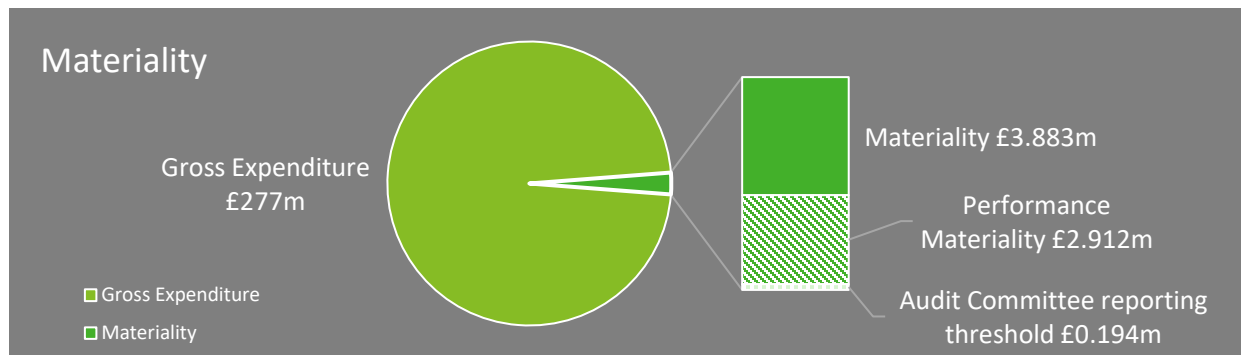
- We will report to you all misstatements found in excess of £0.194m.
- We will report to you misstatements below this threshold if we consider them to be material by nature.

Our approach to determining the materiality benchmark is consistent with Audit Scotland guidance, which states that the threshold for clearly trivial above which we should accumulate misstatements for reporting and correction to the Audit and Risk Committee must not exceed £0.194m.

Our Annual Audit Report

We will:

- Provide comparative data and explain any changes compared to prior year
- Explain any normalised or adjusted benchmarks we use
- Explain the concept of performance materiality and state what percentage of materiality we used for the audit, with our rationale.



Although materiality is the judgement of the audit partner, the Audit and Risk Committee must satisfy themselves that the level of materiality chosen is appropriate for the scope of the audit.

7.1 Scope of work and approach

Our key areas of responsibility under the Code of Audit Practice

Auditors activity	Planned output	Proposed reporting timeline to the Committee	Audit Scotland/ statutory deadline
Audit of Annual Report and Accounts	Annual Audit Plan Independent Auditor’s Report Annual Audit Report	21 February 2024 18 September 2024 18 September 2024	31 March 2024 30 September 2024 30 September 2024
Wider-scope areas	Annual Audit Plan Annual Audit Report	21 February 2024 18 September 2024	31 March 2024 30 September 2024
Consider and report on Best Value arrangements	Annual Audit Plan Annual Audit Report	21 February 2024 18 September 2024	31 March 2024 30 September 2024

7.2 Scope of work and approach

Our approach

Liaison with internal audit and local counter fraud

The Auditing Standards Board's version of ISA (UK) 610 "Using the work of internal auditors" prohibits use of internal audit to provide "direct assistance" to the audit. Our approach to the use of the work of Internal Audit has been designed to be compatible with these requirements.

We will review their reports and meet with them to discuss their work where necessary. We will discuss the work plan for internal audit, and where they have identified specific material deficiencies in the control environment we consider adjusting our testing so that the audit risk is covered by our work.

Using these discussions to inform our risk assessment, we can work together with internal audit to develop an approach that avoids inefficiencies and overlaps, therefore avoiding any unnecessary duplication of audit requirements on the IJB's staff.

Approach to controls testing

Our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D&I").

The results of our work in obtaining an understanding of controls and any subsequent testing of the operational effectiveness of controls will be collated and the impact on the extent of substantive audit testing required will be considered.

Promoting high quality reporting to stakeholders

We view the audit role as going beyond reactively checking compliance with requirements: we seek to provide advice on evolving good practice to promote high quality reporting.

We use and continually update International Financial Reporting Standards ("IFRS") disclosure checklists in conjunction with the requirements of the Code to support the IJB in preparing high quality drafts of the Annual Report and Accounts, which we would recommend the IJB complete during drafting.

Other reporting prescribed by the Accounts Commission

In addition to the opinion on the Annual Report and Accounts, we are also required to provide an opinion on the following:

- Whether the audited part of the Remuneration Report has been properly prepared; and
- Whether the Management Commentary and Annual Governance Statement are consistent with the financial statements and have been properly prepared.

8.1 Your control environment

High-level impact on our approach



Pre-planning knowledge

In the prior year we concluded that there were no deficiencies relating to the design and implementation (D&I) of controls subject to testing. The walkthroughs that we conducted in the prior year included review and approval of journal entries and monthly financial monitoring. We have not identified any significant changes within the organisation which would impact on the control environment in 2023/24.

Impact on our audit approach

Performance materiality: We set performance materiality as a percentage of materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed materiality. We determine performance materiality with reference to factors such as the quality of the control environment and the historical error rate. As a result of positive findings during our previous audit in both substantive and controls testing, we have set performance materiality at a higher level, and this will decrease the extent of our substantive testing. Further detail is provided on page [9](#).

Reliance on controls: We do not take a controls reliance approach to our audit.

IT environment

A quality IT environment underpins a good control environment, particularly as IT controls are configurable and often preventative in nature. In the prior year our IT specialists concluded that the IJB's IT environment applicable to financial processes is simple in nature and none of our significant audit risk areas are impacted by IT systems. We will therefore not perform IT testing as part of our audit.

8.2 Your control environment (continued)





Design and Implementation of controls testing




The following have been identified as the key controls within CS IJB which will be subject to D&I testing. We will assess the effectiveness of the design of controls and evaluate whether controls have been implemented as expected. Our testing will combine enquiry of key finance team staff and walkthroughs to demonstrate the controls taking place.

Control	Risk Addressed	Expected Timing of Testing
1. Approval of journal entries	Management override of controls	Finals
2. Monthly monitoring of financial performance	Management override of controls; Operating within expenditure resource limits	Finals

9.1 Significant risks

Significant risk dashboard

Risk	Fraud risk	Planned approach to controls	Level of management judgement	Management paper expected	Page no.
Risk 1 – Management override of controls					15

- Level of management judgement**
-  Limited management judgement
 -  A degree of management judgement
 -  Significant management judgement

- Controls approach adopted**
-  Assess design & implementation

9.2 Significant risks

Risk 1 – Management override of controls

Risk identified

In accordance with ISA (UK) 240 management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the Annual Report and Accounts as well as the potential to override the IJB's controls for specific transactions.

Due to the nature of the IJB accounts, with all expenditure transactions being processed through the respective partner bodies ledger, there are no key judgements or accounting estimates specifically identified in the IJB's Annual Accounts.

Under Auditing Standards there is also a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. We have concluded that this is not a significant risk for the IJB as there is little incentive to manipulate revenue recognition with all revenue being from the three contributing partner bodies which can be agreed to confirmations supplied.

Our response

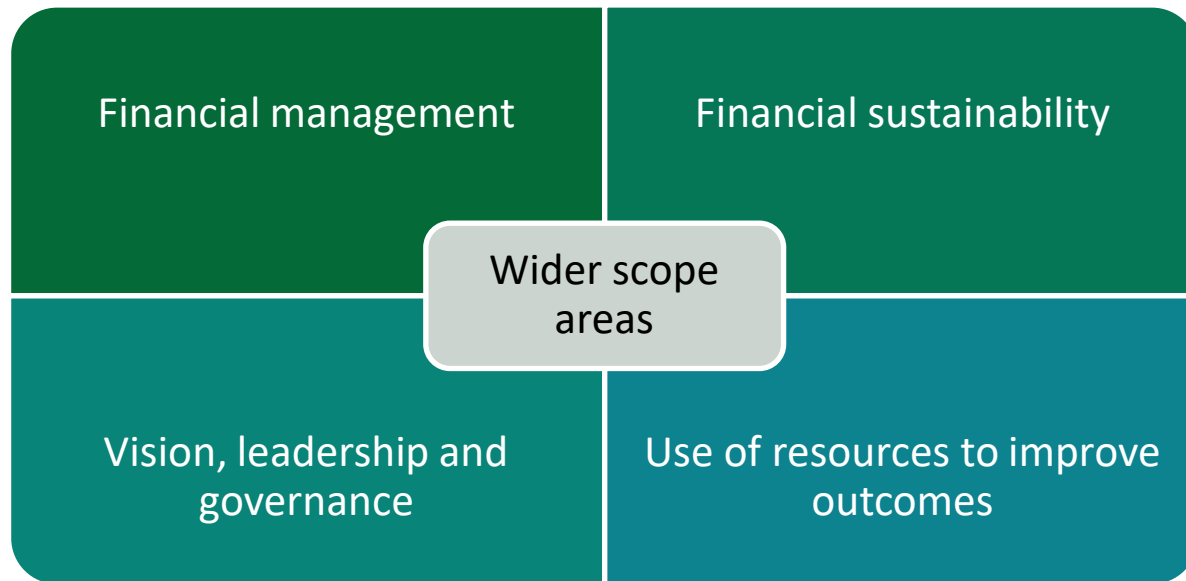
In considering the risk of management override, we plan to perform the following audit procedures that directly address this risk:

- We will consider the overall control environment and 'tone at the top';
 - We will test the design and implementation of controls relating to journals and accounting estimates;
 - We will make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.
 - We will test the appropriateness of journals and adjustments made in the preparation of the Annual Report and Accounts . We will use Spotlight data analytics tools to select journals for testing, based upon identification of items of potential audit interest.
 - We will obtain an understanding of the business rationale of significant transactions that we become aware of that are outside of the normal course of business for the entity, or that otherwise appear to be unusual, given our understanding of the entity and its environment.
-

10.1 Wider scope requirements

Overview

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider-scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks in the following areas.



In local government, public audit includes the audit of arrangements for, and performance of, the audited body’s duties for Best Value and community planning. In accordance with Audit Scotland planning guidance, we are required to undertake this duty in a way that is proportionate to the size and type of body. Our work on the wider-scope areas, discussed on [17](#) to [19](#) will contribute to our consideration of how the IJB demonstrates that it is meeting its Best Value responsibilities.

As part of our risk assessment, we have considered the arrangements in place for the wider-scope areas and have summarised the significant risks and our planned response on the following pages.

10.2 Wider scope requirements (continued)

Significant risks

Area	Significant risks identified	Planned audit response
Financial management	<p>From our planning work, we have, however, not identified any significant risks in relation to financial management.</p> <p>In our prior year audit, we concluded that the IJB continues to have effective budget setting and monitoring arrangements in place.</p>	<p>We will continue to review the financial management arrangements in place, including the implementation of our suggested improvements from our prior year audit of enhancing financial reporting by providing a clearer track of changes in budgets and more detail on savings plans and use of resources.</p>
Financial sustainability	<p>There remains a potential risk that robust medium to long term planning arrangements are not in place to ensure that the IJB can manage its finances sustainably and deliver services effectively.</p> <p>This is based on a number of factors:</p> <ul style="list-style-type: none"> • Pressures on expenditure including public sector pay costs, inflationary pressures not being met by increased income and demand levels in excess of predicted levels, resulting in a budget gap in 2023/24 of £2.505m on the Integrated Budget and £2.477m on the Set Aside budget for Large Hospital Services before agreeing savings options. • The 2023/24 budget is projecting an overspend of £4.982m. The 2023/24 overspend on the Set Aside budget for Large Hospital Services will be bridged by NHS Forth Valley (IJB Funding body) and overspend on the Integrated Budget will be met from IJB Reserves in line with the provisions of the Integration Scheme • Indicative estimated gaps for future years beyond 2024/25 have not been finalised as the process of updating the Medium Term Financial Plan is still ongoing. 	<p>We will assess the development of the 2023/24 budget and monitor the IJB's actions in respect of its medium and longer term financial plans to assess whether financial balance can be achieved.</p>

10.3 Wider scope requirements (continued)

Significant risks (continued)

Area	Significant risks identified	Planned audit response
<p>Vision, leadership and governance</p>	<p>We note that NHS Forth Valley (whom we also audit), a key partner of the IJB, has had a section 22 report submitted by Audit Scotland for concerns relating to governance, leadership and culture. This is therefore highlighted as a significant risk in relation to the leadership, governance and culture in place, impacting on the IJB.</p>	<p>We will review the work of the IJB and its Committees to assess whether the arrangements are operating effectively, including assessing whether there is effective scrutiny, challenge and informed decision making.</p> <p>As part of our audit on NHS Forth Valley, we will assess how it is responding to the actions taken against the Scottish Government escalation framework and the impact on IJB.</p>
<p>Use of resources to improve outcomes</p>	<p>Given the ongoing pressures across the health and care system, including issues on delays in patient discharge and workforce capacity, there is a risk that performance reporting has not been timely, reliable, balanced and transparent. There are also the longer-term uncertainties around the National Care Service, with clarity from the Scottish Government on intended approach being awaited</p>	<p>We will review the performance reports presented to the IJB against the Strategic Plan to assess the extent to which they demonstrate a focus on continuous improvement.</p> <p>We will also assess how the IJB demonstrates use of resources to improve incomes by the linkage between money spent and outputs and outcomes delivered.</p>

10.4 Wider scope requirements (continued)

Other requirements

Area	Requirements
Consolidation schedules	We are required to provide assurance - confirming consistency with the audited Annual Report and Accounts - on the consolidation schedules prepared by the IJB to facilitate the preparation of the Scottish Government's Consolidated Accounts.
Anti-money laundering	We are required to ensure that arrangements are in place to be informed of any suspected instances of money laundering at audited bodies. Any such instances will be advised to Audit Scotland.
Fraud returns	We are required to prepare and submit fraud returns to Audit Scotland for all frauds at audited bodies: <ul data-bbox="388 651 1773 765" style="list-style-type: none">• Involving the misappropriation or theft of assets or cash which are facilitated by weaknesses in internal control• Over £5,000.

11.1 Reporting hot topics

Ongoing macro-economic uncertainty

Reporting in times of uncertainty

Businesses face unprecedented uncertainty from a variety of sources, including stresses arising from energy supply and costs, inflation, foreign exchange volatility, commodity availability and pricing, global supply chain disruption, labour shortages and the impacts of climate change. Many of these issues are exacerbated by the ongoing conflict between Russia and Ukraine.

High-quality, transparent reporting that clearly explains the impact of these uncertainties on the IJB's financial position, performance and cash flows, as well as the IJB's response to these risks, remains as important as ever.



Impact of ongoing macro-economic uncertainty – Considerations

The current macro-economic uncertainty and the resulting challenges have a pervasive impact on the financial statements and need to be considered comprehensively across all account balances and disclosures, in particular those involving estimation or judgement.

Sources of uncertainty likely to impact IJB's operations and corporate reporting include:

- **High energy costs and risk of energy shortages**
- **Rising interest rates**
- **Rising levels of inflation**
- **Supply chain disruptions**
- **Continued pressures on labour supply and wages**



Impact of ongoing macro-economic uncertainty – Action

We expect all IJB's to have undertaken a comprehensive, evidence-based assessment of the risks relating to macroeconomic conditions including for example, higher energy costs, supply chain disruption, rising levels of inflation, commodity availability and labour shortages. Consideration should be given to how those risks affect both the operations of the IJB and the impact on the annual report and financial statements as a whole.

We expect IJBs to have considered the pressures throughout the value chain(s) in which they operate, including an assessment of the risks relating to suppliers and operations.

11.2 Reporting hot topics (continued)

Climate related risks

Deloitte view

The expectations of corporate reporting are increasing. While the focus is primarily on corporates, we highlight these areas where improved disclosures would help meet stakeholder expectations. This is also an area of interest from the Auditor General and Accounts Commission as discussed on page [20](#).



Accounting for and reporting of climate-related risks – Considerations

Stakeholder expectations

Stakeholders are clear that climate-related risks could be material to businesses in all sectors. In particular, stakeholders ask for clear, specific and quantified information that describes:

- how the impacts of physical and transition risks have been considered in preparing the financial statements;
- what climate-related assumptions and estimates were used to prepare the financial statements; and
- whether narrative reporting on climate risks and the accounting assumptions are consistent, or an explanation for any divergence.

Climate thematic reports

In July 2022, the [FCA](#) and [FRC](#) published **thematic reviews of TCFD disclosures and climate-related impacts** reported in premium listed entities' financial statements. This follows up on the FRC's [2020 thematic review](#) of climate-related considerations.

The FRC highlighted five broad areas for improvements in climate-change reporting in their thematic review:

- giving more **granular and company specific information** about the effects of climate change on different businesses, sectors and geographies;
- ensuring that the discussion of climate-related risks and opportunities is **balanced**;
- **linking climate-related disclosures**, such as the output of climate-related scenario analysis, with other relevant narrative disclosures in the annual report, such as the business model or strategy;
- explaining how **materiality** has been applied in deciding which climate-related information should be disclosed; and
- ensuring **connectivity between TCFD disclosures and the financial statements** to help investors understand the relationship between climate-related matters and judgements and estimates applied in the financial statements – for example, explaining clearly how different climate-related scenarios and the companies' own net zero commitments have been reflected in the financial statements.

The FRC report also includes disclosure examples and detailed expectations and can be found on the FRC's website [here](#).

11.3 Reporting hot topics (continued)

Climate related risks



Accounting for and reporting of climate-related risks - Action

Governance

The impacts of climate change are a strategic issue that should be on the IJB's agenda and integrated into decision making. We expect entities to have:

- Reviewed their governance, processes and controls for identifying, and responding to, climate-related issues;
- Completed a robust climate assessment including all physical and transition risks;
- Assessed the climate change assumptions used in judgements and estimates in the financial statements;
- Evaluated the appropriateness and consistency of information in the financial statements and narrative disclosures; and
- Prepared a management paper setting out management's climate risk assessment and consideration of the impacts of climate change on the financial statements.

Financial statements

Regarding financial statement disclosures, we expect entities to consider the transparency of information about the climate-related judgements and assumptions. Information should be entity-specific and avoid boilerplate explanations.

The financial statements should clearly disclose:

- what climate-related assumptions have been used in preparing the financial statements;
- how significant climate risks or net zero transition targets have been taken into account in preparing the financial statements;
- which climate-related scenarios have been considered in sensitivity analysis of climate-related assumptions and how they affect judgements and estimates in the financial statements.

For LG bodies, the most common area affected is assumptions around property valuations, particularly Modern Equivalent Asset assumptions, but this may impact other balances.

Narrative reporting

We expect the narrative accompanying the financial statements to include the following:

- An explanation of how climate is assessed as a strategic issue.
- Clarity of whether climate change represents a principal or emerging risk and how it is being managed.
- For climate-related targets and metrics, an explanation of how those targets and metrics fit into strategic targets/approach.

11.4 Reporting hot topics (continued)

Cyber risk

Area	Management actions	Impact on the financial statements and annual report	Impact on our audit
Cyber risk	the IJB has invested in advanced cyber security hardware and software. In addition, they have carried out a Cyber security audit with BT.	<p>Cyber risk is an increasing area of focus, including a focus for the Auditor General and Accounts Commission as discussed on page <u>20</u>. We recommend considering whether any additional disclosure or explanations are appropriate, including discussion of principal risks and uncertainties, or in the Annual Governance Statement.</p> <p>The AGS requires disclosure of how risks to data security are managed and controlled, as well as of any serious information governance incidents.</p>	<p>We will obtain an understanding the IJB and its internal controls in relation to cyber as part of our understanding of the IJB's IT environment.</p> <p>We will make specific enquiries to identify whether a cyber breach has occurred during the period, and evaluate the impact of any cyber incidents, including any potential liabilities arising or impacts on compliance with laws or regulation.</p> <p>We will review the disclosures made for consistency with our understanding from our audit work.</p>

12.1 Audit quality

Our commitment to audit quality



Our objective is to deliver a distinctive, quality audit to you. Every member of the engagement team will contribute, to achieve the highest standard of professional excellence.

In particular, for your audit, we consider that the following steps will contribute to the overall quality:

We will apply professional scepticism on material issues and significant judgements by using our expertise in the sector and elsewhere to provide robust challenge to management.

We will obtain a deep understanding of your business, its environment and of your processes in income and expenditure recognition, payroll expenditure and capital expenditure enabling us to develop a risk-focused approach tailored to the IJB.

Our engagement team is selected to ensure that we have the right subject matter expertise and industry knowledge. We will involve property specialists to support the audit team in our work on the valuation of property assets, IT specialists to support the audit team in our understanding of IT controls, pension specialists to support the audit team in our work on the pension liability.

In order to deliver a quality audit to you, each member of the core audit team has received tailored learning to develop their expertise in audit skills, delivered by Pat Kenny (Associate Partner).



Engagement Quality Control Review

We have developed a tailored Engagement Quality Control approach.

We have developed a tailored Engagement Quality Control approach. Our dedicated Professional Standards Review (PSR) function will provide a 'hot' review before any audit or other opinion is signed. PSR is operationally independent of the audit team and supports our high standards of professional scepticism and audit quality by providing a rigorous independent challenge.

12.2 Audit Quality (continued)

FRC 2022/23 Audit Quality Inspection and Supervision report

Audit quality is at the heart of everything we do. We are committed to acting with the highest levels of integrity in the public interest to deliver confidence and trust in business.

In July 2023, the Financial Reporting Council (“FRC”) issued individual reports on each of the seven largest firms, including Deloitte on Audit Quality Inspection and Supervision, providing a summary of the findings of its Audit Quality Review (“AQR”) team for the 2022/23 cycle of reviews.

We greatly value the FRC reviews of our audit engagements and firm wide quality control systems, a key aspect of evaluating our audit quality.

In that context, our inspection results for our audits selected by the FRC as part of the 2022/23 inspection cycle remain consistent year-on-year, with 82% of all inspections in the cycle assessed as good or needing limited improvement. This reflects the ongoing investment we continue to make in audit quality, with a relentless focus on continuous improvement. Our audit culture and the audit quality environment we create are critical to our resilience and reputation as a business and we remain committed to our role in protecting the public interest and creating pride in our profession.

We value the observations raised by both the FRC AQR and Supervision teams, both in identifying areas for improvement and also the increasing focus on sharing good practice to drive further and continuous improvement.

We are pleased to see the positive impact of actions taken over the last 12-18 months to address findings raised by the FRC in the prior year relating to EQCR, Independence & Ethics and Group Audits, with none of these areas identified as key findings in this year’s engagement inspection cycle. The reduction in findings in this area reflects the ongoing effectiveness of the actions taken, particularly the successful rollout of our group audit coaching programme. Our EQCR transformation programme, which commenced in the second half of 2021, has served to further enhance the effectiveness of our EQCR process and led to improved evidence on our audit files demonstrating the EQCR challenge.

We welcome the breadth and depth of good practice points raised by the FRC, particularly in respect of effective group oversight and effective procedures for impairments, where we have made sustained efforts and investment to drive consistency and high-quality execution.

All the AQR public reports are available on the FRC's website:

[Audit Firm Specific Reports - Tier 1 audit firms | Financial Reporting Council \(frc.org.uk\)](#)

12.3 Audit Quality (continued)

FRC 2022/23 Audit Quality Inspection and Supervision report

The AQR's 2022/23 Audit Quality Inspection and Supervision Report on Deloitte LLP

“In the 2021/22 public report, we concluded that the firm had continued to show improvement in relation to its audit execution and firm-wide procedures.

None of the audits we inspected this year were found to require significant improvements and 82% required no more than limited improvements, the same as last year. This was the case for 78% of FTSE 350 audits (91% last year). The firm has maintained its focus on audit quality on individual audits, with consistent FRC inspection results.

The areas of the audit that contributed most to the audits assessed as requiring improvements were revenue and margin recognition, and provisions. There continues to be findings related to the audit of provisions, which was a key finding last year, although in different areas of provisioning. At the same time, we identified a range of good practice in these and other areas.”

Inspection results: review of the firm's quality control procedures

“This year, our firm-wide work focused primarily on evaluating the firm's: actions to implement the FRC's Revised Ethical Standard; partner and staff matters; acceptance, continuance, and resignation procedures; and audit methodology relating to settlement and clearing processes.

Our key findings related to compliance with the FRC's Revised Ethical Standard, timely continuance procedures, and audit methodology relating to settlement and clearing processes.

We identified good practice points in the areas of compliance with the FRC's Revised Ethical Standard, partner and staff matters, and acceptance, continuance and resignation procedures.”

12.4 Audit quality (continued)

Our commitment to audit quality and our system of quality management

Audit quality is at the heart of everything we do and our system of quality management (SQM) supports our execution of quality audits.

The FRC recently promulgated ISQM (UK) 1, a standard that sets out a firm's responsibilities to design, implement and operate a system of quality management for audits, reviews of financial statements, and other assurance or related services engagements.

Led by senior UK leadership, Deloitte UK's ISQM (UK) 1 implementation activities reached successful completion on 15 December 2022.

Deloitte UK performed its first annual evaluation of its system of quality management as of 31 May 2023. This evaluation was conducted in accordance with ISQM (UK) 1 and we concluded our SQM provides the firm with reasonable assurance that the objectives of the SQM are being achieved as of 31 May 2023.

For further details surrounding the conclusion on the operating effectiveness of the firm's SQM, including results of the monitoring activities performed, please refer to the disclosures within Appendix 5 of our publicly available [transparency report](#).



13 Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to establish our respective responsibilities in relation to the Annual Report and Accounts audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes:

- Our audit plan, including key audit judgements and the planned scope; and
- Key regulatory and corporate governance updates, relevant to you

Use of this report

This report has been prepared for the Audit and Risk Committee, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

We welcome the opportunity to discuss our report with you and receive your feedback.

What we don't report

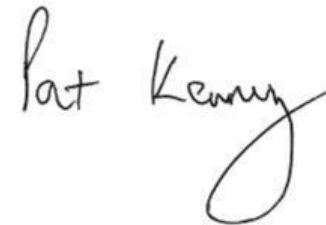
As you will be aware, our audit is not designed to identify all matters that may be relevant to the IJB.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

Other relevant communications

We will update you if there are any significant changes to the audit plan.

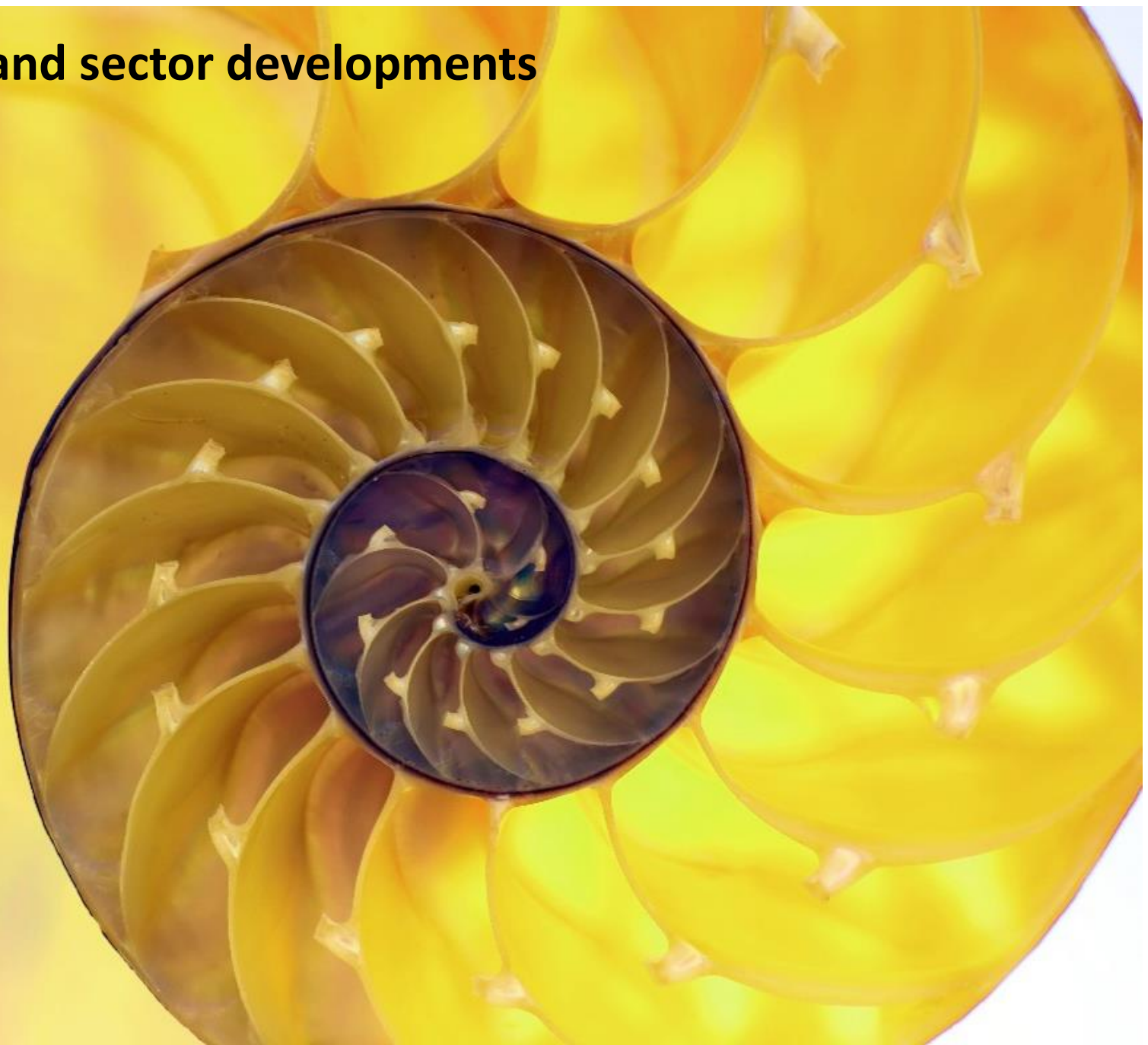


Pat Kenny

for and on behalf of Deloitte LLP

Glasgow | 14 February 2024

Technical and sector developments

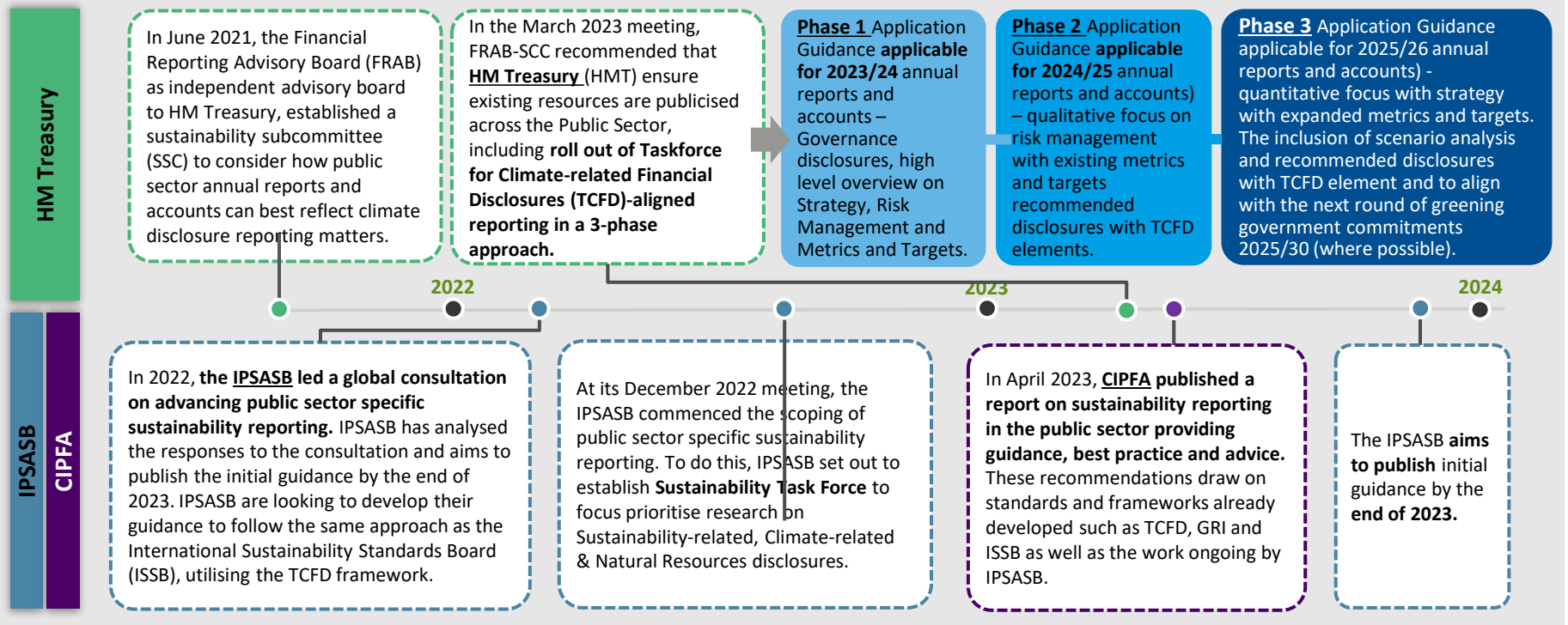


14.1 Climate and Sustainability reporting landscape in the Public Sector

Currently, there are a number of reporting frameworks that are being adopted by the public sector. However, the climate and sustainability reporting landscape is changing and with change comes challenge and complexity. A summary of the **current status** of the reporting landscape in the public sector, and the likely **future** of reporting against sustainability and climate-related matters, including the challenges and next steps to consider, is noted below.



Current status Future landscape



What next?

- It is likely that the TCFD framework will be the first sustainability reporting standard implemented for the public sector, notably for Central Government.
- Other relevant bodies (E.g. CIPFA and Department of Health & Social Care) to set their own reporting requirements for their respective sectors.
- Expect further clarity later this year when the IPSASB guidance is published.

What about assurance?

In its March 2023 meeting, FRAB recognised the complexity of introducing formal assurance requirements, with plans to implement this only under early consideration by the National Audit Office (similar in the private sector). We recommend that public sector bodies develop a plan to meet the expected reporting requirements and consider what oversight and assurance will be required ahead of year-end.

Next steps

Based on the experiences of existing TCFD reporters, implementation of sustainability reporting frameworks and standards is known to be challenging and early planning is essential to help meet expected reporting requirements. Some key considerations in anticipation of increased focus for the public sector include:

- Granularity** – The need for more detail, specificity and granularity was a key theme from the regulator this year. Going beyond the headline of each recommended disclosure is now common practice.
- Connectivity** – Within and between the narrative and financial statement disclosures. In the example of TCFD disclosures, significant focus has been placed on financial quantification of climate impacts and ensuring front and back half disclosures are consistent with each other.
- Access to data** – All sustainability and climate reporting will require additional data, both in terms of quantity and crucially, quality of what is collected and reported. Currently some data may not be readily available or complete, and/or require challenge and oversight to obtain, measure and report.

14.2 FRC's corporate reporting highlights

Findings of FRC monitoring work

The FRC's [Annual Review of Corporate Reporting 2022/23](#) provides detail on the areas that gave rise to the highest number of queries during the Corporate Reporting Review (CRR) team's monitoring work. The Highlight section summarises the top 10 issues and included below are those issues with most relevance to the NHS

Area	Companies should ensure that...
Impairment of assets	<p>...key inputs and assumptions applied in impairment testing have been disclosed and explained, including the relevant values and sensitivity analysis, where required. Additional disclosures are required where headroom is low, and heightened uncertainties over inflation, consumer demand and interest rates may drive a wider range of reasonably possible outcomes for future cashflows and discount rates. Users should be able to understand how assumptions are consistent with discussion of uncertainties elsewhere in the report.</p> <p>...impairment testing methodology complies with IFRS, particularly that the grouping of assets into cash generating units (CGUs) is appropriate, the treatment of inflation in the discount rate and cashflows is consistent; and cashflows in 'value in use' calculations reflect the current condition of assets, before any future enhancement expenditure.</p>
Judgements and estimates	<p>...all significant judgements, including those applied in performing the going concern assessment, have been described. It is not sufficient to list the matters requiring judgement.</p> <p>...disclosures about estimates include values, sensitivities and explain significant changes. Sources of estimation uncertainty with a significant risk of resulting in a material adjustment within one year should be clearly distinguished from other estimates.</p> <p>...disclosures are reassessed every year to confirm all relevant matters are captured, immaterial issues are not rolled forward and the assumptions and ranges of reasonably possible outcomes remain appropriate in the company's current circumstances.</p>
Cash flow statements	<p>...a robust pre-issuance review has been performed.</p> <p>We found fewer 'routine' errors this year but continue to identify many issues from basic consistency checks, comparing the cash flow statement to other information in the financial statements. Other common errors we find through our desktop reviews relate to classification, netting, and reporting non-cash movements in the cash flow statement.</p>

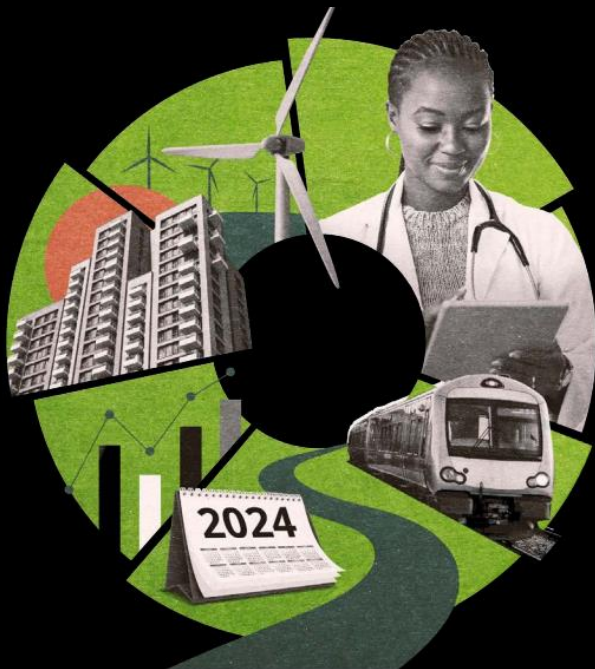
14.3 FRC's corporate reporting highlights (continued)

Findings of FRC monitoring work

Area	Companies should ensure that...
Strategic Report	<p>...the strategic report provides a fair, balanced and comprehensive review of the company's development, position, performance and future prospects. This should include unbiased discussion of positive and negative aspects of performance, a clear articulation of the effects of economic uncertainty on the business, and should address significant movements in the financial statements, including those in the cash flow and balance sheet</p>
Financial instruments	<p>...material risks arising from financial instruments are adequately disclosed, along with how these are managed. In particular, this includes risks driven by inflation and rising interest rates, and related hedging arrangements. ...information about banking covenants is provided unless the likelihood of any breach is considered remote.</p>
Revenue	<p>...accounting policies are provided for all significant revenue streams and describe the methodology applied, including the timing of revenue recognition, the basis for recognising any revenue over time, and any significant judgements made in applying those policies. ...they describe inflationary features in customer contracts and the corresponding accounting treatment.</p>
Provisions and contingencies	<p>...they provide clear and specific descriptions of the relevant exposure, including the basis for determining the best estimate of the relevant outflow, and the timeframe over which it is expected to crystallise. ...the calculation and presentation comply with IFRS. Provisions should not be presented net of any reimbursement asset and a consistent approach should be taken in reflecting the effects of inflation in cash flows and discount rates.</p>
Presentation of financial statements	<p>...company-specific information about material accounting policies and transactions is disclosed. It is important that these explain how the policies apply to the company's particular circumstances. ...the financial statements are carefully reviewed. Common issues we found this year included errors in the classification of intercompany receivables balances between current and non-current, and failure to disclose material impairments of receivables on the face of the income statement.</p>
Fair value measurement	<p>...fair value measurements use market participants' assumptions, and provide high quality disclosures. We find most issues in the disclosure of recurring Level 3 measurements, for which the significant unobservable inputs should be quantified and a sensitivity analysis given. Companies should consider the need for specialist third party advice where no internal expertise.</p>

15.1 Sector developments

The State of the State report 2024 –
Increased demand and lower funding



Background and overview

The 12th edition of Deloitte and Reform’s report on the UK public sector was launched in January 2024. Since 2012, we have aimed to create an annual snapshot of what’s happening across government and public services to serve as an evidence base for informed discussion.

This year’s State of the State finds public attitudes are concerned with NHS waiting lists, immigration and the country’s infrastructure – alongside the increased cost of living crisis from prior years.

After years of reacting to crises, the latest State of the State report finds officials across the public sector eager for reform and calling for bold decisions about the future of government and public services.

Some key findings:

- The public expects big government to continue – but could be in for a shock
- Government needs to prioritise, so its aspirations match its resources
- People want public services they can access and complain to when things go wrong
- Digital maturity comes with mature digital problems

Next steps

Full report is available at: [The State of the State 2024 | Deloitte UK](#)

15.2 Sector developments

Financial Bulletin 2022/23 – Audit Scotland

Key Findings

- Despite Councils receiving more funding in 2022/23, funding in real terms fell by £21.3 billion compared to 2021/22.
- The proportion of ring-fenced funding is increasing, reducing the Council's ability to spend on local priorities.
- The reduction in capital funding and management of borrowing costs to push the larger bulk of payments in future years, leads to financial sustainability risks in the longer-term.
- There are future risks to financial sustainability and Councils must "innovate at pace and make difficult decisions".

Recommendations

- Prioritise the achievement of recurring savings
- Ensure effective and timely consultation and engagement with communities on the options available to balance the budget
- Provide clear statements regarding the utilisation and policies surrounding reserves.
- Ensure that monitoring and reporting of financial resilience is clearer and more public-facing.

Next steps

Full report is available at: [Financial bulletin 2022/23 | Audit Scotland](#)



ACCOUNTS COMMISSION 

Prepared by Audit Scotland
January 2024

Appendices



16.1 Our other responsibilities explained

Fraud responsibilities



Your Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.



Our responsibilities:

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in the significant risks section of this document, we have identified risks of material misstatement due to fraud in management override of controls.
- We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.
- We will communicate to you any other matters related to fraud that are, in our judgment, relevant to your responsibilities. In doing so, we shall consider the matters, if any, regarding management's process for identifying and responding to the risks of fraud and our assessment of the risks of material misstatement due to fraud.



Fraud Characteristics:

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

16.2 Our other responsibilities explained (continued)

Fraud responsibilities (continued)

We will make the following inquiries regarding fraud and non-compliance with laws and regulations:



Management and other personnel:

- Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Management's process for identifying and responding to risks of fraud.
- Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud.
- Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.
- We plan to involve management from outside the finance function in our inquiries, in particular the Chief Executive.
- We will also make inquiries of personnel who are expected to deal with allegations of fraud raised by employees or other parties.

Internal audit



- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.

Those charged with governance



- How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.
- Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of those charged with governance on the most significant fraud risk factors affecting the entity, including those specific to the sector.

17 Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation

We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the IJB and will reconfirm our independence and objectivity to the Audit and Risk Committee for the year ending 31 March 2024 in our final report to the Audit and Risk Committee.

Fees

The expected fee for 2023/24, as communicated by Audit Scotland in December 2023 is analysed below:

	£
Auditor remuneration	35,400
Audit Scotland fixed charges:	
• Pooled costs	1,290
• Contribution to PABV costs	7,560
• Sectoral cap adjustment	(10,890)
Total expected fee	33,360

In addition to the above, there will be a fee for the audit of the charitable trusts which will be agreed and discussed with management.

There are no non-audit fees.

Non-audit services

In our opinion there are no inconsistencies between the FRC's Ethical Standard and the IJB's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

Relationships

We have no other relationships with the IJB, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.



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Clackmannanshire & Stirling Integration Joint Board Audit and Risk Committee

21 February 2024

Agenda Item 10

Internal Audit Progress Report

For Noting

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

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

Purpose of Report:	This report provides an update on progress with completing the 2023/24 IJB Internal Audit Plan.
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Recommendations:	<p>The Audit and Risk Committee is asked to note:</p> <ol style="list-style-type: none"> 1) progress being made with completing the 2023/24 Internal Audit Plan, taking into account that the Internal Audit Plan remains flexible and amendments may be required should risks, priorities, resource, and operational capacity change significantly; and 2) the Directions Policy Final Report at Appendix 1.
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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 2023/24 was agreed at the Audit and Risk Committee on [28 June 2023](#). The agreed plan is overleaf:

Planned Area	Scope	Days
Audit Planning and Management	Liaison with management and attendance at Audit and Scrutiny Committee. Preparation of the Annual Internal Audit Plan, Progress Reports, and Annual Assurance Report.	4
Audit Follow Up and Assignments	Directions Policy	20
	Follow up of previous Internal Audit recommendations actions.	10
	IJB's Suite of Governance Documents	20
Annual Assurance Work	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

2.2 The 'Audit Follow Up and Assignments' current position is summarised in the table below:

2023/24 Internal Audit Plan:	
Directions Policy	This review has been undertaken, with a final report issued. The finalised assignment is set out at Appendix 1 . Internal Audit use a set of Assurance Categories. A summary of these is set out at the end of the report in Annex 2 .
Follow up of previous Internal Audit recommendations actions.	Not started. Fieldwork will commence shortly. Review findings will be reported at a future Audit and Risk Committee.
IJB's Suite of Governance Documents	In progress. Review findings will be reported at a future Audit and Risk Committee.

3. Conclusions

- 3.1 Completion of the planned programme of internal audit work for 2023/24 is progressing as anticipated. Audit work will be sufficient to allow the Chief Internal Auditor to provide an opinion on the adequacy and effectiveness of internal controls at year-end.
- 3.2 The Audit and Risk Committee should note that the Internal Audit Plan remains flexible and amendments may be required should risks, priorities, resource, and operational capacity change significantly.

Appendices

Appendix 1: Directions Policy Final Report

Directions Policy

2023/24 Clackmannanshire and Stirling Integration
Joint Board Internal Audit Review

Limited Assurance

The image features the letters 'IAA' in a large, bold, white serif font. The letters are set against a dark grey background. The 'I' and 'A' are tall and narrow, while the second 'A' is wider and shorter, creating a distinctive visual identity for the Internal Audit Agency.

Report Recipients:

David Williams, Interim Chief Officer
Ewan Murray, Chief Finance Officer

1. INTRODUCTION AND SCOPE

- 1.1 This review of the Directions Policy forms part of our 2023/24 coverage of Clackmannanshire and Stirling Integration Joint Board (IJB), agreed by the Audit and Risk Committee on [28 June 2023](#).
- 1.2 Internal Audit, in conjunction with the Chief Finance Officer, identified the key risks relating to Clackmannanshire and Stirling Health and Social Care Partnership's (HSCP) arrangements, and agreed a Terms of Reference for the review (see **Annex 1**).
- 1.3 Sections 26 to 28 of the Public Bodies (Joint Working) (Scotland) Act 2014 set out the mechanism for Integration Authorities to translate their Strategic Plans into action, through the form of binding Directions.
- 1.4 In January 2020, the Scottish Government published Statutory Guidance on "[Directions from Integration Authorities to Health Boards and Local Authorities](#)" (the Guidance). The Guidance aims to resolve some of the national issues around governance, including lack of transparency, lack of clarity on decision making, and accountabilities.
- 1.5 The Guidance is clear that Health Boards and Local Authorities must comply with all Directions received from the Integration Authority and they may not amend, ignore, appeal, or veto any Direction. The Health Board and Local Authority may not use resources allocated via the Integration Authority in pursuit of a Direction for any other purpose than that intended.
- 1.6 The Guidance is also clear that Integration Authorities must establish an appropriate and robust process to allow Directions to be issued, with it recommending that each IJB develops a Directions policy based on the Guidance.
- 1.7 The Audit and Risk Committee considered the draft Directions Policy in June 2021. After discussion, the Committee approved the draft policy with the caveat

that "the implementation of the policy be proportionate and not unnecessarily bureaucratic or overly consuming of management capacity".

- 1.8 The IJB then approved their [Directions Policy](#) on 22 September 2021, with the Policy applying from 1 April 2022.

2. AUDIT ASSURANCE AND EXECUTIVE SUMMARY

- 2.1 We can provide **LIMITED ASSURANCE** (see **Annex 2** attached for assurance category definitions) in relation to the IJB's arrangements for complying with and embedding their Directions Policy.
- 2.2 We were content that the Policy meets the requirements of the statutory guidance. We did, however, find several areas of non-compliance with the Policy. This is mainly because the Policy has not been fully implemented.
- 2.3 We found that:
 - the Policy has not been subject to a two-yearly review;
 - a Directions Log has not been created;
 - the issued high-level Directions do not include details of how progress and outcomes will be monitored;
 - a Direction has not been issued for each delegated function;
 - a record of the Chief Executives of the partner organisations formally acknowledging receipt of the Directions issued to them is not maintained;
 - the Directions are not reviewed by the Finance and Performance Committee;
 - the Committee has not provided an annual assurance report to the IJB; and
 - the Committee has not received any progress reports from the partner organisations.

- 2.4 Compliance with the Policy and Guidance would enable the IJB to provide sufficient strategic direction to Clackmannanshire Council, Stirling Council, and NHS Forth Valley; to hold these partner organisations to account for the implementation of a Direction; to maintain a full and accurate record of the status of all issued Directions; and to receive assurance on the progress with implementing these Directions.
- 2.5 We have also suggested areas where the contents of the Policy could be enhanced, and good practice that could be adopted by the HSCP.
- 2.6 A summary of our recommendations is set out at **Section 4** of the report, with more detail provided at **Section 3**.

3. AUDIT FINDINGS

Remit Item 1

The robustness of the Directions Policy to ensure statutory requirements have been met.

Remit Item 2

Progress with embedding the Directions Policy, including how it is working in practice.

- 3.1 As per paragraph 1.8, the IJB approved their Directions Policy (the Policy) in September 2021. We were content that the Policy meets the requirements of the Guidance. The purpose of the Policy is to outline the process for drafting, approving, issuing, and monitoring Directions from the IJB to its partner organisations (Clackmannanshire Council, Stirling Council, and NHS Forth Valley).
- 3.2 We have identified areas where the Policy could be enhanced (paragraphs 3.3 to 3.7), where there has been non-compliance with the Policy (paragraphs 3.8 to 3.23), and areas of good practice that we recommend are adopted (paragraph 3.24).

Directions Policy: Areas for Enhancement

- 3.3 We compared the Policy to the publicly available policies for a sample of other Scottish Integration Authorities¹. We found that the Policy was consistent with those for the other Health and Social Care Partnerships.
- 3.4 The Policy states that “further work is required to determine the arrangements for Directions where the IJB is the lead for a range of Forth Valley wide healthcare services on behalf of Falkirk IJB (i.e. hosted / coordinated services) and to finalise set aside arrangements. Both of these areas will be considered by the recently established ‘pan Forth Valley finance oversight group’ and the Directions Policy will be updated accordingly.”
- 3.5 The Chief Finance Officer (CFO) advised, however, that pan-Forth Valley hosting and set aside arrangements have still to be finalised and formally agreed. This agreement should be reached as a priority, and the Policy should then be updated.
- 3.6 For ease of reference, the Policy could also be improved if the paragraphs were numbered and if page numbers were included in the contents section.
- 3.7 We **recommend** that the points from paragraphs 3.5 and 3.6 are considered when the Policy is next reviewed and updated.

Directions Policy: Areas of Non-Compliance

Two-Yearly Review

- 3.8 The Policy stipulates that it is subject to review at least every two years, and this is the responsibility of the IJB Chief Officer (who would delegate to the CFO). The review is conducted in consultation with the constituent authorities of the IJB (Clackmannanshire Council,

¹ We reviewed the Directions Policies for the following Health and Social Care Partnerships: Dumfries and Galloway; East Dunbartonshire; Edinburgh; Falkirk; Fife; and Orkney.

Stirling Council, and NHS Forth Valley). The IJB's Audit and Risk Committee must approve any proposed changes arising from the review.

- 3.9 The CFO has advised that a review of the Policy was not completed by 30 September 2023 (two years after the Policy was approved). We understand that there is an intention to report the results of the Policy review to the next meeting of the Audit and Risk Committee in February 2024.

Directions Log

- 3.10 The Policy states that "a clear audit trail will be maintained through the creation of a chronological Directions Log". The Policy also states that the IJB's Finance and Performance Committee will conduct "regular reviews of the Directions Log". The CFO has advised, however, that a Directions Log has not yet been created and has, therefore, not been subject to review.
- 3.11 The Directions Log should be updated on at least a quarterly basis. The Log should be reviewed by the Finance and Performance Committee at each of its meetings, and it should contain the following information: reference number; function title / descriptor; type of function (i.e., set aside or delegated); annual budget; which partner the Direction is to; and the date the Direction was approved by the IJB.

Issuing a Direction for Each Delegated Function

- 3.12 Section 1.4 of the Guidance states that "a Direction must be given in respect of every function that has been delegated to the IJB." This is replicated in the Policy which states that "Directions will be prepared and issued in respect of all 43 delegated functions". The [Health and Social Care Integration Scheme for](#)

[Clackmannanshire and Stirling](#) lists the 26 services (previously provided by NHS Forth Valley) and the 17 services (previously provided by Clackmannanshire and Stirling Councils) which have been integrated.

- 3.13 The IJB has issued three Directions for 2023/24 (one for each partner)². An annual one-page Direction covering all delegated functions was issued to the Chief Executives of Clackmannanshire Council, Stirling Council, and NHS Forth Valley on 31 March 2023 using the template from Appendix 2 of the Policy. We noted, however, from a comparison of the template to the issued Directions that details of how progress and outcomes will be monitored are not included, and this should be addressed. The issued Directions were also due to be reviewed on 21 June 2023 (the date of the next IJB meeting), although it is not clear if this review was conducted.
- 3.14 As the HSCP has not yet fully implemented the Policy, Directions have not been issued for all delegated functions. We were advised by the CFO that this is an area the Interim Chief Officer will give some thought and input into approach. The IJB Chair has also been fully briefed on the position and the need for Chief Executive level discussions.
- 3.15 To ensure compliance with the Policy and the Guidance, Directions should be issued for all 43 delegated functions. The template from Appendix 2 of the Policy should be used to provide sufficient detail and strategic direction³. A plan or schedule for the full implementation of the Policy should be developed as soon as possible.

Evidence of Notification and Receipt of Directions

- 3.16 The Policy states that "Clackmannanshire Council, Stirling Council, and Forth Valley NHS Board are responsible for complying with and implementing the Directions. The Chief Executives of the three

² No Directions were issued for 2022/23.

³ Section 4.4 of the Guidance states that "Directions should not be seen as a mechanism only to advise the delivery partners of resources available to them. Rather, Directions are intended to provide clear advice to delivery partners on the expected delivery of any given function, together with the

identified resource available." Section 4.1 also states that "the Direction may specify in some detail what the Health Board, the Local Authority, or both are to do in relation to carrying out a particular function. A lack of detail or specificity in a Direction may cause difficulties in performance monitoring and hamper the effective delivery of a function."

organisations are expected to formally acknowledge receipt of all Directions issued by the IJB.” The IJB does not, however, maintain a record of the Council and NHS Chief Executives formally acknowledging receipt of the Directions that have been issued to them. The CFO has advised that instead the Directions are issued by the Chief Officer via email to the Chief Executives (who normally acknowledge receipt via return email). In our view, the formal acknowledgement of the receipt of the issued Directions should be added to the Directions Log. In addition, evidence of the formal notification of Directions to the Chief Executives should be retained in all cases.

Finance and Performance Committee: Review of Directions

3.17 The Finance and Performance Committee is one of two IJB Committees (the other being the Audit and Risk Committee) whose role is to conduct detailed scrutiny, provide assurance, and to escalate any key issues to the IJB as required⁴. The Finance and Performance Committee meets four times each year with additional meetings being scheduled if necessary (for example, there were five meetings held during 2023). Minutes from these meetings are shared with the IJB.

3.18 The Policy states that the Finance and Performance Committee “will oversee progress in implementing the Directions (by conducting regular reviews of the Directions Log, requesting progress reports from partners, and escalating issues to the IJB as appropriate).”

3.19 The minutes from the Finance and Performance Committee meetings that were held on 1 March 2023, 31 May 2023, and 6 September 2023 show that the Directions were not reviewed (which indicates non-compliance with the Policy). Regular reviews would ensure that the issued Directions are being accurately recorded.

3.20 When Directions are issued for each delegated function using the template at Appendix 2 of the Policy (see paragraph 3.15), the Finance and Performance Committee should conduct regular reviews of the Directions Log in their role of overseeing progress in implementing these Directions.

Finance and Performance Committee: Annual Assurance Report

3.21 The Policy states that “the Finance and Performance Committee will provide an annual assurance report to the IJB”. These reports are due to be submitted to the first IJB meeting following the end of the financial year (for example, the June 2024 meeting for the 2023/24 report). From a review of the agendas for the 2021, 2022, and 2023 IJB meetings, however, there is no indication that an annual assurance report for the Finance and Performance Committee has been submitted to the IJB for consideration and comment, and this should be addressed.

Finance and Performance Committee: Progress Reports from Partners

3.22 As per paragraph 3.18, the Policy states that the Finance and Performance Committee will request “progress reports from partners” as part of its role in overseeing progress in implementing Directions. The CFO has advised that this element of the Policy has still to be implemented. In our view, the three partner organisations (Clackmannanshire Council, Stirling Council, and NHS Forth Valley) should regularly prepare progress reports on the implementation of the Directions that have been issued to them and submit these reports to the Finance and Performance Committee for review.

3.23 To ensure compliance with the Policy (and with the Guidance), we **recommend** that the necessary corrective action is taken to address the areas of non-

⁴ The Terms of Reference for the Finance and Performance Committee (and for the Audit and Risk Committee) was approved by the IJB on 29 March 2023.

compliance at paragraphs 3.9, 3.10, 3.13, 3.14, 3.15, 3.16, 3.20, 3.21, and 3.22.

Good Practice

3.24 As per paragraph 3.3, we compared the Policy to the publicly available policies for a sample of other Scottish Integration Authorities. From this review, we noted the following areas of good practice, and we **recommend** that consideration is given to adopting these:

- submitting annual or progress reports⁵ on Directions to the IJB⁶ (including the status of the issued Directions). This would ensure that the IJB is fully aware of the position of all issued Directions enabling probity; and
- arranging agendas by Items for Decision (with Direction), Items for Decision (with No Direction), and Items for Noting. This can provide greater transparency regarding the issue and implementation of Directions.

⁵ Progress reports on the implementation of Directions should be submitted to the IJB on at least an annual basis.

⁶ The Finance and Performance Committee can also request progress reports on Directions from partners at any stage during their meeting cycle (see paragraph 3.22). No reports have been sought.

4. RECOMMENDATIONS AND ACTION PLAN

Classification of Recommendations		
Grade 1: Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently, management needs to address and seek resolution urgently.	Grade 2: Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.	Grade 3: Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.

Rec. No.	Recommendation	Reason for Recommendation	Agreed Management Action	Responsible Owner	Action Due
1.	<p>The HSCP should consider the identified areas that would enhance the Directions Policy when it is next reviewed and updated.</p> <p>The revised Directions Policy should be submitted to the IJB for approval.</p> <p>Report Paragraph: 3.7</p> <p>Grade 2</p>	To enhance the Directions Policy.	<p>Recommendation Accepted</p> <p>The identified areas for enhancement will be considered as part of the review of the Directions Policy.</p>	Chief Finance Officer	31 March 2024
2.	<p>The identified areas of non-compliance with the Directions Policy should be addressed.</p> <p>Report Paragraph: 3.23</p> <p>Grade 1</p>	<p>To ensure compliance with the Directions Policy and Statutory Guidance.</p> <p>To provide sufficient strategic direction from the IJB to Clackmannanshire Council, Stirling Council, or NHS Forth Valley.</p> <p>To ensure that the IJB can hold the partner organisations to account for the implementation of a Direction.</p> <p>To confirm that the Directions Log fully and accurately reflects the status of all issued Directions.</p>	<p>Recommendation Accepted</p> <p>The intent is to refresh the IJB's approach to implementing the Directions Policy alongside a review of the Policy. This may further evolve over time.</p>	Chief Officer and Chief Finance Officer	31 March 2024
3.	<p>Consideration is given to adopting the areas of good practice that are in place at other Integration Authorities.</p> <p>Report Paragraph: 3.24</p> <p>Grade 2</p>	<p>To ensure compliance with the Directions Policy.</p> <p>To provide greater transparency and accountability regarding the issue and implementation of Directions.</p> <p>To ensure that the IJB is fully aware of the current position of all issued Directions.</p>	<p>Recommendation Accepted</p> <p>Examples of good practice from other Integration Authorities will be reviewed.</p> <p>This will, however, be within the context of ensuring implementation of the local (reviewed) Policy.</p>	Chief Officer and Chief Finance Officer	31 March 2024

Terms of Reference



Service:	Clackmannanshire and Stirling Integration Joint Board	Audit Year:	2023/24
Director / Chief Officer:	Annemargaret Black	Audit Manager:	Isabel Wright
Head of Service / Auditee:	Ewan Murray	Lead Auditor:	David Macleod
Audit Area:	Directions Policy		

SCOPE

In January 2020 the Scottish Government published Statutory Guidance on "[Directions from Integration Authorities to Health Boards and Local Authorities](#)" (the Guidance). Clackmannanshire and Stirling Integration Joint Board (IJB) approved a formal Directions Policy on 22 September 2021. The Policy was implemented from 1 April 2022.

The scope of this review was to evaluate and report on the IJB's arrangements for drafting, approving, issuing, and monitoring Directions as laid down in its Directions Policy, with reference to relevant legislation and statutory guidance. It also considered the IJB's arrangements for embedding the Policy.

This review formed part of our 2023/24 Internal Audit Plan, agreed by the Audit and Risk Committee on 28 June 2023.

CORPORATE RISKS

Internal Audit work on Directions links primarily to the following strategic risk:

- **HSCP001:** [Financial Resilience](#)
- **HSCP002:** [Leadership, Decision Making, and Scrutiny](#)

Risk Statements:

- The risk that delegated service functions services cannot be delivered within resources available. It is rated (on 20 June 2023) as 25 (high) with a target score of 9 (medium).
- The risk that leadership, decision making, and scrutiny arrangements are inadequate to ensure good governance and assurance arrangements. It is rated (on 20 June 2023) as 12 (medium) with a target score of 8 (low).

REMIT ITEMS

We developed our work-plan to obtain the necessary evidence to provide assurance that appropriate systems are in place to mitigate the above risk. We reviewed the arrangements for Directions. In particular:

1. the robustness of the Directions Policy to ensure statutory requirements have been met, this includes 'the Guidance' at Section 3 (Process for Issuing Directions); Section 4 (Form and Content of Directions); and Section 5 (Process for Issuing and Revising Directions); and
2. progress with embedding the Directions Policy, including how the Directions Policy is working in practice.

DEFINITION OF ASSURANCE CATEGORIES

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

Clackmannanshire & Stirling Integration Joint Board Audit and Risk Committee

21 February 2024

Agenda Item 11

Strategic Risk Register

For Approval

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

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

Purpose of Report:	To provide the Audit and Risk Committee with the Strategic Risk Register for review, scrutiny, and approval.
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Recommendations:	<p>The Audit and Risk Committee is asked to:</p> <p>1) Review and approve the Strategic Risk Register</p>
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1. Background

- 1.2 Given the increasing risk profile across Health and Social Care both locally and nationally from March 2024 the Strategic Risk Register will be a standalone agenda item on the IJBs agenda rather than being an element of performance reporting.
- 1.3 The Audit and Risk Committee undertakes a scrutiny function for the Integration Joint Board to scrutinise and review the 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 14 February 2024.
- 1.5 As a result of this review and wider discussions regarding risks the following have been decreased/increased:
- HSC004 Integrated Performance Framework (increased) –**
- 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 Sept 2023	Current Score Feb 2024	Target Score
1. Financial Resilience	↔	25	25	9
2. Leadership, Decision Making and Scrutiny	↔	12	12	8
4. Performance Framework	↑	12	16	4
5. Culture/HR/Workforce planning	↔	12	12	3
6. Experience of service users/patients/unpaid carers	↔	16	16	6
7. Information Management and Governance	↔	25	25	9
8. Information Sharing Process and practice	↔	16	16	12
10. Harm to Vulnerable People, Public Protection and Clinical & Care Governance	↔	20	20	4
11. Sustainability and safety of adult placement in external care home and care at home sectors	↓	20	16	4
12. Health and Social Care workforce demographic / resilience of service	↔	16	16	6
14. Ability to Deliver Primary Care Improvement Plan	↔	20	20	9
15. Primary Care Sustainability	↔	25	25	9
17. Potential Industrial Action	↔	16	12	6
18. Capacity to Deliver Safe and Effective Integration Functions to Support Whole System Performance and Safety	↔	16	16	6

2. Review of Strategic Risk Register and Risk Management Framework

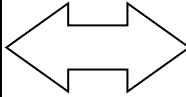
- 2.1 The former Risk Manager from NHS Forth Valley was supporting this work and limited further progression of this work. It is anticipated this work will be pursued and finalised when a replacement is appointed. Thereafter a risk appetite and tolerance statement will be taken to the IJB for approval.

- 2.2 A further development will be to look at systemising the Strategic Risk Register to enhance ownership and efficiency of reporting including ensuring that the Audit & Risk Committee are content with the new format.

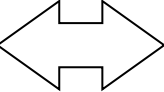
3. Appendices

Appendix 1 - Strategic Risk Register


CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 14 February 2024

Ref	Risk	Strategic Fit	Likelihood	Impact	Risk Score	Risk Reduction Action (Timescale)	Risk Owner(s)	Notes / Progress	Risk Direction
HSCP 001	Financial Resilience The risk that delegated service functions cannot be delivered within resources available.	1. National Core Outcome 'Resources are Used Effectively & Efficiently' 2. Local Outcome 'Decision Making'	Current (5) Target (3)	Current (5) Target (3)	Current (25) High Target (9) Medium	1. Grip and Control Meetings (Ongoing) 2. 23/24 Revenue Budget Approved (March 23) 3. Financial Monitoring Reports (Monthly) 4. Draft 24/25 IJB Business Case and Development of Options for Financially Sustainable Service Delivery (Dec 23) 5. Agreed process for agreement and payment of contract rates including uplifts. (Annually) 6. Develop planning and shared accountability arrangements for Unscheduled Care and the 'set aside' budget for large hospital services. (Outstanding requires refresh) 7. Review Transformation and Sustainability Programme including monitoring arrangements (under review implementation from June 24 for 24/25 Budget) 8. Design and Implement Pan FV Budget Monitoring & Oversight Arrangements (oustanding)	Chief Officer / Chief Finance Officer		

CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 14 February 2024

<p>HSC 002</p>	<p>Leadership, Decision Making and Scrutiny The risk that leadership, decision making and scrutiny arrangements are inadequate to ensure good governance and assurance arrangements.</p>	<p>1. National Core Outcome 'Resources are Used Effectively & Efficiently' 2. Local Outcome 'Decision Making'</p>	<p>Current (3) Target (2)</p>	<p>Current (4) Target (4)</p>	<p>Current (12) Medium Target (8) Low</p>	<p>1. Ongoing consideration of proportionate scrutiny arrangements for each constituent authority.(Ongoing) 2. Continue to develop and implement approach to engagement with public and communities. (ongoing) 3. Board Development Programme and review of Integration Scheme. (23/24 Development programme completed Feb 24 / review of Integration Scheme in motion - Oct 24) 4. Partnership Senior Management & Leadership Team Development Programme. (Several session held during 2023) 5. Delivery plans aligning Strategic & 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 (Feb 24) 8. Linked to above continue to review the IJBs Governance Frameworks (ongoing) 9. Review directions policy and implement alongside 24/25 budget (Feb- March 24)</p>	<p>Chief Officer</p>	<p>Annual Internal and External Audit Reports considered including agreed management responses to recommendations.</p>	
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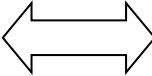
CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 14 February 2024

<p>HSC 004</p>	<p>Integrated Performance Framework 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 & Efficiently' 2. Local Outcome 'Decision Making'.</p>	<p>Current (4) Target (1)</p>	<p>Current (4) Target (4)</p>	<p>Current (16) High Target (4) Low</p>	<p>1. Develop linkage of performance reporting to Strategic Plan Priorities and Outcomes Framework (ongoing) 2. Minimise duplication and bureaucracy to ensure performance management and reporting meaningful and realistic.(ongoing) 3. In relation to Measuring Performance Under Integration create integrated reporting framework and agree and monitor targets / trajectories. (linked to AAR Recommendation June 2023 - ongoing) 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. (Feb 24 for 24/25 plan) 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</p>	<p>Head Of Service (SP&HI) / Chief Officer / Chief Finance Officer</p>	<p>Risk previously increased given ongoing challenges re data and information locally and nationally.</p>	
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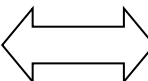
CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 14 February 2024

						planning around unscheduled care (ongoing linked to set aside work)			
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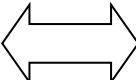
CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 14 February 2024

<p>HSC 005</p>	<p>Culture/HR/ Workforce Planning The risk that workforce challenges are not adequately managed and adversely impact delivery of delegated integration functions</p>	<p>1. National Core Outcome 'Engaged Workforce', and 'Resources are Used Effectively & Efficiently' 2. Local Outcome 'Decision Making'</p>	<p>Current (3) Target (1)</p>	<p>Current (4) Target (3)</p>	<p>Current (12) Medium Target (3) Low</p>	<p>1. Ensure inclusive approach to staff engagement at all levels. (Ongoing) 2. Develop multi-disciplinary care pathways and teams. (ongoing) 3. Refreshed staff engagement including linkage to Frontline Social Care Review (in place) 4. Move to consistent use of iMatter staff survey platform across the constituent authorities, and the development of reporting infrastructure against HSCP within that system. (in place) 5. Staff Development and Training Programmes including Mandatory Training. (ongoing but requires commitment and support from constituent authorities) 6. Positively manage relationships with Staff Side/Trade Union representatives. (ongoing) 7. Continue to press constituent authorities on requirement to develop and implement integrated reporting (commenced – requires significant further development) 8. Continue to prioritise and support workforce wellbeing. (Ongoing) 9. Monitor implementation of the approved workforce plan (Ongoing)</p>	<p>Chief Officer</p>	<p>Integrated Workforce Plan approved (Nov 22)</p>	
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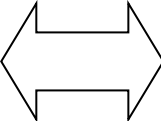
CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 14 February 2024

<p>HSC 006</p>	<p>Experience of service users/patients/unpaid carers The risk that the experience of service users, patients and unpaid carers is not adequately taken into account in service design and delivery.</p>	<p>1. National Core Outcome 'Carers are supported', and 'Positive Experiences' and Local Outcome 'Experience' 2. Local Outcome 'Community Focused Supports'</p>	<p>Current (4) Target (2)</p>	<p>Current (4) Target (3)</p>	<p>Current (16) High Target (6) Low</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 24 and ongoing) 9. Full and systematic implementation of revised Self-directed Support provision (from April 24)</p>	<p>Chief Officer/ Head of Service (SP&HI)</p>	<p>An Equality Outcomes and Mainstreaming Report has been considered by the Integration Joint Board in June 2023 and published. Equality and Human Rights Impact Assessment will be completed where required.</p>	
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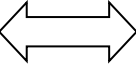
CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 14 February 2024

<p>HSC 007</p>	<p>Information Management and Governance 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 & Efficiently' 2. Local Outcome 'Decision Making'</p>	<p>Current (5) Target (3)</p>	<p>Current (5) Target (3)</p>	<p>Current (25) High Target (9) Medium</p>	<p>1. Ensure and participate in refresh of data sharing and information governance arrangements including annual assurance report to IJB (Annually) 2. Further Development of Cross ICT system working capabilities across constituent authorities (ongoing) 3. GDPR arrangements. (in place) 4. Participate as key customer in procurement of replacement Adult Social Care information systems. (ongoing) 6. Take cognisance of systems issues from Frontline Social Care Review (ongoing) 7. Raise awareness of higher cyber-security threat level in relation to current global tensions and conflicts.(ongoing) 8. Consider risks around Mental Health information sharing post delegation of Specialist Mental Health & Learning Disability Services (ongoing) 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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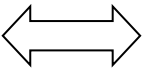
CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 14 February 2024

<p>HSC 008</p>	<p>Information sharing process and practice The risk that information sharing processes, practice and associated governance is inadequate to support efficient and effective delivery of delegated integration functions.</p>	<p>1. National Core Outcome 'Resources are Used Effectively & Efficiently' 2. Local Outcome 'Decision Making'</p>	<p>Current (4) Target (3)</p>	<p>Current (4) Target (4)</p>	<p>Current (16) High Target (12) Medium</p>	<p>1. Building sufficient capacity and capabilities to carry out analytical functions for partnership in the long term (complete) 2. Some Information Sharing Agreements are in place and reviewed timeously. 3. Develop use of information systems to inform planning and benchmarking. (ongoing) 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&HI)</p>	<p>This risk relates to Information Management and Governance. Including the difference between anonymised information, identifiable information, and performance information.</p>	
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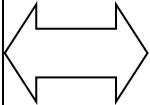
CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 14 February 2024

<p>HSC 010</p>	<p>Harm to Vulnerable People, Public Protection and Clinical & Care Governance The risk that arrangements in relation to Harm to Vulnerable People, Public Protection and Clinical & Care Governance are not adequately effective.</p>	<p>1. National Outcome 'Resources are Used Effectively and Efficiently', 'People are safe', 'Positive Experience', 2. 'Quality of life' Local Outcome 'Self-Management' 'Community Focused Supports', 'safety', Experience'</p>	<p>Current (5) Target (1)</p>	<p>Current (4) Target (4)</p>	<p>Current (20) High Target (4) Low</p>	<p>1. Integration Joint Board has assurance that services operate and are delivered in a consistent and safe way (Annually) 2. Regular review of Clinical and Care Governance Framework (Ongoing) 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 (June 24) 10. Evidence of unmet need being monitored and reported (weekly)</p>	<p>Chief Social Work Officers / NHS Forth Valley Medical Director / Chair of Clinical and Care Governance Group</p>		
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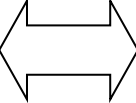
CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 14 February 2024

<p>HSC 011</p>	<p>Sustainability and safety of adult placement in external care home and care at home sectors The risk that the sectors are unsustainable and/or oversight arrangements are inadequate.</p>	<p>1. National Outcomes 'People are Safe' 'Positive Experience' 2. Quality of Life</p>	<p>Current (4) Target (2)</p>	<p>Current (4) Target (2)</p>	<p>Current (16) High Target (4) Low</p>	<p>1. Provider forums are in place as is a commissioning and monitoring framework. (in place) 2. There is clear regulation and inspection. (ongoing) 3. The thresholds matrix for homes around adult support and protection has been implemented and is being monitored. (in place) 4. A process for reviews and a clear escalation model is being developed including reporting to the Clinical and Care Governance Group (ongoing). 5. Monitoring of Financial Sustainability of Providers using informatics provided via Scotland Excel and local intelligence (in place) 6. Business continuity planning arrangements. (In place – subject to ongoing review) 7. Preparation on Briefings for Senior Officers (including Chief Executives) and IJB Chair and Vice Chair on emergent provider issues (as required) 8. Caseload review. (ongoing) 9. Care Home Assurance Tool. (ongoing) 10. Consideration of approach and capacity to appropriately manage Large Scale Investigations (LSI's) (Ongoing)</p>	<p>Heads of Services / Strategic Commissioning Manager / Chief Finance Officer /Adult Support and Protection Co-ord,</p>		
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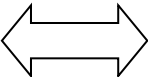
CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 14 February 2024

<p>HSC 012</p>	<p>Health and Social Care workforce demographic / resilience of service. The risk that the workforce profile and demographics result in inadequate workforce is secured and retained to deliver delegated integration functions.</p>	<p>Health and Social Care Outcomes</p> <ul style="list-style-type: none"> • People can live well at home for as long as possible • People are safe and live well for longer • People are satisfied with the care they get 	<p>Current (4)</p> <p>Target (2)</p>	<p>Current (4)</p> <p>Target (3)</p>	<p>Current (16) High</p> <p>Target (6) Low</p>	<ol style="list-style-type: none"> 1. Proactively implement transformation and sustainability programme working in partnership with staff side. (ongoing) 2. Review models of working and optimise opportunities of integration.(ongoing) 3. Proactive recruitment including opportunities for new roles and international recruitment (ongoing) 4. Explore opportunities with staff to optimise retention. Flexible working, training, education. (ongoing) 5. Consider organisational change opportunities to build workforce capacity. (ongoing) 6. Ensure staff welfare and development are clear priorities with action plans.(ongoing) 7. Work with partners to promote Clackmannanshire and Stirling as a positive area to work and live. (ongoing) 8. Strategic Workforce plan including action plan (Nov 22) 9. Collaborative partnership work with Universities and Colleges to assist in 'growing our own' (Ongoing) 	<p>Head of Service, CH&C and Professional Leads</p>		
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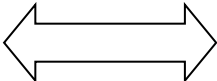
CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 14 February 2024

<p>HSC 014 (added 26 May 2019)</p>	<p>Ability to Deliver Primary Care Improvement Plan including tripartite agreement within additional resources provided by Scottish Government / Non-Delivery of Scottish GMS (General Medical Services) Contract The risk that the Tripartite Memorandum of Understanding cannot be delivered within available resources.</p>	<p>1. National Outcome 'Resources are Used Effectively and Efficiently, and ' People are safe'</p>	<p>Current (5) Target (3)</p>	<p>Current (4) Target (3)</p>	<p>Current (20) High Target (9) Medium</p>	<p>1. Primary Care Improvement Plan (iteration 3) agreed and endorsed by partners which is delivering on significant proportion of requirement. (2) 2. Tripartite statement (as part of PCIP) outlines constraints / risks / challenges re full delivery of the plan. 3. 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. 4. Governance structure for delivery (in place). 5. Strong working relationships between partners, (ongoing) 6. Development and negotiation of sustainable delivery options with tripartite (June 24)</p>	<p>Chief Officer / Chief Finance Officer / Programme Manager (PCIP)</p>		
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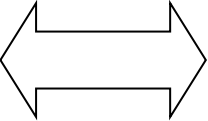
CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 14 February 2024

<p>HSC 015 (added 21 Feb 2020)</p>	<p>Primary Care Sustainability: The risk that critical quality and sustainability issues will be experienced in the delivery of Primary Care Services including General Medical Services and across other parts of the Health and Social Care system.</p>	<p>9 National Outcome 'Resources are Used Effectively and Efficiently, and 'People are safe'</p>	<p>Current (5) Target (3)</p>	<p>Current (5) Target (3)</p>	<p>Current (25) High Target (9) Medium</p>	<ol style="list-style-type: none"> 1. Premises investment priorities identified (in place but subject to review) 2. Sustainability Improvement loans process in place 3. Support for practices to become training practices (delivered in conjunction with NES) 4. Primary Care Improvement Plan being delivered (in place) 5. Expansion of community pharmacy services 6. GP IT Programme Board established 7. 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 support PCIP and patient safety implementation 8. Local Sustainability Group in place to advise on sustainability matters (ongoing) 9. Joint IJB Development Session on Primary Care undertaken (Feb 24) 	<p>Associate Medical Director Primary Care / GP Clinical Leads / IJB Chief Officer/ NHS Chief Exec</p>	<p>Risk re-articulated alongside NHS FV SRR including alignment of scoring.</p>	
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CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 14 February 2024

<p>HSC 017 (added Nov 22)</p>	<p>Potential Industrial Action: 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 (3) Target (2)</p>	<p>Current (4) Target (3)</p>	<p>12 Medium 6 Low</p>	<ol style="list-style-type: none"> 1. Review and ensure business continuity arrangements are up to date and robust (Ongoing) 2. Work closely with constituent authorities to fully understand likely impacts. (Ongoing) 3. Ensure ongoing constructive working relationships with staff side / unions are maintained. (Ongoing) 4. Participate in regional pan FV and local resilience arrangements. (ongoing) 	<p>Chief Officer</p>		
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CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 14 February 2024

<p>HSC 018 (Added March 23)</p>	<p>Capacity to Deliver Safe and Effective Integration Functions to Support Whole System Performance and Safety The risk that demand for services outstrips the ability to deliver due to workforce availability, provider capacity and/or sustainability and adequacy of resources.</p>	<p>National Outcome 'Resources are Used Effectively and Efficiently, and ' People are safe'</p>	<p>Current (4) Target (2)</p>	<p>Current (4) Target (3)</p>	<p>16 Hig h 6 Low</p>	<ol style="list-style-type: none"> 1. Ensure Strategic Planning is Based on robust Strategic Needs Assessment 2. Develop Locality Plans (March 23) 3. Manage positive arrangements with providers through providers forum (Ongoing) 4. Ensure robust annual IJB Business Case is produced. (Nov 23/annually) Use of national networks and Health and Social Care Scotland to articulate and inform future resource requirements (Ongoing) 6. Ensure sound management arrangements in place to maximise local capacity available. (Ongoing) 7. Prioritise transformation programme to maximise use of existing resources (Ongoing) 8. Work with constituent authorities to promote partnership 	<p>Chief Officer</p>	<p>Risk added post previous discussion at Audit and Risk Committee and IJB</p>	
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CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 14 February 2024

						as a good place to work. (Ongoing) 9. Early adopter for Discharge without delay programme (Ongoing) 10. Review of Unscheduled Care Programme with NHS Forth Valley to focus on high impact gains (Ongoing)			
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CLACKMANNANSHIRE & STIRLING IJB: STRATEGIC RISK REGISTER AT 14 February 2024

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

21 February 2024

Agenda Item 12

Audit & Risk Committee Annual Assurance Statement for 2023-24

For Approval

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

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

Purpose of Report:	To review and report on the Audit & Risk Committee's role and function during 2023-24 and provide assurance these have been met.
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Recommendations:	<p>The Audit and Risk Committee is asked to:</p> <ol style="list-style-type: none"> 1) Note the reports presented during the year and the outputs from internal and external audits 2) Approve the 2023/24 Assurance Statement for presentation to the IJB
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1. Background

- 1.1 The Audit & Risk Committee considered and approved the Workplan for 2023-24 at their meeting held on 8 March 2023 which set out the areas for focus and scrutiny. It was agreed that this would be reviewed again at the end of the financial year to ensure relevant assurance had been received regarding core business and specific work areas undertaken. This included internal financial controls, internal/ external audit plans and internal/external audit reports along with relevant national audit reports particularly those relating to Health and Social Care Integration from Audit Scotland.
- 1.2 A year-end report would then be submitted to the IJB to confirm they had assessed the adequacy and effectiveness of the IJB's internal controls and corporate governance arrangements and considered the annual governance reports and assurances to ensure that the highest standards of probity and public accountability have been demonstrated.

2. Audit & Risk Committee Annual Assurance Statement

- 2.1 The Annual Assurance Statement is prepared by each of the Committees as part of the IJB governance framework. The statement provides assurance to the IJB that the Terms of Reference and workplan supports the delivery of strategic priorities and ensures that operational and strategic risks are being managed effectively.
- 2.2 The Annual Assurance Statement sets out the meeting dates, attendance, and business during the financial year 2023-24. It will also provide a broad conclusion on whether the level of assurance provided was acceptable and

show how any key risks/concerns highlighted will be reflected in the workplan for the year ahead.

3. Conclusions

Through the Audit & Risk Committee meetings, reports and action plans presented and agreed, output from internal and external audit, together with assurance provided from respective Partners, the Audit & Risk Committee has effectively discharged its duties during 2023/24.

4. Appendices

5.


Appendix 1 – Annual Assurance Statement for 2023-24

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

Implications	
Finance:	None directly arising.
Other Resources:	None directly arising.
Legal:	Audit and Risk Committee forms part the Integration Joint Boards governance structure and assists in managing and mitigation of risk.
Risk & mitigation:	Per the body of report and appended Strategic Risk Register
Equality and Human Rights:	The content of this report <u>does not</u> require a EQIA.
Data Protection:	The content of this report <u>does not</u> require a DPIA

Fairer Duty Scotland	<p>Fairer Scotland Duty places a legal responsibility on public bodies in Scotland to actively consider ('pay due regard' to) how they can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions.</p> <p>The Interim Guidance for public bodies can be found at: http://www.gov.scot/Publications/2018/03/6918/2</p> <p>The content of this report does not require Fairer Duty Scotland Assessment</p>
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Appendix 1

AUDIT & RISK COMMITTEE ANNUAL ASSURANCE STATEMENT 2023-24			
Level of Assurance		System Adequacy	Controls
Reasonable Assurance		Adequate framework of key controls with minor weaknesses present.	Controls are applied frequently but with evidence of non-compliance.

1. Purpose

- 1.1 This report provides an annual overview and scrutiny of the work of the Clackmannanshire and Stirling IJB's Audit & Risk Committee.
- 1.2 It reflects the principles of good corporate governance and contributes to the effective delivery of the IJB's Strategic Plan

2. Background

- 2.1 The Audit & Risk Committee is a key element of the governance structure and under the delegated authority of the IJB.
- 2.2 The Audit & Risk Committee's remit includes not only the financial stewardship and oversight of the audit process but also all aspects of the IJB's systems of internal control and overall governance framework.
- 2.3 The specific functions delegated to the Audit & Risk Committee by the IJB, as set out in the Terms of Reference are:
 - Assess the adequacy and effectiveness of the Integration Joint Board's internal controls and corporate governance arrangements and consider the annual governance reports and assurances to ensure that the highest standards of probity and public accountability are demonstrated.

- Ensure existence of and compliance with an appropriate Risk Management Strategy. Review risk management arrangements and receive regular risk management updates and reports; Regularly scrutinise the IJBs Strategic Risk Register and ensure high risks are incorporated within reporting to the IJB by exception.
 - Review and approve the Internal Audit Annual Plan on behalf of the Integration Joint Board, receive reports and oversee and review progress on actions taken on audit recommendations and report to the Integration Joint Board on these as appropriate.
 - Consider the External Audit Annual Plan on behalf of the Integration Joint Board, receive reports, and consider matters arising from these and management actions identified in response before submission to the Integration Joint Board; The Audit Committee may also consider relevant national audit reports particularly those relating to Health and Social Care Integration from Audit Scotland.
 - Consider annual financial accounts and related matters before submission to and approval by the Integration Joint Board.
 - The Committee is responsible for ensuring best value for those delegated functions.
 - The Committee is authorised by the Integration Joint Board to investigate any activity within its terms of reference, and in so doing, may seek any information it requires.
- 2.4 The Committee formally submit a copy of its approved minutes to the IJB as part of its assurance processes. These are publicly available.

3. IJB Audit & Risk Committee

3.1 Composition

During the financial year ending 31 March 2024, Audit & Risk Committee membership comprised of:

Voting Members:

Councillor Martin Earl, Stirling Council (Chair)
Martin Fairbairn, NHSFV Non-Executive (Vice Chair)
Cllr Janine Rennie, Clackmannanshire Council
Cathie Cowan, NHSFV Chief Executive

Non-voting Members:

Narek Bido, Recovery Scotland

Attendance record for the meetings is attached at Appendix A.

3.2 Meetings

The Audit & Risk Committee met on 4 occasions during the financial year 2023-24:

- 17 April 2023 (special meeting)
- 28 June 2023
- 13 September 2023
- 6 December 2023 - cancelled
- 21 February 2024

3.3 Business

The Schedule of Business Considered during 2023-24 is attached at Appendix B.

4. Conclusion

- 4.1 The work of the Audit & Risk Committee provides **reasonable assurance** to the IJB in relation to a wide range of governance issues including risk management and potential internal control weaknesses. This is supported by risk based internal audit annual work plan, which is targeted to the highest areas of risk to ensure focus on key areas and provide an appropriate level of assurance.
- 4.2 In addition there is an audit sharing protocol in place to ensure that any relevant issues arising in either partner organisation which may impact on the IJB is passed to the Audit & Risk Committee for consideration and action as appropriate.
- 4.3 A number of Internal Audits have been undertaken by the constituent authorities which cover the services delegated to the IJB and along with the ongoing review of the Integration Scheme the governance landscape continues to develop and further improve.
- 4.4 The Audit & Risk Committee also tasked the Chief Finance Officer to complete the CIPFA Self Assessment of Good Practice and the outcome of this along with the proposed Audit & Risk Committee workplan for 2024-25 will further enhance effectiveness.
- 4.5 Therefore through the Audit & Risk Committee meetings, reports and action plans presented and agreed, output from internal and external audit, together with assurance provided from respective Partners, the Audit & Risk Committee has effectively discharges its duties during 2023-24.

Appendix A: Attendance Record 2023-24

Voting Members		17/04/2 Special meeting	28/06/23	13/09/23	6/12/23 cancelled	21/02/24
Cllr Martin Earl, Stirling Council	Chair	P	P	P		
Martin Fairbairn, NHSFV Non-Executive	Vice Chair	P	P	P		
Cllr Janine Rennie, Clackmannanshire Council		P	P	P		
Cathie Cowan, NHSFV Chief Executive		A	A	-		-
Non-Voting Members						
Narek Bido, Recovery Scotland		-	P	P		
Attendance						
Annemargaret Black, Chief Officer		P	P	P		
Ewan Murray, Chief Finance Officer		P	P	P		
Isabel Wright, Internal Audit Manager, Falkirk Council	IJB Chief Internal Auditor	P	P			
Gregory Odour, Senior Audit Manager, Deloitte LLP		P	A	A		
Fadhil Muhammad, Audit Manager, Deloitte LLP			A	P		
Peter Bent, Assistant Manager, Deloitte LLP			A			
Karlynn Watt, Senior Manager, Deloitte LLP				P		
Sandra Comrie, Business Support Officer	Minutes	P	P	P		
Gregor Dewar, Management Accountant				P		

Key: P Present
A Apologies

Appendix B Schedule of Business Considered 2023-24

Date	Agenda Items	Noting/Decision
17 April 2023	2022/23 Annual Audit Plan	Considered/Noted/Content
28 June 2023	Minutes of previous meetings 8 March and 17 April 2023	Approved
	Matters arising/urgent brought forward by Chair	IJB Risk development workshop & Reserves policy tbc
	Internal Audit Progress Report	Noted
	Internal Audit Annual Assurance Report 2022/23	Noted
	Internal Audit Plan 2023/24	Approved
	2022/23 Draft IJB Annual Accounts	Considered/Commented/Agreed
	Strategic Risk Register and Update on Risk Management Arrangements	Reviewed/Noted/Approved
	Review of IJB Financial Regulations	Noted/Considered/Agreed
13 September 2023	Relevant National Reports	Noted
	Minutes of previous meetings 28 June 2023	Approved
	Matters arising/urgent brought forward by Chair	None
	Proposed Annual Report (AAR)	Noted
	2022/2023 IJB Annual Accounts	Recommended
	Strategic Risk Register	Approved
	Audit & Risk Committee Self Assessment	Approved
6 December 2023	Cancelled	
21 February 2024	Relevant National Report	
	Review of Terms of Reference and Committee Workplan	
	Annual Assurance Statement	
	Directions Policy	
	Review of Reserves Policy and Strategy	
	Audit Recommendations Progress Report	
	2023/24 Annual External Audit Plan	
	Internal Audit Progress Report	
	Strategic Risk Register	
Relevant National Report		

Clackmannanshire & Stirling Integration Joint Board Audit and Risk Committee

21 February 2024

Agenda Item 13

Relevant National Reports:

Local Government in Scotland: Financial Bulletin
2022/23

A Renewed Focus on the Sustainability of Social
Care

For Noting

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

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

Purpose of Report:	To bring relevant national reports to the attention of the Audit & Risk Committee for noting.
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Recommendations:	<p>The Audit and Risk Committee is asked to:</p> <p>1) Note the reports and their relevance to the operating context of the IJB as a public body and Health and Social Care Partnership as the operational construct services are delivered within.</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 the following relevant national reports has been published
 - Local Government in Scotland: Financial Bulletin 2022/23
 - A Renewed Focus on the Sustainability of Social Care

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 Local Government in Scotland: Financial Bulletin 2022/23 are:
 - Councils total revenue funding from all sources fell by £619m or 2.8% compared to 2021/22
 - Councils received more core revenue funding from Scottish Government however an increasing proportion is ring fenced or provided with the expectation it will be spent on specific services.

- There is pressure on all public sector capital budgets, and this presents risks to the viability of local government capital programmes.
 - At the time of setting their 2022/23 budgets, councils anticipated gaps of over £476m.
 - Half of councils increased their usable reserves in 2022/23 however some of this was due to residual COVID funding and use of financial flexibilities for the repayment of longer-term debt.
 - Locally appointed auditors did not identify any councils in Scotland as being financially unsustainable in the short term. However, the financial outlook is extremely challenging.
 - Councils medium and longer term financial plans demonstrate a clear recognition of the difficult financial context.
 - The Verity House Agreement includes a commitment to offer councils longer term funding and greater financial flexibility.
- 2.3. A Renewed Focus on the Sustainability of Social Care was a blog publication published on 14 December 2023 by Angela Leitch, member of the Accounts Commission. It reflects workforce and financial challenges facing the social care sector and includes narrative on how Audit Scotland intend to report on social care issues and IJBs.

3. Conclusions

- 3.1. The appended reports are directly relevant to the funding environment of the IJB and challenges facing social care.
- 3.2. Audit and Risk Committee members are invited to read and discuss the reports appended.

4. Appendices

Appendix I – Local Government in Scotland: Financial Bulletin 2022/23
Appendix II – A Renewed Focus on the Sustainability of Social Care

Local government in Scotland

Financial bulletin

2022/23



ACCOUNTS COMMISSION 

Prepared by Audit Scotland
January 2024



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Accessibility

You can find out more and read this report using assistive technology on our [website](#).

For information on our accessibility principles, please visit: www.audit-scotland.gov.uk/accessibility.

Key messages

Funding and outturn in 2022/23

- 1** Despite councils receiving more funding and income in cash terms, due to high inflation in 2022/23 total revenue funding from all sources fell by £619 million (2.8 per cent) in real terms to £21.3 billion compared to 2021/22.
- 2** Councils received more core revenue funding from the Scottish Government than in 2021/22, rising from £12.1 billion to £12.2 billion (0.7 per cent) in real terms. However, an increasing proportion is ring-fenced or provided with the expectation it will be spent on specific services. This means that the amount of funding available for councils to spend freely on local priorities is reducing. There are commitments in the Verity House Agreement to move to a default position of removing ring-fencing or direction of funding wherever possible.
- 3** There is pressure on all public-sector capital budgets, and this presents risks to the viability of local government capital programmes, many of which impact on key services (eg, the construction and maintenance of schools, libraries, roads). Capital funding from the Scottish Government rose in 2022/23 but remains lower than before the pandemic and has been volatile over the past decade. Driven by increased borrowing councils' capital expenditure increased in 2022/23 by 16 per cent in cash terms to £3.6 billion. Borrowing costs have reduced in recent years as many councils have used permitted financial flexibilities to reprofile debt payments. While helping with immediate budget pressures, these decisions defer costs to later years and do not tackle the underlying challenges to financial sustainability. Additional borrowing also places further pressure on revenue budgets over the longer term.
- 4** At the time of setting their 2022/23 budgets, councils anticipated budget gaps of over £476 million for the year, higher than the previous year. Councils are increasingly having to rely on savings and reserves to balance budgets. Achievement of savings targets was good in 2022/23 and improved on 2021/22. Greater transparency is required in the reporting of financial outturn in council accounts, including savings performance. This transparency and timely public engagement are essential as councils make increasingly difficult decisions to reduce or stop services to help balance budgets.

Councils' financial position and outlook from 2023/24

- 5** Despite the financial pressures of recent years, half of councils increased their usable reserves in 2022/23, and overall usable reserves grew to £4.45 billion. This is driven by growth in committed reserves. Some of this is remaining Covid-19 funding, some is attributable to the permitted use of financial flexibilities for the repayment of longer-term debt but there are also indications councils are building up reserves to manage the known financial challenges in future years. However, the lack of transparency in some councils' annual accounts makes it difficult to draw firm conclusions on councils planned use of reserves.
 - 6** Local appointed auditors did not identify any councils in Scotland as being financially unsustainable in the short term. However, the financial outlook is extremely challenging with Scottish councils facing unprecedented financial and service demand pressures which present real risks for the future. Although Scottish Government core funding increased in cash and real terms in 2023/24, councils reported a significant increase in the total budget gap to £725 million.
 - 7** Councils' medium- and longer-term financial plans demonstrate a clear recognition of the difficult financial context and the need to continue to innovate at pace and make difficult decisions to become more financially sustainable. But some councils are already experiencing significant resistance when seeking to make service reductions to balance budgets. This reinforces the need for effective consultation and engagement with communities on planned local service changes.
 - 8** The Verity House Agreement includes a commitment to offer councils longer-term funding and greater local financial flexibility. These proposed changes will be important, in providing greater financial certainty to support better long-term planning and more flexible direction of resources to meet local need. However, the recent announcement of a proposed council tax freeze significantly reduces discretion and flexibility at individual council level. The impact this will have on financial sustainability is not yet known, but councils have placed an increased reliance on raising council tax to help deliver a balanced budget over the past two years.
-

Recommendations

Councils should:

- Prioritise the achievement of recurring savings and avoid reliance on non-recurring savings to enhance longer-term financial sustainability ([paragraph 29](#)).
- Ensure that management commentaries are open and transparent, include a clear link between budget outturn and the financial performance in the accounts and report on the achievement of planned savings targets ([paragraph 46](#)).
- Provide clear statements about reserves policy and explicitly set out the purpose of committed reserves within their annual accounts. This will enhance the level of assurance that councils can provide regarding their ongoing financial sustainability ([paragraph 55](#)).
- Ensure effective and timely consultation and engagement with communities on the options that must be considered to achieve a balanced budget ([paragraph 73](#)).
- Strengthen their monitoring and reporting of financial resilience including clearer and more public-facing use of performance against financial resilience indicators and measures. Financial resilience indicators should be a component of councils' medium and longer-term financial plans to provide assurance that they are balancing short-term pressures with robust planning for long-term financial sustainability ([paragraph 83](#)).
- Work with the Scottish Government to build momentum and accelerate progress in the development of a fiscal framework for local government to enhance the clarity and certainty of budgets for councils in future years ([paragraph 89](#)).

About this report

1. This bulletin provides a high-level independent analysis of the financial performance of councils during 2022/23. The bulletin considers:

- councils' funding and expenditure in 2022/23
- councils' financial position at the end of 2022/23 and the financial outlook
- some of the potential impacts of the Verity House Agreement (New Deal with Local Government) made between COSLA and the Scottish Government in June 2023.

2. This bulletin is part of a series of outputs produced by the Accounts Commission which together provide an independent overview of the local government sector. In Spring 2024 we will publish a budget briefing examining the 2024/25 budgets set by councils, including analysis of anticipated budget gaps and actions to set a balanced budget.

Methodology

3. Our primary sources of information for this bulletin are councils' 2022/23 accounts, a data request issued to auditors in October 2023 and Scottish Government budget documents.

4. The analysis of accounts is based on audited accounts where available. As at our 6 November 2023 deadline, 18 councils' accounts were still to be certified; therefore, the analysis in this bulletin is based on 14 sets of audited accounts and 18 sets of unaudited accounts.

5. We received 30 data requests back from auditors. In places our analysis is therefore based on a sample rather than the full population. Returns were not received for two councils.

6. Scottish Government funding analysis uses the spring revision funding position unless otherwise stated.

7. When looking at trends, we convert some financial data to real terms using GDP deflators. This adjusts financial information from past and future years to prices for the year under review, ie 2022/23. This is to take account of inflation so that the trend information is comparable. Any financial trend data (both capital and revenue) relating to funding, income or expenditure will be shown in real terms. The exception to this is that any financial information from the councils' accounts' balance sheet remains in cash terms, even when looking at a trend. This includes reserves, debt and borrowing. These are not adjusted to real terms as they are already subject to revaluation to reflect current prices.

1. Funding and outturn

Revenue funding and income

Total funding and income fell by 2.8 per cent in real terms in 2022/23 compared to the previous year

8. In 2022/23, Scotland's 32 councils received a total of £21.3 billion in revenue funding and income (funding for day-to-day spending). In cash terms this is £757 million more than the year before but in real terms (that is adjusting for inflation) it represents a real-terms decrease of 2.8 per cent (£619 million).

9. Revenue funding and income comes from a variety of sources. Almost 60 per cent of total revenue funding comes from the Scottish Government ([Exhibit 1](#)).

Exhibit 1.

Sources of funding and income 2022/23 compared to 2021/22, real terms (£ billion)

2021/22	2022/23		2021/22	2022/23
		Interest receivable	0.03	0.11
		Housing Revenue Account rents	1.42	1.36
		Customer and client receipts	1.85	1.82
		Council tax	2.82	2.75
		Grants including Scottish Government and other sources	4.01	3.56
		Non-domestic rates	2.23	2.77
		Cost of living award grant	0.00	0.28
		General revenue grant Covid-19 funding	0.55	0.00
		General revenue grant	9.09	8.72
		Total funding and income (£ billion)	22.00	21.38

Source: Councils' annual accounts 2022/23 (audited and unaudited) and 2021/22 (audited)

10. The source of the largest increase in funding was non-domestic rates, although levels are still below pre-pandemic levels ([Exhibit 16, page 28](#)).

11. The largest decreases were to grants, which fell by 11 per cent in real terms compared to 2021/22, and housing rents which, despite a cash increase of 2.3 per cent, fell by 4.1 per cent in real terms.

12. Council tax is an important source of income for councils, accounting for 13 per cent (£2.7 billion) of total funding in 2022/23. Councils received more income from council tax, due to an overall increase of 4.5 per cent in the amount of council tax billed and an increase in in-year collection rates of 0.5 per cent (from 95.7 per cent to 96.2 per cent). However, the amount received has not kept pace with inflation and in real terms this represents a fall in income of 2.5 per cent compared to 2021/22.

Core revenue funding from the Scottish Government to councils increased in cash and real terms from 2021/22 to 2022/23

13. Scottish Government core revenue funding to councils amounted to £12.2 billion in 2022/23. This is an increase to core funding in both cash and real terms from the previous year ([Exhibit 2](#)).

Exhibit 2.

Scottish Government core revenue 2021/22 and 2022/23

Scottish Government revenue funding	Cash terms			Real terms		
	2021/22 £ million	2022/23 £ million	change %	2021/22 £ million	2022/23 £ million	change %
Core revenue	11,384	12,231	7.4%	12,144	12,231	0.7%
General revenue grant	8,489	8,679	2.2%	9,056	8,679	-4.2%
Non-domestic rates	2,090	2,766	32.3%	2,230	2,766	24.1%
Specific revenue grants	805	786	-2.4%	859	786	-8.5%

Source: Scottish Government budget documents (spring revision)

14. The increase in core revenue funding was driven by a significant increase in income from non-domestic rates. The general revenue grant and specific revenue grants both fell in real terms.

15. In 2021/22, councils received an additional £0.5 billion in non-recurring revenue funding from the Scottish Government to support their Covid-19 response. When this is included, councils experienced a real terms reduction of 3.6 per cent in revenue funding from the Scottish Government in 2022/23 compared to 2021/22. In 2022/23,

a one-off grant of £278 million was received by councils, to distribute the £150 Cost of Living Award to eligible households.

An increasing proportion of Scottish Government funding is formally ring-fenced or provided with the expectation it will be spent on specific services

16. Specific revenue grants funding totalled £786 million in 2022/23 and must be used to fund specific policies or initiatives such as for early learning and childcare expansion and the pupil equity fund.


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

18. Examples of directed funding in 2022/23 include: £140 million for Local Government pay deals, £145 million for additional teachers and support staff and £234 million for the annual pay uplift to social care staff in commissioned services.

19. We calculate that ring-fenced and directed funding increased to 25.7 per cent in 2022/23 ([Exhibit 3](#)).

Exhibit 3.

Proportion of Scottish Government funding to local government that is ring-fenced or directed

 Source	2021/22 £ million	2022/23 £ million
From initial allocation		
Specific revenue grant	805	786
Directed funding within general revenue grant	347	475
Directed funding from transfers from other portfolios	488	648
From in year allocations		
Directed funding from budget revisions and recalculations	1,061	1,236
Total ring-fenced or directed funding	2,701	3,145
Total revenue funding	11,384	12,231
Percentage ring-fenced or directed	23.7%	25.7%

Note: We have updated our methodology from last year. This changes the total ring-fenced amount for 2021/22 from 23.1% to 23.7%.

Source: Scottish Government budget documents and financial circulars

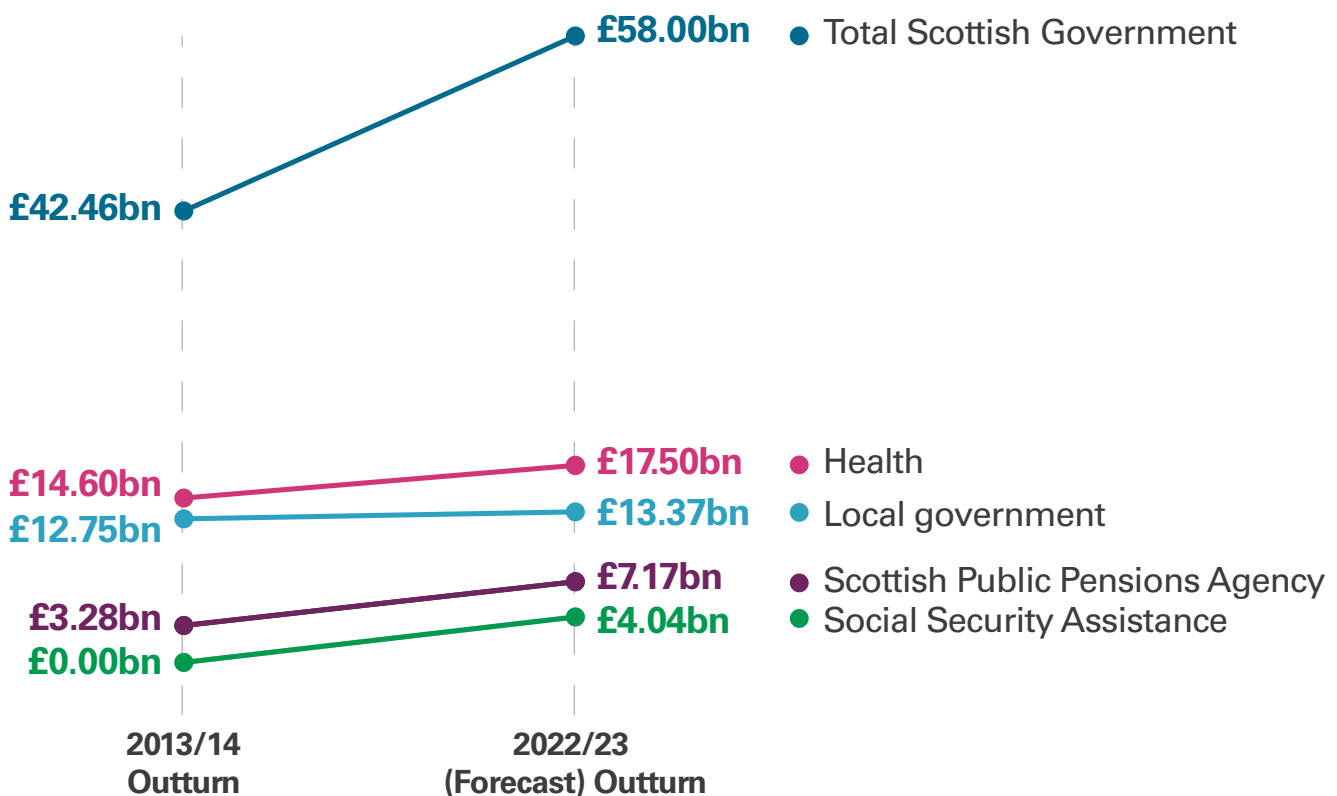
20. While directed funding is important to help deliver national priorities, it restricts councils from making decisions about how funds can be used at a local level to meet local need. The Verity House Agreement, signed in June 2023, includes a commitment to a default position of ending ring-fencing or directed funding unless there is a clear joint understanding of the rationale for such arrangements. We discuss this further in [Part 2](#) of the report.

Over the last decade, the proportion of the Scottish Budget allocated to local government has been reduced

21. Local government is the second largest area of Scottish Government spending; however, this proportion has reduced over the last decade. In 2013/14 local government (capital and revenue) accounted for 30 per cent of the total spend. In 2022/23, it had fallen to 23 per cent. Over this period, local government spend has been relatively static in real terms while total Scottish Government spend increased by 37 per cent. Areas of growth include health and social security ([Exhibit 4](#)).

Exhibit 4.

Local government spend (outturn) compared to other areas of the Scottish Budget, 2013/14 to 2022/23, real terms



Source: Scottish Budget 2023/24, Annex D: Outturn Comparison 2013/14 to 2021/22 and Scottish Budget 2024/25, Annex H: Outturn Comparison 2014/15 to 2022/23

Council budget-setting

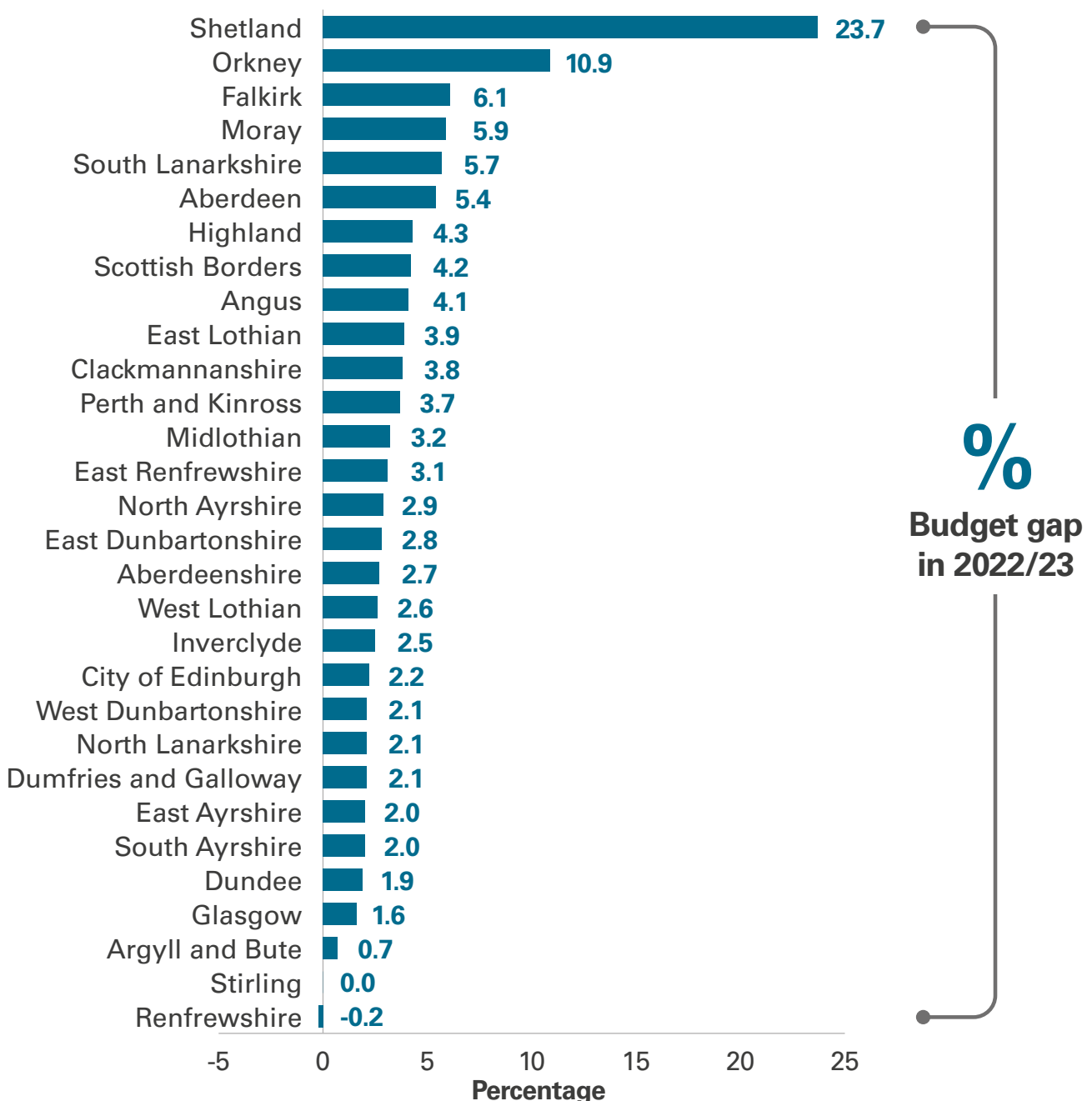
At the time of setting their 2022/23 budgets, councils in our sample identified budget gaps of over £476 million for the year

22. At the time of budgeting, the 30 councils in our sample identified **budget gaps** totalling £476 million for 2022/23, compared to £350 million for the same sample of councils for 2021/22. This represents a budget gap of 2.9 per cent of the net cost of services ([Exhibit 5](#)).

Budget gaps reflect a point in time when councils begin to set their budgets and is the difference between anticipated expenditure and funding and income.

Exhibit 5.

Budget gap as a percentage of net cost of services, 2022/23



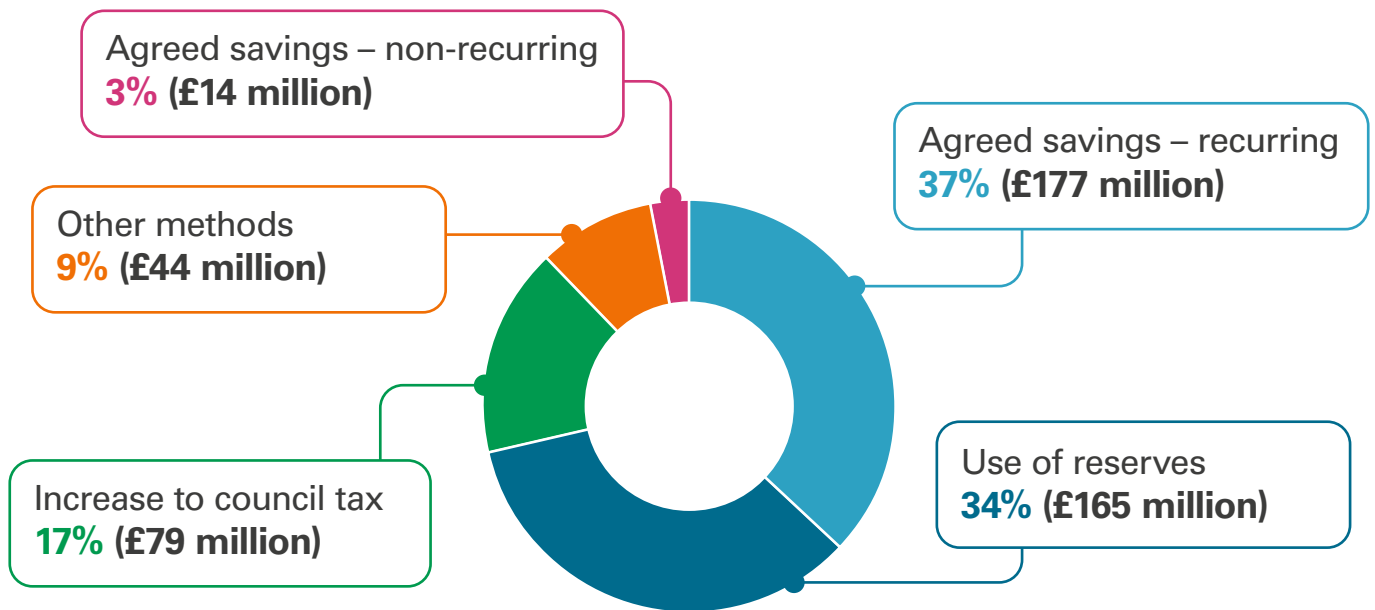
Source: Auditor data returns (30 councils in the sample)

23. Within our sample, the budget gap for 2022/23 ranged from a surplus of £1.1 million (0.2 per cent of net cost of services) in Renfrewshire to a gap of £53 million (5.7 per cent net cost of services) in South Lanarkshire. Shetland had the largest budget gap as a proportion of net cost of services, at 23.7 per cent (with a value of £34 million). One council, Stirling, reported no budget gap.

Councils largely relied on reserves and making recurring savings to deliver a balanced budget

24. From our sample of 30 councils, a range of bridging actions were used to set balanced budgets for 2022/23 ([Exhibit 6](#)).

Exhibit 6. Councils' bridging actions to set their 2022/23 budget



Note: The chart elements add up to £479 million which is higher than the total anticipated budget gap. This is because Dundee identified bridging actions of greater value than their budget gap to allow for additional expenditure in priority areas.

Source: Auditor data returns (30 councils in the sample)

25. Use of reserves and making **recurring savings** were expected to bridge 71 per cent (£342 million) of the budget gap. The relative use of reserves to bridge the budget gap has doubled from 17 per cent in 2021/22 to 34 per cent in 2022/23.

26. Examples of other bridging actions include the use of:

- fiscal flexibilities for service concessions and capital receipts
- additional Scottish Government funding
- increased service charges
- non-recurring Covid-19 funding
- a reduction in IJB funding.

These actions are largely non-recurring and therefore not sustainable.

Outturn

Achievement of savings targets was high, but improvements are required in the transparency of reporting

27. From our sample of 30 councils, the aggregate savings target for 2022/23 was £216 million.¹ Three councils did not have a savings target.

28. Twenty-five councils provided information about savings performance in 2022/23. Fourteen councils (56 per cent) achieved their savings target in full or more and a further eight councils (32 per cent) achieved over 80 per cent. Overall, 98 per cent of the aggregate savings target was met. This compares to 92 per cent across all councils in 2021/22 ([Exhibit 7, page 14](#)).

29. Where we have a breakdown of how savings were achieved, 82 per cent (£126 million), were achieved on a recurring basis, which is higher than the 76 per cent achieved across all councils in 2021/22.

Recommendation

Councils should prioritise the achievement of recurring savings and avoid reliance on non-recurring savings to enhance longer-term financial sustainability.

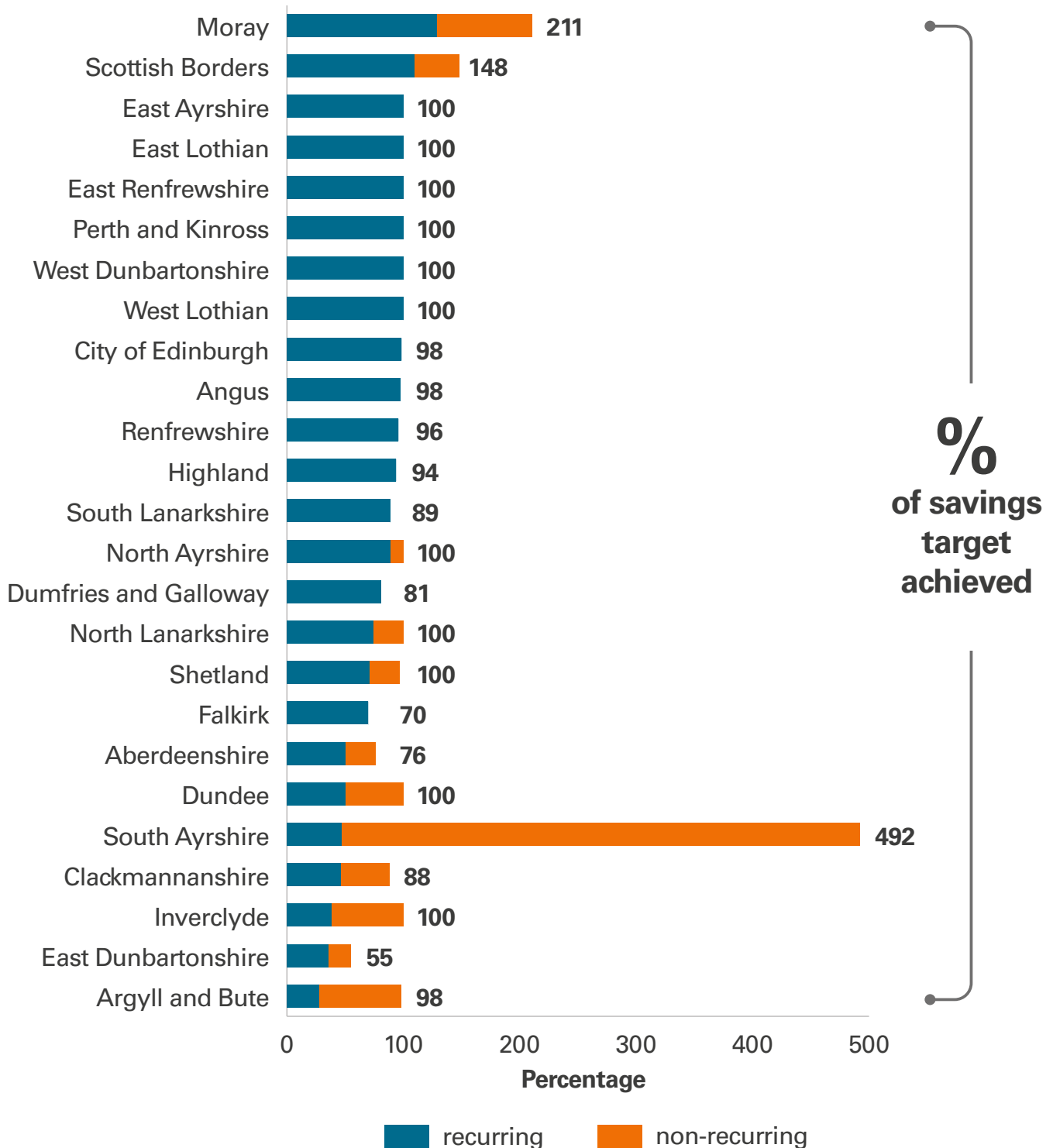


Recurring savings are savings, that once achieved, recur year-on-year from that date. Non-recurring savings are one-off savings that apply to one financial year and do not result in ongoing savings in future years.

¹ This savings target does not match the planned savings (recurring and non-recurring combined) identified as bridging actions in Exhibit 6. Savings identified during budget setting may be further revised before a savings target is agreed.

Exhibit 7.

Percentage of savings target achieved, split by recurring and non-recurring, 2022/23



Note: Information on the split of savings achieved was not available for Dundee. South Ayrshire's savings performance was 492% due to a large (non-recurring) underspend. Five councils within the sample are not included in the chart: Midlothian, Orkney and Stirling did not have a savings target in place for 2022/23. Information on savings performance was not available for Glasgow and Aberdeen.

Source: Auditor data returns (30 councils in the sample)

30. A review of councils' management commentaries identified that 66 per cent of council accounts provided no or insufficient commentary on performance against savings targets. Further detail on the transparency of management commentaries is included at [paragraphs 44–46](#)).

Over half of councils used financial flexibilities in 2022/23

31. In recent years, the Scottish Government has introduced a number of financial flexibilities to help alleviate ongoing financial and funding pressures.

32. The three main flexibilities available are:

- The use of capital receipts for revenue costs.
- The ability to apply for revised loans repayments.
- Changes to service concession arrangements which allow councils to write off the debt costs associated with these schemes over the expected lives of the respective assets rather than over the contract period of each arrangement.

33. Of our sample of 30 councils, 18 (60 per cent) reported that they used some of the financial flexibilities allowed by the Scottish Government in 2022/23.

34. Using flexibilities to meet immediate spending pressures may help councils to balance their budgets, but it defers costs to later years and does not tackle the underlying challenges to financial sustainability.

Capital funding and expenditure

Increases in capital expenditure were driven by increased borrowing

35. Councils' **capital expenditure** in 2022/23 was £3.6 billion. This is a 16 per cent (£0.5 billion) increase in cash terms compared to 2021/22.

36. The increase in capital expenditure in 2022/23 was driven by a 52 per cent increase in borrowing. At £1.41 billion, this was the largest source of capital financing, surpassing government grants which accounted for £1.35 billion of capital expenditure. The higher costs associated with borrowing place further pressure on revenue budgets over the longer term ([Exhibit 8, page 16](#)).

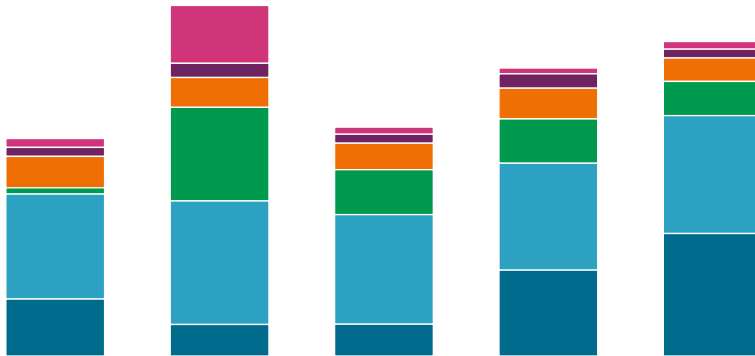
37. Twenty-two councils reported higher capital expenditure than in 2021/22. At a council level, year-on-year movement ranged from a £207 million increase (Glasgow) to a £54 million decrease (Angus).



Capital expenditure is the money spent by councils to maintain or improve their assets, for example school buildings and roads. It cannot be used on day-to-day running costs.

Exhibit 8.

Capital expenditure split by sources of finance in cash terms, 2018/19 to 2022/23 (£ billion)



2018/19	2019/20	2020/21	2021/22	2022/23	
0.09	0.60	0.07	0.06	0.09	Capital receipts
0.09	0.15	0.09	0.15	0.10	Other contributions and Public Private Partnership (PPP)
0.32	0.31	0.28	0.33	0.27	Capital Funded from Current Revenue (CFCR)
0.06	0.96	0.47	0.48	0.39	Internal loans fund repayments available to reinvest
1.06	1.27	1.15	1.15	1.35	Government grants
0.57	0.32	0.33	0.92	1.41	An increase in borrowing
2.18	3.61	2.41	3.10	3.61	Total expenditure (£ billion)

Source: Councils' annual accounts 2018/19 to 2022/23 (audited and unaudited)

38. Slippage against capital projects was noted by auditors in some Annual Audit Reports for 2022/23. Factors included higher costs for goods and services including utilities, fuel and labour; and wider economic circumstances including inflation, war, Covid-19, interest rates and pay awards.

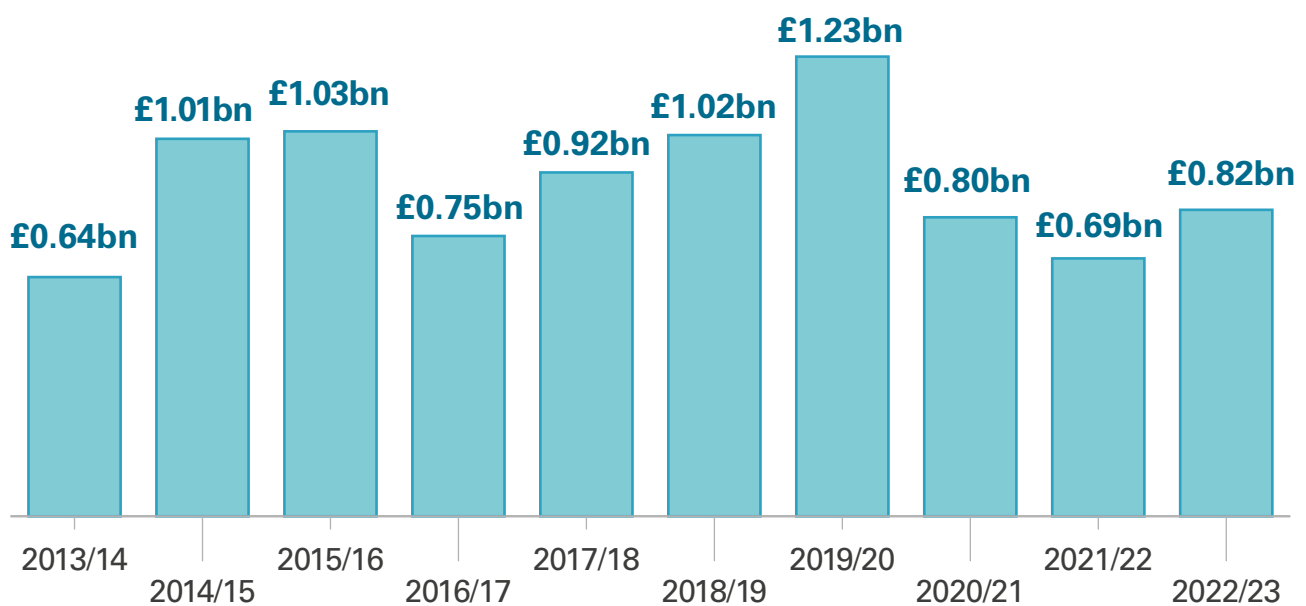
Capital funding from the Scottish Government rose in 2022/23 but remains lower than before the pandemic

39. Councils receive capital funding from the Scottish Government in the form of the capital grant, distributed by means of a funding formula based largely on population and road-length.

40. In 2022/23 capital funding from the Scottish Government rose by 19 per cent in real terms to £0.82 billion compared to 2021/22. However, it remains lower than many of the years leading up to the Covid-19 pandemic ([Exhibit 9](#)).

Exhibit 9.

Scottish Government capital funding to local government 2013/14 to 2022/23, real terms



Source: Scottish Government budget documents (spring revision)

41. Some capital funding is directed towards specific policies. For example, in 2022/23 around £120 million was allocated to support the local government pay deal in 2022/23 and £30 million to fund expansion of free school meals.

42. Scottish Government capital funding is volatile. Some of the more significant movements can also be attributed partly to reallocation of capital funding payments from one financial year to another, as agreed between the Scottish Government and COSLA. For example, the 2016/17 figure excludes £150 million that was reallocated and included in the 2019/20 capital settlement.

Reporting on financial outturn in management commentaries

Councils could improve the transparency of their reporting on financial outturn and progress against savings plans

43. A management commentary is a report by the council, set out within its annual accounts. It should provide information on the council's strategic priorities and key risks, as well as a balanced analysis of the financial and wider performance of the council over the year.

We undertook a review of councils' management commentaries to assess the transparency of their reporting against three elements that the Accounts Commission has previously recommended should be included:

- Is the outturn against budget position for the year clearly shown with the reasons for significant variances obvious?
- Is the outturn reported in the narrative reconciled to the movement in the general fund contained in the financial statements and major differences explained?
- Is progress against agreed savings reported?

44. Twenty councils included commentary related to outturn against budget including the main reasons for the variances. Of the remaining, nine provided insufficient detail or no commentary on variances and three lacked clarity on the outturn against budget.

45. Half of councils provided a table within the management commentary which showed the reconciliation of outturn to the movement on the general fund. Of the remaining, 12 did not provide sufficient detail within the management commentary to demonstrate a reconciliation of the general fund against reserves and four did not provide any information.

46. Eleven councils outlined progress against savings targets to some extent, with some providing a table of savings performance trends and/or links to other documents. Of the remaining, 12 provided generic statements or insufficient detail, seven provided no information and two referred only to previous or future savings plans.

Recommendation

Councils should ensure that management commentaries are open and transparent, include a clear link between budget outturn and the financial performance in the accounts and report on the achievement of planned savings targets.

2. Councils' financial position and outlook

2022/23 financial position

In 2022/23, councils increased their total usable reserves by £0.31 billion to £4.46 billion

47. Reserves play an important role in good financial management of councils. They may be used to invest in a major project, transform services or respond to unexpected events. Reserves are a one-off resource, so councils need to plan carefully for their use. In doing so, they should consider the strategic, operational, and financial risks facing the council.

48. In 2022/23, councils increase their total usable reserves by £0.31 billion, from £4.15 billion to £4.46 billion ([Exhibit 10, page 20](#)).

49. Revenue reserves increased by 2.2 per cent (£80 million) and capital reserves increased by 40 per cent (£232 million). The increase in capital reserves may be linked to slippage against capital projects ([paragraph 38](#)).

50. Half of councils increased their usable reserves in 2022/23. A review of management commentaries for those councils with the greatest increases found these were largely attributable to accounting adjustments related to the permitted use of financial flexibilities for the repayment of longer-term debt. Some councils are also committing reserves to contingency or financial sustainability funds to cushion the impact of known financial challenges in the years ahead or to help fund transformation, potential workforce reconfiguration or pay settlements.

The level of reserves as a proportion of total net revenue expenditure is higher in 2022/23 than before the pandemic

51. In 2022/23, the total usable reserves across all councils as a proportion of total net revenue expenditure was 27.3 per cent compared to 20.4 per cent in 2019/20 before the pandemic ([Exhibit 11, page 21](#)).

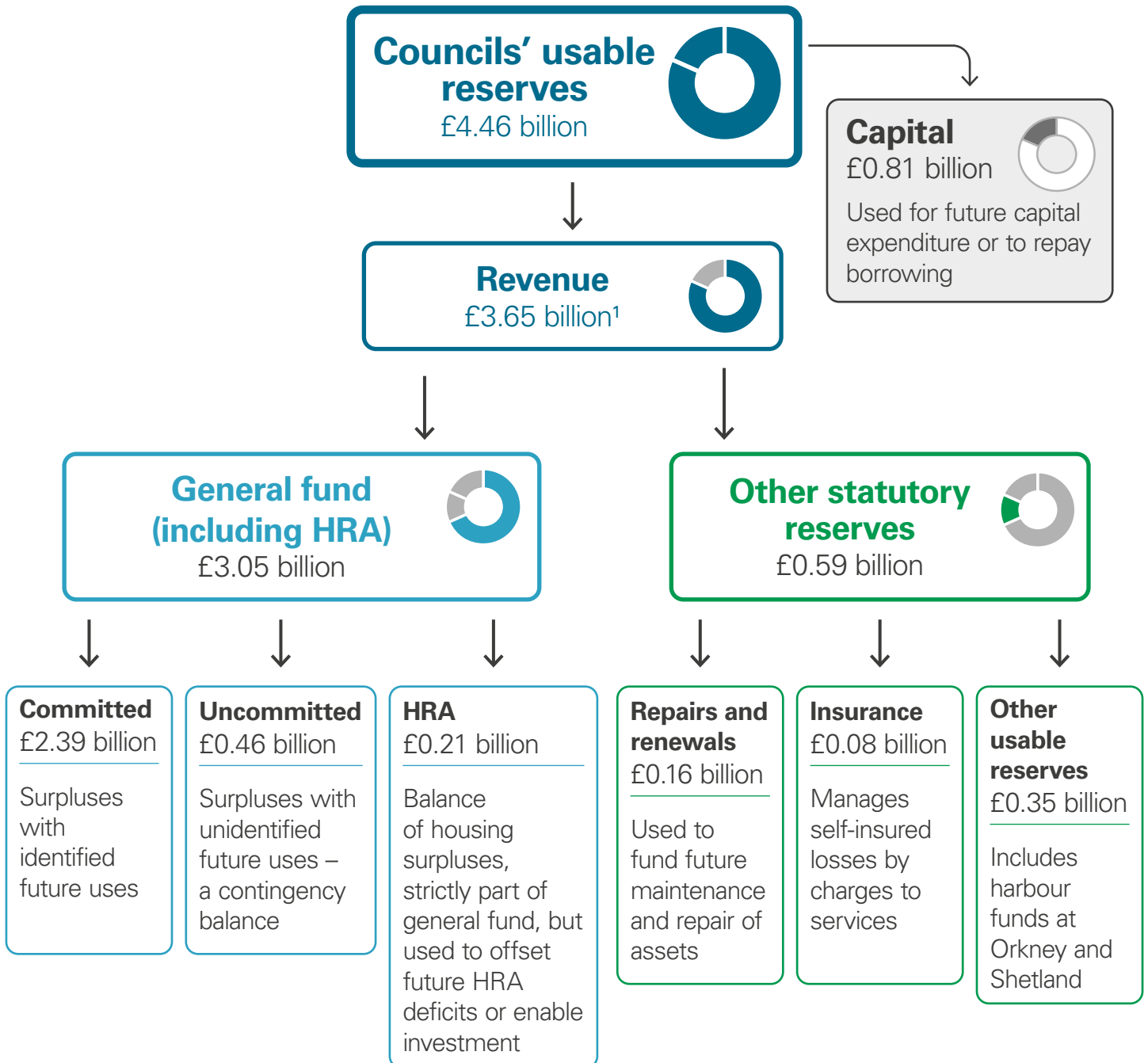
52. In 2022/23, no council had usable reserves that were less than ten per cent of net revenue expenditure compared to four councils in 2019/20. Twenty councils had reserves that were over 20 per cent of net revenue expenditure, compared to nine in 2019/20.



Looking at the level of **reserves as a proportion of total net revenue expenditure** is one way of assessing financial sustainability. A low figure may suggest that a council will struggle financially if it experiences a financial shock or is unable to deliver a budget where income matches expenditure.

Exhibit 10.

The nature and value of councils combined usable reserves, 2022/23

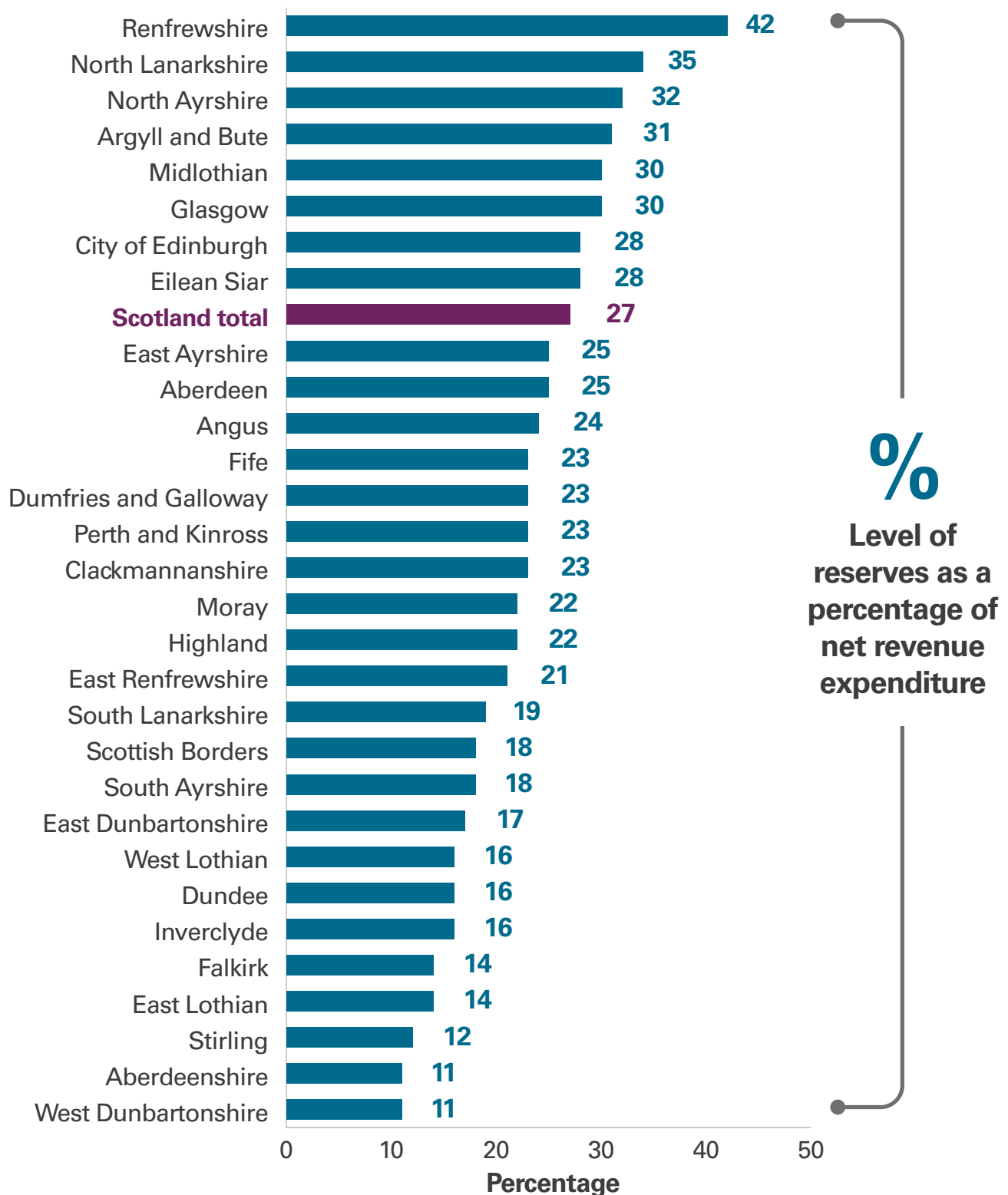


Note 1. Total figure doesn't match subtotals due to rounding.

Source: Councils' annual accounts 2022/23 (audited and unaudited)

Exhibit 11.

Level of usable reserves as a proportion of net revenue expenditure, split by council, 2022/23



Note: Orkney and Shetland are excluded from this chart as both hold large reserves (over 200 per cent of net cost of services) related to oil, gas and harbour related activities.

Source: Councils' annual accounts 2022/23 (audited and unaudited)

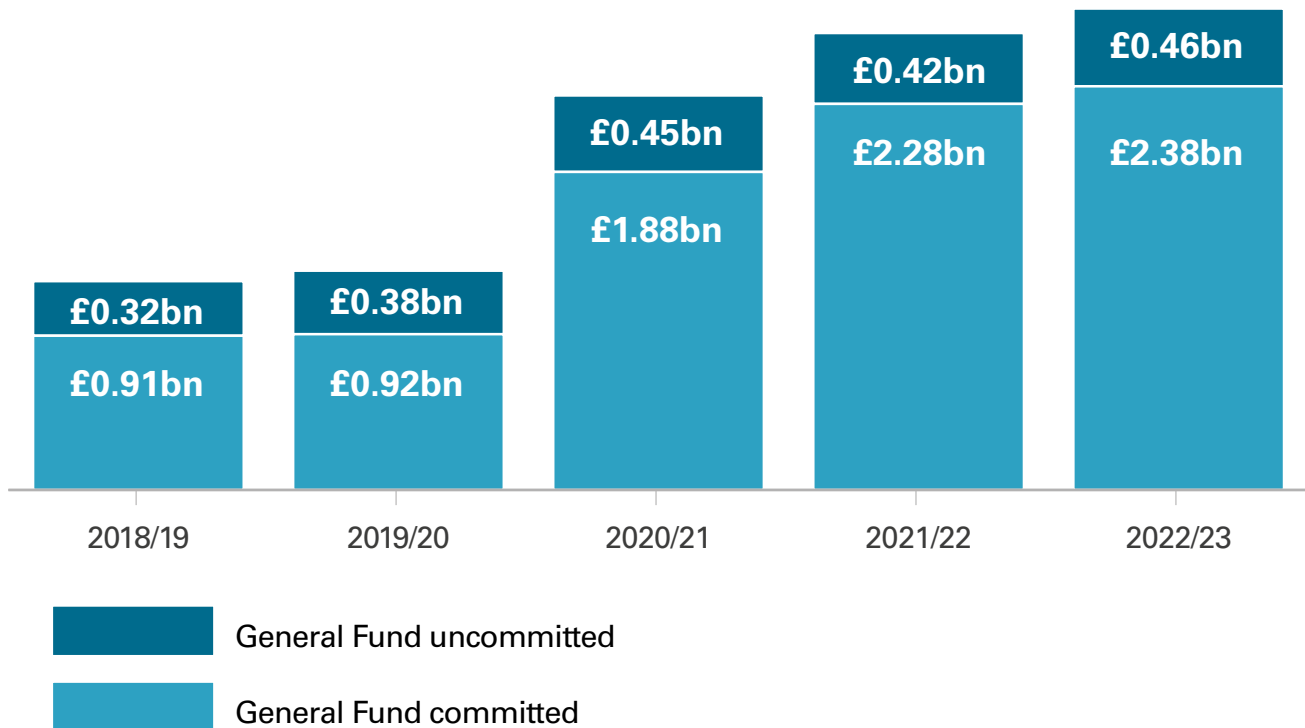
Councils increased their general fund reserves, but this is driven by growth in committed funds

53. In 2022/23, councils increased their total General Fund reserves (excluding any HRA element which not all councils have) by £0.1 billion (4.8 per cent) to £2.84 billion compared to 2021/22.

54. Committed funds have increased by £0.1 billion (4.6 per cent) since 2021/22 and by £1.47 billion (159 per cent) since 2019/20 ([Exhibit 12](#)).

Exhibit 12.

National General Fund balance, 2018/19 to 2022/23, cash terms



Note: This chart excludes HRA.

Source: Councils' annual accounts (audited and unaudited)

55. Paragraph 50 outlines some of the reasons for growth in committed funds in the past year. Based on data extracted from 2022/23 accounts, we calculate that remaining Covid-19 funding makes up around nine per cent of the total committed General Fund balance, but it is difficult to provide an exact figure for this and it may actually be higher. The continued lack of consistent transparency and detail in annual accounts around what and when reserves are committed for, and their associated spending plans, makes conclusions in this area difficult to draw.

Recommendation

Councils should provide clear statements about reserves policy and explicitly set out the purpose of committed reserves within their annual accounts. This will enhance the level of assurance that councils can provide regarding their ongoing financial sustainability.

Some councils hold very low levels of uncommitted reserves but have specific reserves earmarked for contingency instead

56. Councils have reserves policies in place that set out the rationale for the minimum reserves levels set by the council. Most councils plan to maintain uncommitted reserves at around 2 to 4 per cent of net budgeted expenditure as a contingency to respond to unforeseen events and associated cost pressures.

57. In 2022/23, five councils had an uncommitted reserve balance below two per cent of net budgeted expenditure. Low levels of uncommitted reserves present a risk as it limits a council's ability to cushion the impact of uneven cash flows, unexpected events or emergencies. However, a review of 2022/23 annual accounts for those with the lowest uncommitted balances found that these were planned decisions with specific reserve funds earmarked for contingency.

Councils' total net debt increased by £1 billion (six per cent) between 2021/22 and 2022/23

58. Total net debt (total debt less cash and investments) increased by £1 billion from £16.4 billion in 2021/22 to £17.4 billion in 2022/23 ([Exhibit 13, page 24](#)).

59. At a council level, net debt increased in 24 councils between 2021/22 and 2022/23. This compares to an increase in net debt in 15 councils in 2021/22, and eight in 2020/21.

Exhibit 13.

Councils' total net debt, 2018/19 to 2022/23



	2018/19	2019/20	2020/21	2021/22	2022/23
Net debt (£ billion)	15.7	17.1	16.2	16.4	17.4
Year-on-year % change		9.1%	-5.3%	1.4%	5.8%

Note: Orkney is excluded from the total net debt analysis as it has net investments.

Source: Councils' annual accounts (audited and unaudited)

60. There is significant variation between councils. Some councils have experienced very large increases in their net debt, with the highest increases being in South Ayrshire (29 per cent) and East Dunbartonshire (21 per cent). Both these councils were also among those with the highest increases in the previous year. West Dunbartonshire saw the largest decrease between these years, at seven per cent.

61. Glasgow City Council had the highest net debt at £2.1 billion, which represents a 10 per cent increase on the previous year. Shetland had the lowest net debt, but this had increased by 14 per cent compared to the previous year.

Councils' borrowing costs have reduced over the past nine years. However, decisions to reschedule debt repayment in recent years may create financial pressure in the longer-term

62. LGBF financial sustainability data for 2022/23 shows that the proportion of councils' general fund revenue budget being used to service debt has fallen from 8.4 per cent in 2013/14 to 5.4 per cent in 2022/23.

63. A key contributory factor to this has been the decision by councils to re-profile principal repayments over a longer period, in line with 2016 Loans Fund regulations. Some councils also used the financial flexibility afforded by the Scottish Government that permitted a reduction in the statutory repayment of debt in 2020/21, 2021/22 and 2022/23.

64. Although borrowing costs have reduced, the long-term affordability of these payments is an important element of councils' financial sustainability. There is a risk that decisions to reschedule debt repayments may add pressure on future budgets as it defers costs to later years and does not tackle the underlying challenges to financial sustainability.



Financial sustainability indicators included within the Local Government Benchmarking Framework (LGBF)

consider the affordability of councils' borrowing costs. The ratio of borrowing costs to net revenue budget highlights the revenue implications of existing and proposed capital expenditure. The indicator included in the LGBF identifies the proportion of the general fund revenue budget that is required to meet the cost of borrowing.

Scottish Government funding for 2023/24

Revenue funding to local government from the Scottish Government in 2023/24 saw a cash and real-terms increase on 2022/23

65. The initial core revenue funding settlement for local government in 2023/24 was £10.9 billion. At the 2023/24 autumn revision, an additional £1.5 billion in general revenue grant funding increased total funding to £12.5 billion. This is a 13.5 per cent increase in cash terms and a 7.0 per cent increase in real terms (in 2022/23 prices) on the 2022/23 position. Almost £1 billion was transferred from health to support social care and integration, over £0.25 billion was additional funding for school staff pay and £0.2 billion was transferred from education. ([Exhibit 14](#)).

Exhibit 14.

Scottish Government revenue funding (autumn budget revision), 2023/24 compared to 2022/23, in real terms

Scottish Government revenue funding	Cash terms			Real terms		
	2022/23 £ million	2023/24 £ million	change %	2022/23 £ million	2023/24 £ million	change %
Core revenue	10,999	12,482	13.5%	10,999	11,765	7.0%
General revenue grant	7,458	8,683	16.4%	7,458	8,184	9.7%
Non-domestic rates	2,766	3,047	10.2%	2,766	2,872	3.8%
Specific revenue grants	775	752	-3.0%	775	709	-8.5%

Note: Real terms calculation uses 2022/23 as base year.

Source: Scottish Government budget documents (autumn revision)

66. Over the past decade, the total value of specific revenue grants has steadily increased – see [Exhibit 16 \(page 28\)](#) for further details. However, at the latest 2023/24 budget revision (autumn) it decreased in both cash terms and real terms.

Councils' capital funding allocation for 2023/24 represents a real-terms decrease on 2022/23

67. The initial capital funding settlement for local government in 2023/24 was £747 million. At the autumn revision, capital funding was increased to £767 million. This represents a 2.6 per cent fall in cash terms and an 8.2 per cent fall in real terms compared to the same position in 2022/23.

68. Some capital funding is directed for specific policies. For example, £50 million capital to help with the expansion of the Free School Meals policy.

69. The capital funding outlook for the whole Scottish public sector is challenging and the Scottish Government is currently undertaking a programme of reprioritisation of capital projects. The continued pressure on capital budgets presents risks to local government capital programmes, many of which impact on key services (eg, schools, libraries, roads, etc). However, councils did increase their capital reserves by 40 per cent in 2022/23.

Councils' budget-setting for 2023/24

Councils' budget gaps increased significantly in 2023/24 compared to 2022/23

70. At the time of budgeting, from our sample of 30 councils, a total budget gap of £725 million was identified for councils' 2023/24 budgets, a significant increase on the £476 million identified in 2022/23. This represents 4.2 per cent of the net cost of services (in real terms) compared to 2.9 per cent in 2022/23.

71. All but three councils (East Lothian, Dundee and Highland) in the sample reported a higher budget gap in 2023/24 than 2022/23. The budget gaps for 2023/24 ranged from £5 million in Highland (0.6 per cent of net cost of services) to £77 million in South Lanarkshire (7.8 per cent of net cost of services). The wide range may be in part due to different approaches to budgeting rather than significant differences in cost and service pressures.

72. The most common bridging actions taken to set balanced budgets in 2023/24 were recurring savings (33 per cent), the use of reserves (27 per cent) and increases to council tax (18 per cent) ([Exhibit 15, page 27](#)).

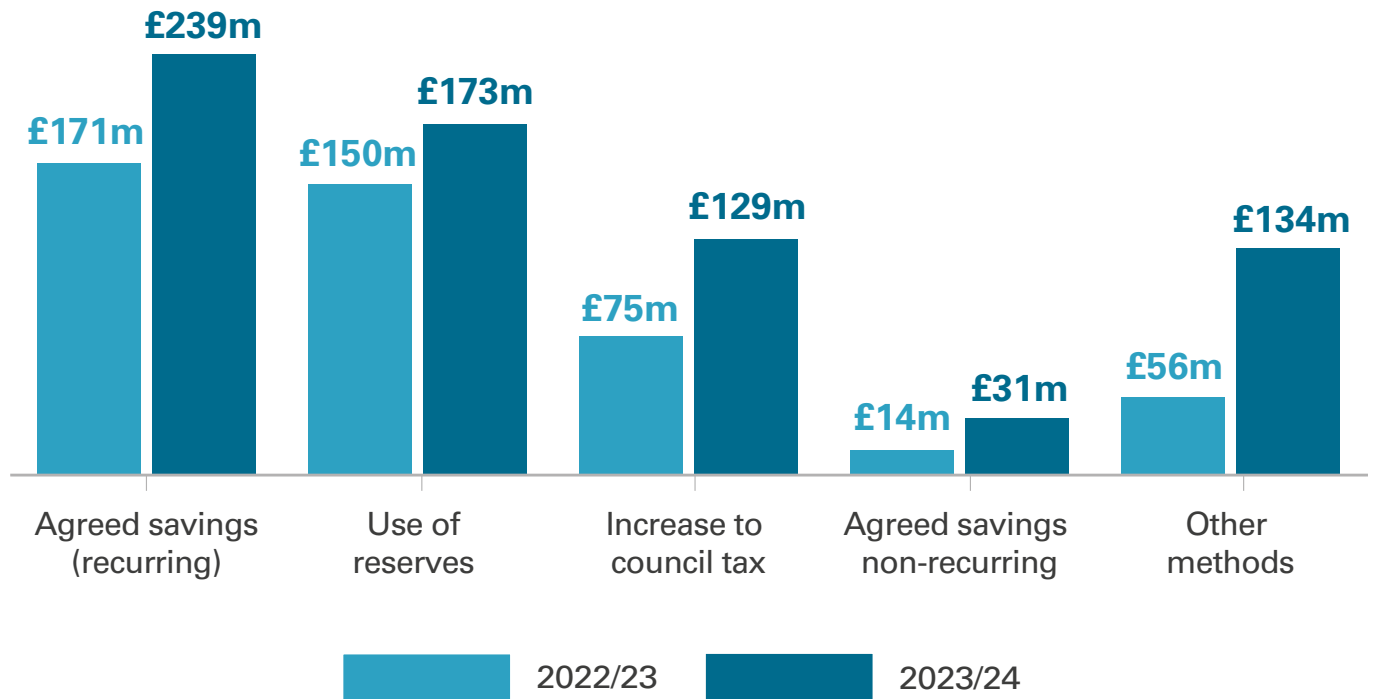
73. Some councils have already taken difficult decisions to address budget gaps through implementation of recurring savings options. However, in the face of public opposition, some councils have reversed decisions that related to the reduction or cessation of services as part of savings put forward for 2024/25. This illustrates the increasing challenges that councils are facing in delivering balanced budgets and highlights the need for proper and timely consultation over budget proposals.

Recommendation

Councils should ensure effective and timely consultation and engagement with communities on the options that must be considered to achieve a balanced budget.

Exhibit 15.

Councils' bridging actions to set their 2023/24 budget compared to 2022/23



Note: The chart elements for 2023/24 add up to £733 million which is higher than the total anticipated budget gap for 2023/24. This is because Dundee and North Lanarkshire reported bridging actions of greater value than their budget gap.

Source: Auditor data returns (30 councils in the sample)

Financial sustainability

In real terms, councils' core revenue funding is similar to levels a decade ago. However, over that time, councils' have experienced periods of reduced budgets and increasingly ring-fenced funding

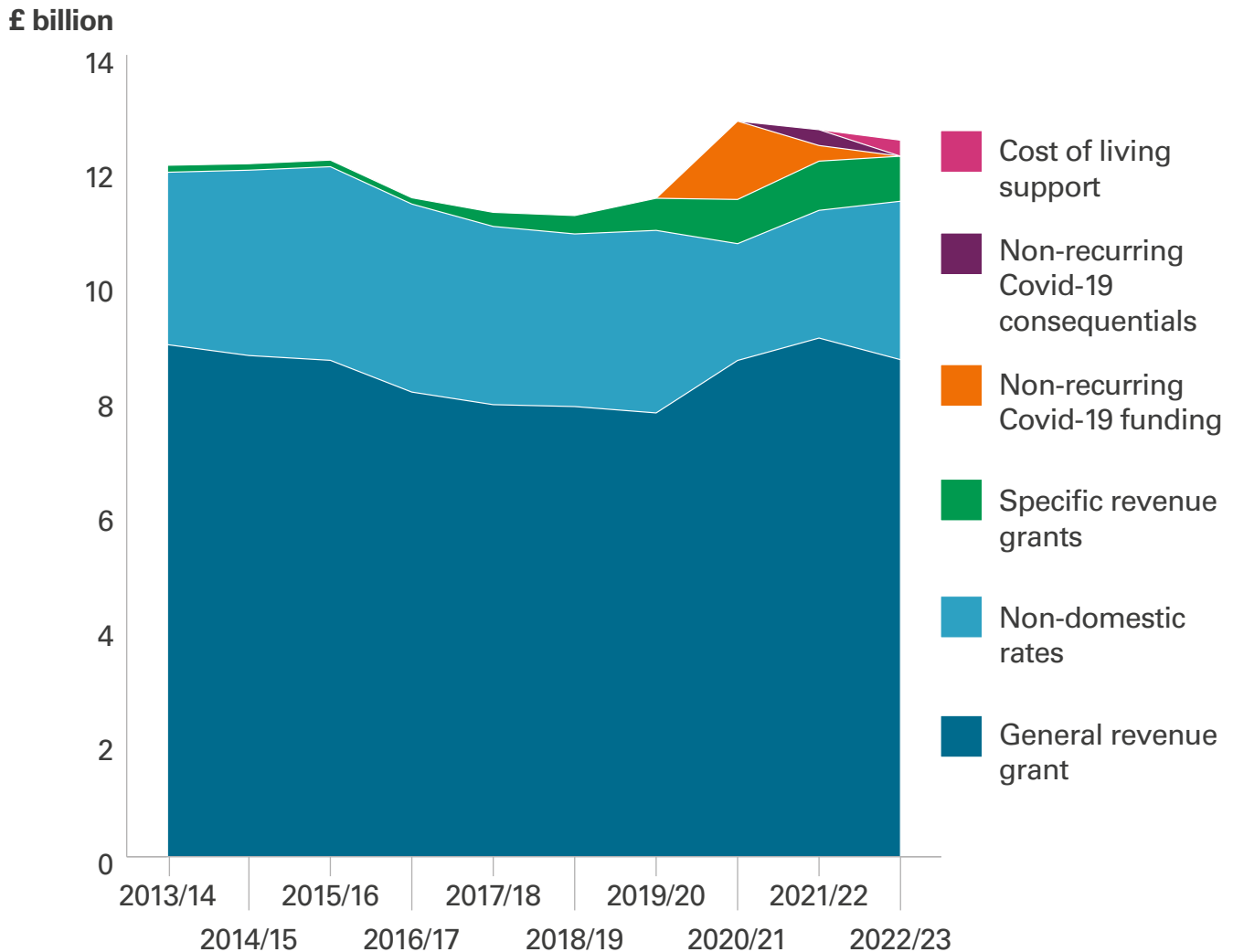
74. The £12.2 billion core allocation received by councils in 2022/23 compares to a real-terms value of £12.1 billion in 2013/14, a 1.3 per cent increase ([Exhibit 16, page 28](#)).

75. Over this period, in real terms the general revenue grant decreased year-on-year until 2020/21 and non-domestic rates also fell over the same period. During the pandemic, councils received additional core and specific non-recurring Covid-19 funding.

76. In real terms, the general revenue grant in 2022/23 is 2.9 per cent (£262 million) lower than in 2013/14 and income from non-domestic rates is 8.1 per cent (£244 million) lower.

Exhibit 16.

Scottish Government revenue funding to local government, real terms, 2013/14 to 2022/23



Source: Scottish Government budget documents (spring revision) for 2014/15 to 2022/23 and actual figures for 2013/14 (from 02/2014 circular) as budget documents were not available

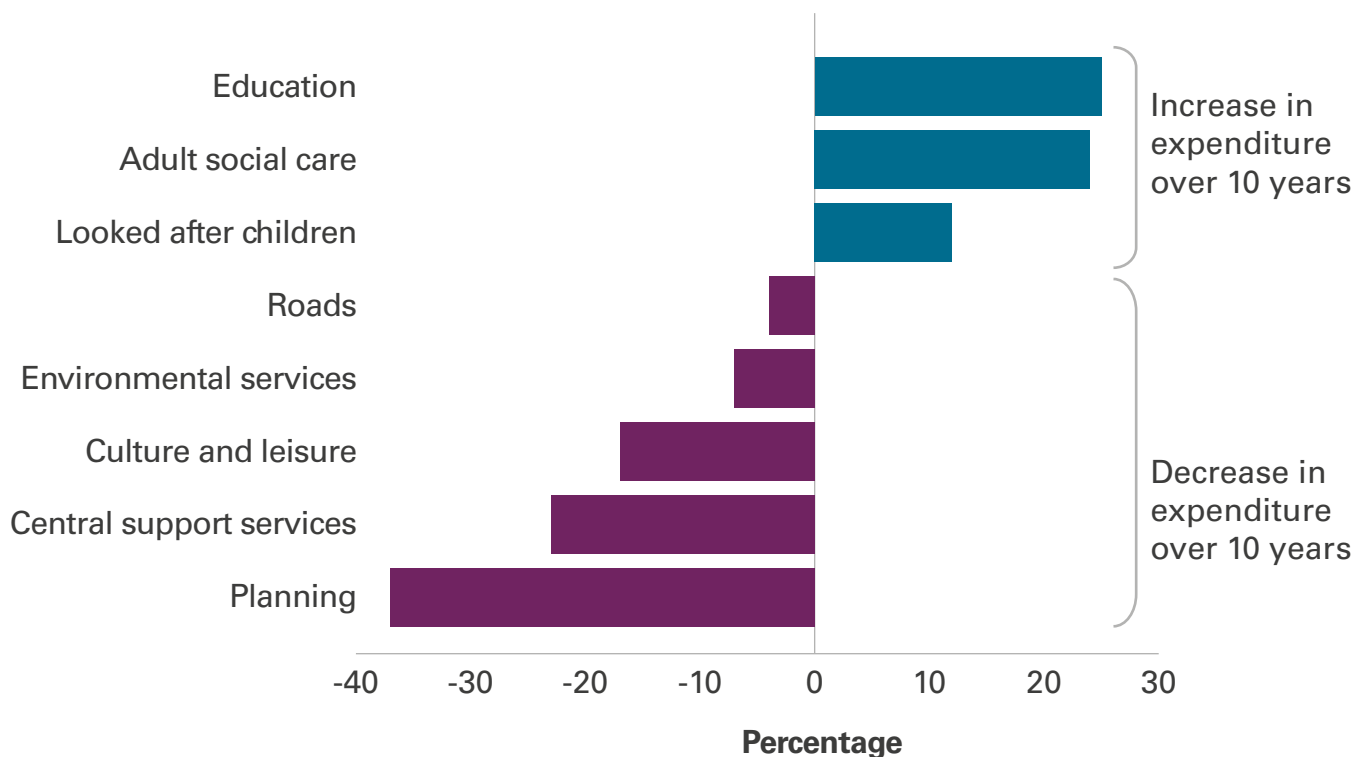
77. Specific revenue grants have increased by over 500 per cent (£663 million) across the same period in real terms (although there was a reduction in 2022/23). This significant increase has been a key contributory factor in keeping the overall local government budget at a similar level. These grants are to support the delivery of specific national policies, for example the expansion of early learning and childcare, rather than provision of flexible funding for councils to use at their discretion.

As demand for council services continues to rise, councils have reduced spending on 'unprotected' services to balance budgets

78. As we reported in our [Local government in Scotland: Overview 2023](#) report in May 2023, over the last decade, there is a clear divergent pattern of spending on council services. Spending on children's services (education and looked after children) and adult social care has been protected and increased because of increased demand and national policy directives. This means that the remaining 'unprotected' services have borne a disproportionate level of spending reductions ([Exhibit 17](#)).

Exhibit 17.

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



Source: Improvement Service

Councils' medium- and longer-term financial plans demonstrate a clear recognition of the significant financial challenges that lie ahead

79. Councils' medium- and longer-term financial plans provide a clear picture of the challenging and volatile financial landscape that they face. Significant pressures resulting from increased demand for services, inflation, and legislative reform, as well as the continuing financial impacts of the Covid-19 pandemic and cost of living crisis, feature strongly.

80. Generally, these plans also set out projected budget gaps over the medium and longer term, highlighting the scale of the challenge and the level of savings required to continue to deliver balanced budgets in the years ahead.

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

Some councils use indicators to assess their financial resilience but the extent to which they are used and their effectiveness varies

82. From a sample of 30 councils, an assessment of financial resilience arrangements found all but five use the **financial sustainability indicators** from the local government benchmarking framework (LGBF) in local reporting. Of the same sample, only six use the CIPFA Resilience Index. The extent of this reporting also varies. Some councils provide regular reports to elected members, while others include detail on a less frequent basis in other documents, such as service plans or strategies.

83. Auditor returns indicated that in some cases, financial resilience indicators are not used to any great extent by councils on a regular basis. Financial resilience is instead built into day-to-day financial processes and strategies. In other cases, auditors highlighted the use of key financial ratios recommended by CIPFA Directors of Finance within the management commentary of the accounts or reporting upon financial resilience monitoring in their medium-term financial plans.



Financial sustainability indicators are a helpful tool for councils to measure performance and resilience on an ongoing basis. Councils have adopted different approaches to how they use indicators to monitor financial resilience.

Recommendation

Given the scale of the challenges, councils should strengthen their monitoring and reporting of financial resilience including clearer and more public-facing use of performance against financial resilience indicators and measures. Financial resilience indicators should be a component of councils' medium- and longer-term financial plans to provide assurance that they are balancing short-term pressures with robust planning for long-term financial sustainability.

The pensions' triennial funding valuation as at 31 March 2023 is not yet complete, but preliminary results suggest a potential positive impact on finances at some councils in the short term

84. The most recent triennial funding valuation took place across Local Government Pension Scheme pension funds at 31 March 2023. The main purpose of the valuation is to review the financial position of each fund and to set appropriate contribution rates for each employer for the upcoming three-year period as part of the fund's overall funding strategy.

85. Preliminary results across some pension funds show an improved funding position. An improved funding position may allow the fund to retain a surplus, change the investment strategy, take less funding risks, or reduce employer contributions.

86. Reducing employer contributions has the potential to create a 'windfall' effect for some councils, thus potentially reducing some of the cost pressures likely to be faced in 2023/24. This may allow councils some additional flexibility to manage immediate financial pressures while taking steps to enhance financial sustainability over the longer term. This will however require careful consideration at a local level. It is likely that auditors will monitor this closely as part of 2023/24 audits.

The Verity House Agreement and looking to the future

87. In June 2023, a new partnership agreement, the Verity House Agreement, was agreed between the Scottish Government and COSLA.

88. The partnership committed to:

- **From June 2023, a default position of no ring-fencing or direction of funding unless there is a mutual understanding of the reasons for a ring-fenced funding arrangement.** A reduction in the level of ring-fencing is likely to have a positive impact on the efficient and effective use of resources at a local level. Councils will experience increased local flexibility, providing greater scope to respond well to local needs in a targeted manner. However, good accountability for the use of public funds remains crucial. It is important therefore that the Scottish Government and COSLA work together to establish the right balance between direction and flexibility.
- **By the end of October 2023, undertake a joint review of specific grants and in-year transfers to local government.** The purpose of the review is to identify what funding can be baselined into the General Revenue Grant or General Capital Grant from the 2024/25 financial year to create more flexibility for councils in terms of their spending.
- **By the end of September 2023, agree a new fiscal framework which will govern the allocation of funding for local authorities and provide councils with increased control over their budget-setting processes. This includes multi-year settlements wherever possible to support strategic planning and investment.** The Accounts Commission has previously highlighted the importance of longer-term certainty in funding for councils, and the ongoing need for effective and robust financial management. This commitment in the Verity House Agreement is a welcome development.

89. Work in these areas remains ongoing, although at mid-December 2023 these milestones had not been met.

Recommendation

Councils should work with the Scottish Government to build momentum and accelerate progress in the development of a fiscal framework for local government to enhance the clarity and certainty of budgets for councils in future years.

90. In October 2023, the First Minister unexpectedly announced a council tax freeze for 2024/25 and the postponement of Scottish Government proposals to increase the council tax multipliers for properties in bands E to H, by 7.5 per cent, 12.5 per cent, 17.5 per cent and 22.5 per cent. This was done without consultation with COSLA. Following greater reliance on increasing council tax to help deliver a balanced budget over the past two years, indications were that many councils were planning to increase council tax again for 2024/25.

91. The **Fraser of Allander Institute** modelled that 'if councils were planning increases that mirrored last year's (5.4 per cent), fully funding the freeze and cancellation of the multipliers would cost £329 million – £148 million for the former and £182 million for the latter'.

92. In the Scottish Budget on 19 December 2023, £144 million was allocated to 'fully fund' the council tax freeze, with the Scottish Government stating this is equivalent to a five per cent increase. Details on what this means for individual councils were not available at this time.

93. The impact of the freeze on councils' financial sustainability is not yet known and we will monitor this in our future audit work. However, even when 'fully funded' a council tax freeze suppresses the growth of the council tax base over that period and the income generated when the freeze is lifted is potentially lower than if councils were able to make tax raising decisions at a local level. The latest council tax freeze follows decisions by the Scottish Government to freeze council tax between 2008/09 and 2016/17 and in 2021/22, as well as cap increases at three per cent in 2017/18 and 2018/19.

94. The Scottish Government published their single year 2024/25 budget on 19 December 2023. The 2024/25 initial core revenue and capital settlement for local government is £12.3 billion which is a 1.7 per cent cash increase on the 2023/24 initial settlement. An additional £144 million has been allocated to fund the council tax freeze. A number of elements that were previously specific grants have been baselined into the general revenue grant including early learning and childcare expansion and the Living Wage funding. We will examine the implications of the Scottish Budget for councils' own budget setting in a budget briefing in spring 2024.

Local government in Scotland
Financial bulletin
2022/23



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 Email: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk

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Publication: A renewed focus on the sustainability of social care

December 14, 2023 by [Accounts Commission](#)



The pressures on social care services

Blog: by Angela Leitch, member of the Accounts Commission

At their best, social care services enable people to not just live the life they choose, but to thrive. The services provided by councils, private and third sector organisations, include personal and practical support, from help at home through to care homes and assisted living.

Social care services need to shift and adapt as our society changes too. In many communities people are now living longer but often that means living with increasingly complex health and care needs. The ageing population (sometimes called the demographic time bomb) and increasingly complex needs are all creating pressures on health and social care services.

These pressures have led to a crisis across our social care services. Service providers are struggling to deliver the help, support and quality of service people need.

Recruitment of care and support staff is an enormous challenge. Low pay, often long and demanding working hours make it difficult to recruit and retain staff. We know too that increasing costs are making it more challenging for many providers to continue to deliver services.

The Accounts Commission is keen to understand how the challenges social care providers face can be turned around, enabling those that need support to receive the best possible help. There must be sufficient time, staff and resource to look at the needs of individuals holistically and with a preventative focus.

There has been a lot of discussion about the issues facing social care since the [review by Derek Feeley of adult social care, published in February 2021](#), and scrutiny of the [National Care Service \(Scotland\) Bill](#) (the Bill) has continued the public debate of the need for change in the sector. Quite rightly time needs to be taken over planning and implementing the scale of the changes proposed in the Bill but the sector simply cannot wait for the reform that this is intended to bring. Action is needed now to ensure the sustainability of the sector and improve the availability and quality of social care services.

Focus must also be given to the specific local pressures seen across different areas of Scotland, in particular our rural and island communities. An ageing population, coupled with depopulation and the significantly increasing costs of delivering services in these communities is of real concern.

Audit and reporting on social care

The Accounts Commission want to support improvement in the sector. That's why we're making changes to how we report on social care issues.

We will continue to undertake detailed audits where we identify a specific issue that needs focused work, such as our current joint audit with the Auditor General for Scotland on the misuse of drugs and alcohol. We will produce national reports on these audits as well as briefings and blogs on other community health and social care issues that the Accounts Commission feels it is important to comment on publicly.

We're developing how we report on Integration Joint Boards (IJBs). IJBs are currently responsible for planning and commissioning social care services, as well as primary and community health care in local areas.

We plan to develop our yearly bulletin focused on the financial position of IJBs into an annual report that also comments on how effectively IJBs are performing and responding to the challenges in the community health and social care sector. This will include a 'spotlight' on a specific topic each year. The first of these will be on the commissioning and procurement of social care services. It's a really important factor for the sustainability of third sector and private providers of services, the capacity and wellbeing of the workforce and the availability and quality of the services people need. The first of these new reports will be published in Summer 2024. The [scope of this report](#) is outlined on our website.

Supporting this report, we will also host a stakeholder event, where we will discuss with and hear from those involved in social care about the challenges, risks and opportunities for the sector. Importantly, we also want to discuss these issues with people with lived experience of the services and reflect this in our work.

Together with my colleague, Malcolm Bell, I will be working closely with the Audit Scotland team developing the IJB report, as the Accounts Commission sponsors for this work. It is an exciting and important piece of work that will contribute to the conversations about reform and the difficult decisions ahead for the [sector](#).

Feedback

We're always interested in hearing your thoughts on the work we plan to do. If there are areas of social care, or the primary and community health responsibilities of IJBs that you think we should be considering as part of our ongoing programme of work please email the team at: socialcaresustainability@audit-scotland.gov.uk.