

South Lanarkshire Integration Joint Board

2022/23 Annual Audit Report



 AUDIT SCOTLAND

Prepared for South Lanarkshire Integration Joint Board and the Controller of Audit
September 2023

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Key messages

2022/23 annual accounts

- 1 Audit opinions on the annual accounts of the South Lanarkshire Integration Joint Board are unmodified. The financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

Financial management

- 2 Integration Joint Board's across Scotland continued to operate in a challenging environment in 2022/23 with SLIJB facing ongoing financial and operational challenges that have impacted on its capacity to progress its planned service developments. SLIJB reported an underspend of £11.7 million in 2023. This was primarily through underspends in employee costs within NHS Lanarkshire.
- 3 The SLIJB's underlying financial position is reflected in the movement in General Reserves. During 2022/23 General Fund reserves decreased by £47.338 million to £37.940 million. The reduction in reserves was predominantly in line with the IJB's financial plan. This included the Scottish Government's "reclaim" of unspent Covid-19 funding which was transferred through a reduction in IJB contributions from NHS Lanarkshire.
- 4 SLIJB has effective financial reporting and budget monitoring arrangements in place and financial systems of internal control operated effectively. However, there are opportunities to further improve budget monitoring reports to clearly demonstrate spend in the year, particularly those funded through reserves.

Financial sustainability

- 5 SLIJB set a balanced budget for 2023/24 by 31 March 2023. However, the financial position for 2023/24 is now at significant risk as a result of unforeseen cost pressures arising from the financial impact of the outcome of the Home Carers job evaluation process and the failure to agree a budget recovery plan at its 19 September 2023 meeting.
- 6 With pressures on public sector funding and rising cost pressures, SLIJB faces difficult decisions around the model and level of services it can provide in a financially sustainable and safe way.

Vision, leadership and governance

- 7 The governance arrangements are appropriate and operate effectively.
- 8 Work is underway to ensure that schemes of delegation and decision-making processes remain appropriate as the SLIJB moves into a post covid-19 phase.
- 9 The Integration Scheme which outlines the services which the SLIJB will deliver and the roles and responsibilities for the partnership was revised in January 2023

Use of resources to improve outcomes

- 10 SLIJB has appropriate arrangements in place for securing Best Value and these continue to be developed reflecting the financial and operational challenges faced.
- 11 IJB performance has been mixed as the lifting of Covid-19 restrictions has improved the access to services but patients generally attending hospital at a more acute phase of their symptoms.
- 12 The IJB Strategic Commissioning Plan clearly articulates the IJB priorities for the next 3 years. However, there is an opportunity to further develop the delivery of these through outcomes-based performance monitoring against the IJB's strategic priorities.

Introduction

1. This report summarises the findings from the 2022/23 annual audit of South Lanarkshire Integration Joint Board. The scope of the audit was set out in our 2022/23 Annual Audit Plan. An audit strategy letter was presented to the 28 March 2023 meeting of the Performance and Audit Sub Committee. The Annual Audit Plan was issued to the Performance and Audit Sub Committee members for consideration on 31 March 2023. This Annual Audit Report comprises:

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

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

Audit appointment from 2022/23

3. I, John Boyd, have been appointed by the Accounts Commission as auditor of South Lanarkshire Integration Board for the period from 2022/23 until 2026/27. The 2022/23 financial year was the first of my five-year appointment. My appointment coincides with the new [Code of Audit Practice](#) which was introduced for financial years commencing on or after 1 April 2022.

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

Responsibilities and reporting

5. South Lanarkshire Integration Board has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual

accounts that are in accordance with proper accounting practices. South Lanarkshire Integration Joint Board is also responsible for compliance with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

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

7. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management of South Lanarkshire Integration Joint Board from its responsibility to address the issues we raise and to maintain adequate systems of control.

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

Auditor Independence

9. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2022/23 audit fee of £31,470 as set out in our 2022/23 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

10. We add value to South Lanarkshire Integration Board by:

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

1. Audit of 2022/23 annual accounts

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

Main judgements

Audit opinions on the annual accounts of the South Lanarkshire Integration Joint Board are unmodified. The financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

Audit opinions on the annual accounts are unmodified

11. The annual accounts for the year ended 31 March 2023 were approved by the Performance and Audit Sub-Committee on 28 September 2023. As reported in the independent auditor's report in my opinion as the appointed auditor:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report was prepared in accordance with the financial reporting framework
- the management commentary and annual governance statement were consistent with the financial statements and properly prepared in accordance with the applicable requirements.

Overall materiality was assessed as £14 million

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

13. Our initial assessment of materiality was carried out during the risk assessment and planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#).

Exhibit 1

Materiality values

Materiality level	Amount
Overall materiality	£14 million
Performance materiality	£10.5 million
Reporting threshold	£250,000

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

15. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 75 per cent of overall materiality, reflecting a history of minimal errors and no significant issues noted during planning or from the previous audit team.

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

Significant findings and key audit matters

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

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

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

Exhibit 2

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

Issue	Resolution
<p>1. Recognition of Covid-19 funding reclaim</p> <p>During 2022/23 the Scottish Government wrote to Integration Joint Boards and health boards to notify them of their intention to “claw back” unspent Covid-19 funding. This was reclaimed through reductions in funding allocation to the health board for IJB related expenditure. This meant that the IJB would utilise its unspent Covid-19 reserves in year to meet unfunded costs. In the unaudited accounts, the treatment of the £19.540 million of Covid 19 funding repaid to the Scottish Government as gross expenditure in the year did not reflect the substance of the transaction. The substance of the transaction was that this was a reduction in funding from the health board rather than an additional cost to NHS Lanarkshire.</p>	<p>Management have updated the Integration Joint Board accounts to properly reflect the substance of the transaction. This reduces the funding received from the health board by £19.540 million and the reduction in income from the health board by the same amount. The net impact was £nil.</p>
<p>2. Additional costs of backdated pay in relation to Home Carers</p> <p>Following the completion of a job evaluation review of Home Care workers and settlement of ongoing legal dispute between South Lanarkshire Council and employee representatives, the Council became liable for backdated payments from effected staff with effect from October 2020. The Home Care workers are primarily involved in delivering IJB activity and therefore the backdated costs were recharged to the IJB.</p> <p>The total cost of the backdated pay award was £18 million. Following discussion between the Council and the IJB it was agreed that the Council would provide funding to support some of the costs incurred in year and reserves would be utilised to meet the remaining amounts in year. This was on the basis that the reserves would be funded again in 2023/24 on a one-off basis to support the IJB’s strategic financial plans.</p>	<p>Management have updated the Integration Joint Board accounts to correctly reflect the additional £18 million of expenditure in year, being the backdated payments. This has been partially offset by increased funding contribution from the Council of £4.9 million, the underspend at 31 March 2023 of £5.9 million across the SLC partner’s delegated budgets and the draw down of reserves of £7.2 million.</p> <p>The Council has agreed to reinstate the reserves funding of £7.2 million on a one-off basis in 2023/24. These reserves are an important part in the delivery of the IJBs medium to longer term strategic financial plans.</p>

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

20. We have obtained audit assurances over the identified significant risks of material misstatement in the annual accounts. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2022/23 Annual Audit Plan. It also summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3

Significant risks of material misstatement in the annual accounts

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of management override of controls</p> <p>International Auditing Standards require that audits are planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</p>	<p>Agreement of balances and transactions to South Lanarkshire Council and NHS Lanarkshire financial reports / ledger / correspondence.</p> <p>Assurances obtained from the auditors of NHS Lanarkshire and South Lanarkshire Council over the completeness, accuracy and allocation of income and expenditure.</p> <p>Reviewed significant adjustments at year-end where we considered there to be greatest risk of material misstatement through management override of controls.</p> <p>Reviewed financial monitoring reports during the year.</p>	<p>We undertook agreement of balances and transactions.</p> <p>We obtained assurances from the auditors of NHS Lanarkshire and South Lanarkshire Council.</p> <p>We also reviewed significant adjustments at year-end and financial monitoring reports during the year.</p> <p>Conclusion: We did not identify any incidents of management override of controls or indications of fraud or error.</p>

Source: Audit Scotland Annual Audit Plan

21. In addition, we identified “areas of audit focus” in our 2022/23 Annual Audit Plan where we considered there to be risks of material misstatement to the financial statements. These areas of specific audit focus were:

- **IJB funding** - The Scottish Government wrote to all IJBs in September 2022 indicating that, due to changes in public health policy, it intended to reclaim and re-distribute some IJB reserves which relate to Covid funding to meet current Covid priorities. It is anticipated that this will be achieved through a reduction in NHS funding allocations, ultimately reducing NHS Lanarkshire’s funding contribution to the IJB. We will review the disclosure of this within the annual accounts. This was reflected as an adjustment to the unaudited accounts as explained in item 1, Exhibit 2.

22. We kept these areas under review throughout our audit. Based on the findings of the audit procedures performed, there are no matters which we need to bring to your attention.

Two statements identified within the financial statements were adjusted in the final accounts

23. Other than the adjustment to reflect the substance of the material transaction in respect of the repayment of the Covid funding and also the inclusion of the additional costs of backdated pay in relation to Home Carers, both of which are detailed as significant findings in Exhibit 2, our audit identified no unadjusted misstatements above our reporting threshold. There were a small number of presentational adjustments to the Management Report and notes to the accounts. We are satisfied that these have been reflected in the final accounts.

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

24. The public notification for the inspection of the accounts was later than the 17 June 2023, primarily as a result of the date falling on the weekend. However, the unaudited annual accounts were received in line with our agreed audit timetable on 22 June 2023 and sufficient time was provided for public inspection. The accounts were of a good quality and were supported through supporting working papers.

Good progress was made on prior year recommendations

25. SLIJB has made good progress in implementing the audit recommendations identified by Audit Scotland, SLIJB’s previous external auditor. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

2. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

Main judgements

Integration Joint Board's across Scotland continued to operate in a challenging environment in 2022/23 with SLIJB facing ongoing financial and operational challenges that have impacted on its capacity to progress its planned service developments.

SLIJB reported an underspend of £11.7 million in 2023. This was primarily through underspends in employee costs within NHS Lanarkshire.

The SLIJB's underlying financial position is reflected in the movement in General Reserves. During 2022/23 General Fund reserves decreased by £47.338 million to £37.940 million. The reduction in reserves was predominantly in line with the IJB's financial plan. This included the Scottish Government's "reclaim" of unspent Covid-19 funding which was transferred through a reduction in IJB contributions from NHS Lanarkshire.

SLIJB has effective financial reporting and budget monitoring arrangements in place and financial systems of internal control operated effectively. However, there are opportunities to further improve financial reporting to align with the annual accounts.

The 2022/23 budget included planned savings and contributions from reserves to address the funding gap

26. SLIJB approved its 2022/23 budget in March 2022. The budget identified a funding gap of £8.499 million which was to be addressed through a combination of funding not utilised in 2021/22 (£4.945 million) (non-recurrent), employee turnover savings in health services (£1.677 million), efficiency savings in prescribing (£0.985 million) and the use of reserves (£0.892 million).

SLIJB returned an underspend in 2022/23

27. SLIJB does not have any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer and Chief Finance Officer. All funding and expenditure for SLIJB is incurred by partner bodies and processed in their accounting records.

28. SLIJB reported an underspend of £11.7 million in 2023. This was primarily through underspends in employee costs within NHS Lanarkshire.

29. The SLIJB's underlying financial position is reflected in the movement in General Reserves. During 2022/23 General Fund reserves decreased by £47.338 million to £37.940 million. The reduction in reserves was predominantly in line with the IJB's financial plan. This included the Scottish Government's "reclaim" of unspent Covid-19 funding which was transferred through a reduction in IJB contributions from NHS Lanarkshire.

Budget monitoring arrangements are appropriate however there is an opportunity for summarising the performance information to provide greater clarity around expenditure in the year, particularly that funded through reserves

30. Detailed budget monitoring reports were submitted to meetings of the Joint Board and the Performance and Audit Sub-Committee throughout the year. These included the year to date and forecast year-end outturn position along with details of the ongoing financial impact of Covid-19. The reports also set out the level of required efficiency savings that had been achieved to date.

31. The Chief Financial Officer presented a detailed year-end outturn report to members along with the unaudited annual accounts. This is a significant report which gives members a comprehensive overview of the financial position along with explanations for variances against budget and detail on the efficiency savings achieved.

32. The Joint Board generally has detailed and timeous budget reporting that allows members and the management team to carry out effective scrutiny of its finances. SLIJB Chief Officer and their team, through both partners, are committed to ensuring these arrangements are maintained to ensure the high standard of financial reporting continues to be further developed and strengthened, particularly in response to additional reporting demands and unforeseen circumstances.

33. While the financial performance information is presented in considerable detail, there is an opportunity to enhance the financial reporting.

Recommendation 1

The IJB financial plan and performance reports include considerable information including performance against service level spend, use of reserves, and key financial challenges faced. However, financial performance reports could be enhanced to provide greater clarity between expenditure incurred in the delivery of services against overall budget, including expenditure funded through the use of reserves. This would provide greater consistency between the outturn position reported in budget monitoring reports with the outturn position within the annual accounts. This is particularly prevalent when understanding financial performance where reserves are being used to fund expenditure in year.

SLIJB has appropriate financial control arrangements in place

34. SLIJB does not have its own financial systems and instead relies on partner bodies' financial systems. All financial transactions are therefore processed under the partner bodies' internal controls.

35. As part of our audit approach, we sought assurances from the external auditor of NHS Lanarkshire and South Lanarkshire Council. Neither the health board nor council auditors reported any significant weaknesses that could result in a risk to the annual accounts of the Joint Board.

Internal audit provided a reasonable level of assurance over the adequacy and effectiveness of the partnership's framework of governance, risk management and control arrangements for the year ending 31 March 2023

36. Internal audit provides the Joint Board with independent assurance on risk management, internal control, and corporate governance processes. SLIJB's internal audit function is carried out on a joint basis by the Chief Auditors of NHS Lanarkshire and South Lanarkshire Council and have now completed their 2022/23 audit work.

37. We found the internal audit functions to be operating effectively, and in line with the Public Sector Internal Audit Standards (PSIAS) requirements.

38. The Annual Assurance Report to the Joint Board in June 2023 which included the opinion that: overall, reasonable assurance can be placed on the adequacy and effectiveness of the partnership's framework of governance, risk management and control arrangements for the year ending 31 March 2023

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

39. In the public sector there are specific fraud risks, including those relating to tax receipts, welfare benefits, grants and other claims made by individuals and organisations. Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption.

40. SLIJB has adequate arrangements in place to prevent and detect fraud or other irregularities.

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

3. Financial sustainability

Financial Sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Main judgements

SLIJB set a balanced budget for 2023/24 by 31 March 2023. However, the financial position for 2023/24 is at significant risk as a result of unforeseen cost pressures arising from the financial impact of the outcome of the Home Carers job evaluation process and the SLIJB's failure to agree a budget recovery plan at its 19 September 2023 meeting.

With pressures on public sector funding and rising cost pressures, SLIJB face difficult decisions around the model and level of services it can provide in a financially sustainable and safe way.

SLIJB set a balanced budget for 2023/24 by 31 March 2023. However, the financial position for 2023/24 is now at significant risk as a result of unforeseen cost pressures arising from the financial impact of the outcome of the Home Carers job evaluation process and the SLIJB's failure to agree a budget recovery plan at its 19 September 2023 meeting.

42. The IJB set a balanced budget for 2023/2024 but this required the delivery of non-recurring funding solutions of £14.7 million, delivered through its funding partners.

43. As a result of the Home Carers Job Evaluation process, the IJB faces further recurring budget pressures in addition to those within the original budget of approximately £7 million per year in increased payroll costs.

44. Officers developed a budget recovery plan which identified options that aimed at addressing the budget gap of £7 million in year. The proposals were subject to SLIJB's sustainability and value option appraisal framework aimed at delivering financially viable and sustainable options while aiming to minimising the impact on services.

45. The draft recovery plan was presented to the IJB Board on 19 September 2023. The proposals were rejected by members with no alternative proposals. In the absence of a formal recovery plan, officers confirmed to members that they will now be obliged to mitigate cost pressures through urgent management actions. However, given the scale of the funding gap and the point in the year in which it has materialised, opportunities available to officers to mitigate cost pressures on a sustainable basis will likely be more limited thus increasing the difficulties in avoiding a budget overspend at year end and heightening the financial risk for 2024/25. Further delays in agreeing a recurrent budget recovery plan will make the delivery of proposals to achieve the required level of savings in 2023/24 more challenging and substantially add to the significant savings already required for 2024/25.

With pressures on public sector funding and rising cost pressures, SLIJB face difficult decisions around the model and level of services it can provide in a financially sustainable and safe way.

46. Management recognise that the scale of the challenge to make the IJB financially sustainable cannot be underestimated. In both delivery of the 2023/24 financial position as well as longer term financial sustainability the IJB face difficult decisions around the level and range of services the IJB can provide. This was reflected in the challenging decisions being considered in the recovery plan proposal. If IJB Members fail to agree a sustainable recovery plan for 2023/24, this will increase the challenge for future years. All members have a responsibility for working constructively and demonstrating strong cohesive leadership to fulfil the IJB's duties and meet these challenges on behalf of local people.

47. The IJB has used scenario planning over the outlook of cost pressures in future years. In respect of 2023/2024 and 2024/2025 and including the additional recurring cost of the care at home services job evaluation of £7m, the IJB forecast cost pressure increases range from £33.043 million (optimistic) to £49.886 million (pessimistic). The planning forecast for 2023/2024 and 2024/2025 is £37.846 million.

48. The IJB Chief Officer, Chief Financial Officer, and both partners are committed to ensuring the Joint Board has a clear financial and operational strategy underpinning its service priorities.

49. The implementation of the Strategic Commissioning Plan 2022-2025 and the alignment of the Joint Board resources to the agreed priorities and necessary transformational service changes is being progressed. The extent of the challenges means that services will need to change if they are to be sustainable in the future. SLIJB has developed a medium-term financial forecast 2023-26. This reflects the financial pressures and uncertainty facing the IJB.

50. SLIJB is required to make efficiency savings to maintain financial balance. SLIJB holds a general fund reserve, which is used to smooth financial variations over the years. At 31 March 2023, the general fund balance amounted to £37.940 million compared to £85.278 million at 31 March 2022.

51. [Exhibit 5](#) below sets out the reserve balances of the IJB between 2018/19 to 2022/23.

Exhibit 5

Reserves 2018/19 to 2022/23

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Total Ring-Fenced Reserves	5.266	1.825	27.139	55.726	19.470
Total Earmarked Reserves	3.949	2.428	7.945	13.528	6.963
Contingency	1.808	1.920	1.935	16.024	11.508
Total Reserves	11.023	6.173	37.019	85.278	37.940

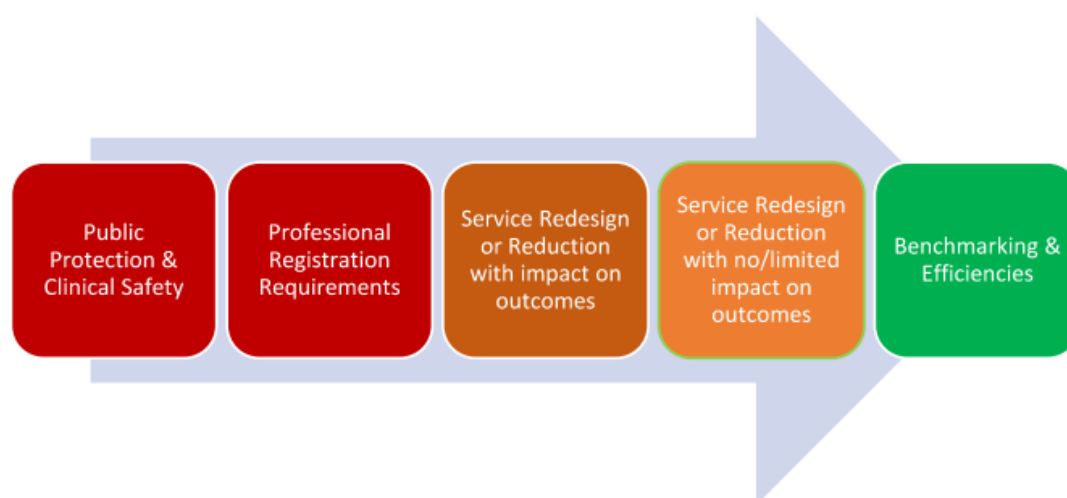
Source: South Lanarkshire Integration Joint Board annual accounts 2018/19 to 2022/23

52. Given the level of funds held in reserve, it is essential that SLIJB has a clear plan on how and when monies will be spent. Management prepared a reserves plan which was considered by the Joint Board in March 2023. For 2023/24 the IJB has agreed to utilise non-recurring funding to support the financial position. However, it is recognised that this is not sustainable over the medium term.

53. SLIJB has approved a Sustainability and Value Programme Approach. This aims to deliver a sustainable operating model using an option appraisal model designed by officers to consider various proposals around delivery of recurring savings.

Exhibit 6

SLIJB Sustainability and Value Option Appraisal Screening Scale



Source: South Lanarkshire Integration Joint Board Financial Forecast 2023-26

54. SLIJB is in the process of identifying a range of options to secure recurring savings effective from 1 April 2024. These will be considered through the Sustainability and Value Option Appraisal Screening approach to align to the SLIJB's key priorities. The approach recognises the significant challenges and difficult decisions facing the SLIJB and its wider partners. It is important that the IJB demonstrates clear alignment to strategic priorities and outcomes when allocating resources and making difficult decisions around potential areas of disinvestment.

4. Vision, leadership and governance

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

Main judgements

The governance arrangements are appropriate and operate effectively.

Work is underway to ensure that schemes of delegation and decision-making processes remain appropriate as the SLIJB moves into a post Covid-19 phase.

The Integration Scheme which outlines the services which the SLIJB will deliver and the roles and responsibilities for the partnership was revised in January 2023

Governance arrangements are appropriate and operate effectively.

55. We consider that governance arrangements are appropriate and support effective scrutiny, challenge and decision making.

56. The SLIJB governance framework is set out in the South Lanarkshire IJB Code of Corporate Governance. This comprises the systems, processes and values by which the IJB is governed. The Code of Corporate Governance has been developed to ensure it is consistent with the seven core principles of the Delivering Good Governance in Local Government Framework (CIPFA 2016).

57. Recognising the financial challenges facing the organisation, SLIJB increased the Chief Financial Officer capacity during 2022/2023. This involved making the CFO role as a full-time position replacing the previous role that was shared with North Lanarkshire Council IJB.

Work is underway to ensure that schemes of delegation and decision-making processes remain appropriate

58. As a result of restrictions imposed during Covid-19, in order to make timely strategic and operational decisions and maintain service continuity and vital support for vulnerable people, between 26 October 2021 and 20 June 2023, authority was delegated by the IJB to the IJB Chief Officer, in consultation with the IJB Chair, IJB Vice-Chair, or their nominated deputies as necessary, the NHS Lanarkshire Chief Accountable Officer and Director of Finance and the South Lanarkshire Council Chief Executive and Executive Director of Finance and Corporate Resources. While we understand the rationale for the amendments to the scheme of delegation in light of the Covid-19 pandemic, the IJB should look to ensure the decision-making processes are appropriate to support sustainability and recovery.

59. As a matter of good governance, the SLIJB Standards Officer is undertaking a review of the SLIJB Chief Officer's Scheme of Delegation to ensure that it continues to be appropriate for the current and anticipated operating environment. The outcome of this review will be considered by the SLIJB during 2023/2024

Revisions to the Integration Scheme have been concluded

60. The Public Bodies (Joint Working) (Scotland) Act 2014 requires Health Boards and Local Authorities to integrate planning for, and delivery of certain adult health and social care services. The Integration Scheme sets out the agreement through which the health board and local authority will work in partnership to do this.

61. The South Lanarkshire Health and Social Care Integration Scheme was revised during the year and agreed in January 2023. The Integration Scheme outlines how SLIJB and the key partners will deliver on the nine National Health and Wellbeing Outcomes.

Climate change arrangements

62. The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change.

63. SLIJB are required to comply with the Climate Change (Scotland) Act 2009. Climate change is considered through key decision making as being a standard item for consideration on documents to the IJB Board committees to ensure climate change implications are subject to evaluation. As part of our audit work over NHS Lanarkshire and South Lanarkshire Council we consider the arrangements in place over climate change.

64. The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work.

Cyber security

65. There continues to be a significant risk of cyber-attacks to public bodies, and it is important that they have appropriate cyber security arrangements in place. A number of recent incidents have demonstrated the significant impact that a cyber-attack can have on both the finances and operation of an organisation.

66. The IJB primarily rely on the cyber security arrangements in place at the key strategic partners (South Lanarkshire Council and NHS Lanarkshire). The IJB rely on the cyber security arrangements in place at the key strategic partners. While frontline service delivery is the responsibility of the health board and council, during 2022/23 there was no formal assurance around the adequacy or effectiveness of cyber security arrangements in place.

Recommendation 2

There is an opportunity to enhance the assurances provided to the SLIJB in relation to cyber security risks and arrangements in place at the partner bodies in preventing potential threats to the IJB.

5. Use of resources to improve outcomes

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

Conclusion

SLIJB has appropriate arrangements in place for securing Best Value and these continue to be developed reflecting the financial and operational challenges faced.

IJB performance has been mixed as the lifting of Covid-19 restrictions has improved the access to services but patients generally attending hospital at a more acute phase of their symptoms.

The IJB Strategic Commissioning Plan clearly articulates the IJB priorities for the next 3 years. However, there is an opportunity to further develop the delivery of these through outcomes-based performance monitoring.

Performance reporting within the Management Commentary was of a good standard

67. Management Commentaries included in the annual accounts should provide information on a body, its main objectives and the principal risks faced. It should provide a fair, balanced and understandable analysis of a body's performance as well as helping stakeholders understand the financial statements.

68. Management are committed to clear and transparent reporting of financial and non-financial information. This is reflected in the management commentary. The commentary reflects IJB's performance during the year including reporting the financial performance for the year as well as impact of Scottish Government's recovery of unspent Covid-19 funding.

SLIJB has appropriate arrangements in place for securing Best Value and these continue to be developed reflecting the financial and operational challenges faced

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

70. In order to secure financial sustainability and achieve best value, the SLIJB have developed a Sustainability and Value Programme 2023/2024.

IJB performance has been mixed as the lifting of covid-19 restrictions has improved the access to services but patients generally attending hospital at a more acute phase of their symptoms.

71. The Public Bodies (Joint Working) (Scotland) Act 2014 requires the IJB to produce an annual performance report covering areas such as assessing performance in relation to national health and wellbeing outcomes, financial performance and best value, reporting on localities, and the inspection of services.

72. Performance reports are presented to the Performance and Audit Sub-Committee throughout the year covering the six ministerial steering group (MSG) performance measures. Performance in 2022/23 against these measures has been mixed. There was a small reduction in the number of emergency admissions and A&E attendances. However, there was a deterioration in the number of unscheduled hospital bed days and acute bed days lost to delayed discharges.

73. In evaluating the performance, Management have identified that the removal of Covid-19 restrictions has enhanced the access to care and services. However, patients are generally attending hospitals at more acute stage of care and requiring more rehabilitation time and consequently longer periods of stay.

Discharge Without Delay pathfinder project seeks to reduce delayed discharges and enhance the patient journey.

74. The IJB endorsed the NHS Lanarkshire Discharge Without Delay pathfinder programme which is hosted within the South Lanarkshire Health and Social Care Partnership. To support earlier discharge and potential admission avoidance, the planned date of discharges was promoted across all hospital sites.

75. The pathfinder programme has been incorporated into Operational FLOW (Focused, Lanarkshire, Optimal, Whole System). Operation FLOW focuses on the process a patient moves through hospital, from admission to discharge. The Work is ongoing to improve “flow” with increasing pre-noon discharges where possible. The IJB is working with NHS Lanarkshire, South Lanarkshire Council, Scottish Ambulance Service and the third sector in supporting the patient journey. This includes volunteer recruitment, induction and training and system development to ensure the volunteers involved are an integral part of the discharge process where applicable and patients are supported to feel safe.

The IJB Strategic Commissioning Plan clearly articulates the IJB priorities for the next 3 years. However, there is an opportunity to further develop the delivery of these through outcomes-based performance monitoring.

76. The Strategic Commissioning Plan 2022-25 was approved in March 2022. The plan identifies the key priority areas for the SLIJB, working with its key partners: South Lanarkshire Council, NHS Lanarkshire, Community Planning Partners, staff, service users, carers and communities over the next three years. The plan identifies key priority areas:

- to ensure that early intervention, prevention and inequalities are much more prominent across all service areas
- to increase access to a greater variety of activities and supports that address mental health and addictions
- to continuously improve the models of care so everyone is assured that SLIJB can sustain the delivery of core functions and statutory responsibilities – and in a manner that delivers for the region’s diverse communities.

77. The Plan identifies 12 strategic outcomes with a key area of work being focus on the whole system action to improve unscheduled care. The Strategic Commissioning Plan informs the directions issued by SLIJB to NHS Lanarkshire and South Lanarkshire Council for the frontline service delivery. These outcomes inform Performance Monitoring reports.

78. While SLIJB performance reports align to the MSG Performance measures and are supported with wider updates on performance, there is an opportunity for the SLIJB to continue to enhance its performance monitoring arrangements to clearly link the strategic priorities to target outcomes and reflect these through performance monitoring reports.

Recommendation 3

In setting the IJBs strategic priorities, as outlined in the Strategic Commissioning Plan, there is an opportunity for the IJB to clearly define its target performance outcomes and monitor progress against these. Given the financial and operational pressures facing the IJB this will allow the organisation to clearly articulate its priorities and targeted outcomes and the extent to which these are achieved.

Appendix 1. Action plan 2022/23

2022/23 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Financial monitoring</p> <p>The IJB financial plan and performance reports include considerable information including performance against service level spend, use of reserves, and key financial challenges faced. However, financial performance reports could be enhanced to provide greater clarity between expenditure incurred in the delivery of services against overall budget, including where reserves are being used to fund expenditure. This would provide greater consistency between the outturn position reported in budget monitoring reports with the outturn position within the annual accounts.</p> <p>Risk – There is a risk that there is not clear and transparent reporting</p>	<p>The body should review financial monitoring reports to ensure there is clear alignment between total expenditure incurred and service / activity level spend through the accounts. This should include planned spend against reserves to ensure there is transparency over the outturn position.</p> <p>33. 33.</p>	<p>Agreed</p> <p>The IJB financial monitoring reports for the current financial year 2023/2024 have been improved to ensure there is transparency in respect of the impact of reserves funding on the year-to-date position.</p> <p>Action will continue to be taken to develop the financial monitoring reports further to ensure there is alignment between total expenditure incurred and service / activity level spend through the accounts, including transparency over the outturn position.</p> <p>Responsible Officer Chief Financial Officer</p> <p>Timing March 2024</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>2. Cyber security assurances</p> <p>The IJB rely on the cyber security arrangements in place at the key strategic partners. While frontline service delivery is the responsibility of the health board and council, during 2022/23 there was no formal assurance around the adequacy or effectiveness of cyber security arrangements in place.</p> <p>Risk – There is a risk that the IJB does not have sufficient assurance over cyber security arrangements to prevent, detect and manage potential cyber-security threats.</p>	<p>There is an opportunity to enhance the assurances provided to the SLIJB in relation to cyber security risks and arrangements in place at the partner bodies in preventing potential threats to the IJB.</p> <p>66. Paragraph 66.</p>	<p>Agreed</p> <p>Formal assurances will be obtained from the health board and council partners in respect of the adequacy and effectiveness of the cyber security arrangements in place across the responsibilities delegated to the IJB.</p> <p>Responsible Officer</p> <p>Chief Financial Officer</p> <p>Timing</p> <p>March 2024</p>
<p>3 Performance reports</p> <p>SLIJB's performance reports align to the MSG Performance measures and are supported with wider updates on performance. However, there is an opportunity for the SLIJB to continue to enhance its performance monitoring arrangements to clearly link the strategic priorities to target outcomes and reflect these through performance monitoring reports.</p> <p>Risk – There is a risk that the IJBs performance measures do not align to the organisation's strategic priorities to allow the Board to monitor performance and delivery of these</p>	<p>The IJB should clearly define its target performance outcomes and monitor progress against these. Given the financial and operational pressures facing the IJB this will allow the organisation to clearly articulate its priorities and targeted outcomes and the extent to which these are achieved.</p> <p>Paragraph 78.</p>	<p>Agreed</p> <p>Given the financial and operational pressures facing the IJB, the performance reports will be further defined to clearly articulate the agreed priorities and targeted outcomes and the extent to which these are achieved.</p> <p>Responsible Officer</p> <p>Head of Commissioning and Performance</p> <p>Timing</p> <p>March 2024</p>

Follow-up of prior year recommendations 2021/22

Issue/risk	Recommendation	Agreed management action/timing
<p>PY1. Reserves</p> <p>The IJB held reserves amounting to £8.278 million at 31 March 2018, £5.998 million of which was brought forward from 2016/17 for “earmarked” purposes. (<i>External Audit Action 2017/2018</i>)</p> <p>Risk: Members may not be clear on the purpose of earmarked funds held by the IJB and when the costs will be incurred, and this may affect the accuracy of medium/long term planning.</p>	<p>As part of the annual budget setting process, a review of reserves, including earmarked balances, should be undertaken and reported to the IJB. The IJB should ensure that where funds are earmarked these are used as planned to deliver the intended service benefits.</p>	<p>Completed</p> <p>A comprehensive review of the IJB reserves was undertaken to confirm the IJB Reserves Plan 2023/2024 – 2025/2026 which was included at appendix 6 of the IJB Financial Monitoring 2022/2023 report presented to the IJB on 28 March 2023.</p> <p>The IJB Financial Plan 2023/2024 was also approved by the IJB on 28 March 2023. This reflected the IJB Reserves Plan 2023/2024 – 2025/2026.</p> <p>The IJB Reserves Plan will be updated on conclusion of the 2022/2023 year-end.</p>
<p>PY2. Reserves Plan</p> <p>The significant level of reserves held at 31 March 2022 offers the Joint Board a unique opportunity to shape services going forward to help meet the future sustainability challenge. The Joint Board should prioritise developing a reserves plan which sets out how and when monies will be spent, when clawback arrangements are confirmed.</p> <p>Risk: Reserves are not spent in a planned way which maximises the benefit for the residents of South Lanarkshire.</p>	<p>The Joint Board should undertake a comprehensive review of the reserves and develop plans on when and how these will be spent to enhance sustainability of services.</p>	<p>Completed</p> <p>A review of the IJB Reserves was undertaken to confirm the IJB Reserves Plan 2023/2024-2025/2026.</p> <p>Non-recurring reserves funding is being directed to ensure service sustainability in 2023/2024 pending the identification and implementation of recurring funding solutions as part of the Sustainability and Value Programme.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>PY3. Reliance on non-recurring savings</p> <p>The Joint Board's 2022/23 budget is balanced but it relies on £7.514 million of non-recurring savings.</p> <p>Risk: Temporary solutions are relied upon to bridge funding gaps which do not address the longer-term financial pressures of the Joint Board.</p>	<p>The IJB will continue to rely on non-recurring savings in 2023/24 to deliver breakeven. The Joint Board should continue to explore and progress transformational change with its partners.</p>	<p>Completed</p> <p>A Transformational Change Team has been established and the Sustainability and Value Programme Approach has been agreed and is being implemented. The key priority of this approach is to identify and implement recurring savings effective from 1 April 2024 to ensure recurring financial balance is achieved in 2024/2025. The IJB Financial Plan 2024/2025 requires to address both the legacy of the 2023/2024 cost pressures and also the projected 2024/2025 cost pressures.</p> <p>The outcome of the Sustainability and Value Programme Approach will be presented to the PASC and IJB during 2023/2024. Development sessions for IJB Members will also be organised during 2023/2024.</p>
<p>PY4. Medium to longer-term financial planning</p> <p>As services remobilise following the pandemic, and the implications for public services and funding become clearer, the Joint Board should seek to ensure it has a clear financial strategy underpinning its service priorities. Medium term planning has not progressed during the pandemic.</p> <p>Risk: The financial strategy is out of date as it does not consider the impact of Covid-19.</p>	<p>The Joint Board should seek to develop a meaningful and realistic medium term financial plan to ensure service priorities are adequately resourced.</p>	<p>Completed</p> <p>The IJB Financial Plan 2023/24 was approved by the IJB on 28 March 2023 and included the IJB Reserves Plan 2023/2024-2025/2026.</p> <p>The IJB Medium Term Financial Forecast 2023-2026 has been finalised in consultation with both partners and was endorsed by the PASC on 30 May 2023.</p>

South Lanarkshire Integration Joint Board

2022/23 Annual Audit Report

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