

Shetland Islands Health and Social Care Partnership

 Shetland NHS Board	 Shetland Islands Council
Enquiries to Leisel Malcolmson, Committee Officer Direct Line: 01595 744599 E-mail: leisel.malcolmson@shetland.gov.uk	
21 June 2019	

Dear Member

Special IJB Audit Committee

Thursday 27 June 2019 at 2 p.m.

Bressay Room, NHS Shetland HQ, Burgh Road, Lerwick

Apologies for absence should be notified to SIC Committee Services on 01595 744599.

Yours sincerely

Josephine Robinson
Interim Chief Officer

Chair: E Macdonald
Vice-Chair: S Manson

AGENDA

ITEM	
A	Welcome and Apologies
B	Declaration of interests - Members are asked to consider whether they have an interest to declare in relation to any item on the agenda for this meeting. Any member making a declaration of interest should indicate whether it is a financial or non-financial interest and include some information on the nature of the interest. Advice may be sought from Officers prior to the meeting taking place.
1	Unaudited Accounts 2018/19 CC-26
2	Interim External Audit Report CC-25
3	Date of Next and Future meetings: 29 August 2019, Bressay Room, NHS HQ, Burgh Road, Lerwick at 2pm 26 September 2019, Bressay Room, NHS HQ, Burgh Road, Lerwick at 2pm 28 November 2019, Bressay Room, NHS HQ, Burgh Road, Lerwick at 2pm 25 February 2020, Bressay Room, NHS HQ, Burgh Road, Lerwick at 9.30am

Shetland Islands Health and Social Care Partnership

Agenda Item

1



Meeting(s):	Integration joint Board Audit Committee Integration Joint Board (IJB)	27 June 2019 27 June 2019
Report Title:	Unaudited Accounts 2018/19	
Reference Number:	CC-26-19-F	
Author / Job Title:	Karl Williamson/IJB Chief Financial Officer	

1.0 Decisions / Action required:
<p>1.1 That the IJB Audit Committee and Integration Joint Board:</p> <ul style="list-style-type: none"> a) CONSIDER the 2018/19 Unaudited Annual Accounts for the Shetland Integration Joint Board (Appendix 1) and; b) CONSIDER the information at section 4.0 that highlights the key issues from the 2018/19 accounts. <p>1.2 That the IJB Audit Committee and Integration Joint Board approves the Annual Governance Statement 2018/19 that forms part of the accounts (Appendix 1, pages 12-15).</p>
2.0 High Level Summary:
<p>2.1 The Local Authority Accounts (Scotland) Regulations 2014 require the IJB to prepare and publish a set of accounts, including an annual governance statement, by 30 June each year.</p> <p>2.2 The draft accounts are then required to be formally considered by the IJB and IJB Audit Committee no later than 31 August 2019 and the Annual Governance Statement should be formally approved at this time.</p> <p>2.3 The accounts are then submitted to Deloitte for external audit by 30 September 2019. The audited accounts will be presented to the IJB and IJB Audit Committee on 26 September 2019.</p>
3.0 Corporate Priorities and Joint Working:
<p>3.1 The annual accounts is a key element of the IJB's overall governance and reporting arrangements and helps to assess its ability to provide best value and deliver its priorities as outlined in the Strategic Commissioning Plan.</p>
4.0 Key Issues:
<p>4.1 The unaudited accounts include the following primary financial statements:</p> <ul style="list-style-type: none"> • Comprehensive Income and Expenditure Statement – this shows the accounting cost in the year of providing services in accordance with generally accepted

practices (GAAP).

- Balance Sheet – this shows the value of all assets and liabilities recognised by the IJB. The net assets of the IJB stand at £905k as at 31 March 2019.

4.2 The Management Commentary provides an overview of the most significant matters in the Accounts the key points are summarised for members' consideration below:

- The IJB made an accounting surplus of £0.541m in 2018/19, due to underspend in the year of Scottish Government Additionality Funding and other specific NHSS Funding which will be carried forward into 2019/20;
- This surplus of £0.541m was only achieved following substantial one off additional payments from Shetland Islands Council and NHS Shetland. This position is not sustainable and services must be redesigned urgently to align with the Medium Term Financial Plan.
- The IJB oversaw service strategic initiatives and activities, building on work from previous years. These include the progression of the Adult Mental Health redesign project and the development of the Primary Care Improvement Plan.
- The IJB approved its Strategic Commissioning Plan 2019-2022 and Shetland's Partnership Plan 2018-2028 during the year. Both are key strategic plans which will provide a framework for the continued progress of integrated working in Shetland.

5.0 Exempt and/or confidential information:

5.1 None.

6.0 Implications :

6.1 Service Users, Patients and Communities:

None

6.2 Human Resources and Organisational Development:

None

6.3 Equality, Diversity and Human Rights:

None

6.4 Legal:

The Local Authority Accounts (Scotland) Regulations 2014 require IJB members to consider the unaudited accounts at a meeting to be held no later than 31 August.

6.5 Finance:

The accounts form part of the annual performance cycle which aids members in establishing their view on whether the objectives of the Strategic Commissioning Plan have been achieved.

6.6 Assets and Property:

None

6.7 ICT and new technologies:

None

6.8 Environmental:

None

6.9 Risk Management:

The annual accounts are subject to external audit by 30 September 2019, in order to mitigate risk of material misstatement.

6.10 Policy and Delegated Authority:

The IJB Committee are to consider the IJB Annual Accounts before submission and approval by the IJB, as set out in Section

	5.2 of its Terms of Reference.	
	Approval of the annual accounts of the IJB is a matter reserved to the IJB, as set out in Section 6 of its Scheme of Administration.	
6.11 Previously considered by:	N/A	

Contact Details:

Karl Williamson

Chief Financial Officer

karlwilliamson@nhs.net

10 June 2019

Appendices:

Appendix 1: Shetland Integration Joint Board Draft Annual Report and Accounts 2018/19 (Including Annual Governance Statement)

Background Documents: *The Local Authority Accounts (Scotland) Regulations 2014*

Unaudited Annual Accounts **2018/19**



Shetland Islands
Integration Joint Board

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Introduction

The Shetland Islands Health and Social Care Partnership (Integration Joint Board) is a Body Corporate, established by Parliamentary Order under section 9 of the Public Bodies (Joint Working) (Scotland) Act 2014, on 27 June 2015.

The Parties:

Shetland Islands Council (“the Council” or “SIC”), established under the Local Government etc. (Scotland) Act 1994.

Shetland Health Board (“the Health Board” or “NHS Shetland” or “NHSS”), established under section 2(1) of the National Health Service (Scotland) Act 1978 (operating as Shetland NHS Board).

The Parties agreed the Integration Scheme of Shetland Islands Health and Social Care Partnership, which sets out the delegation of functions by the Parties to the Integration Joint Board.

The Shetland Health and Social Care Partnership Members for 2018/19 were as follows:

Voting Members:

- Mr A Duncan (Vice Chairperson – SIC)
- Ms E MacDonald (SIC)
- Ms Shona Manson (NHSS)
- Ms Natasha Cornick (Chairperson – NHSS) – appointed as Chairperson 13 March 2019
- Mrs M Williamson (Chairperson - NHSS) – resigned 13 March 2019
- Mr R McGregor (SIC)
- Ms Jane Haswell (NHSS) – appointed 13 March 2019

Non-Voting Members:

- Mr S Bokor-Ingram (Chief Officer)
- Mrs M Nicolson (Chief Social Work Officer)

- Mr K Williamson (Chief Financial Officer)
- Mr J Guyan (Carers’ Representative)
- Dr S Bowie (GP Representative) –Resigned 17 October 2018
- Mrs E Watson (Lead Nurse for the Community)
- Ms S Gens (Staff Representative)
- Mrs C Hughson (Third Sector Representative)
- Ms M Gemmill (Patient / Service User Representative)
- Mr I Sandilands (Staff Representative)
- Dr P Wilson (Senior Consultant: Local Acute Sector) – Appointed 5 September 2018
- Vacant (Senior Clinician – GP)

Post Year End Changes to Voting Membership

Since 1 April 2019 there have been no further changes to membership.

Management Commentary

The purpose of the Management Commentary is to inform all users of these Accounts and help them to understand the most significant aspects of Shetland Islands Health and Social Care Partnership's financial performance for the year to 31 March 2019 ("period", "year") and its financial position as at 31 March 2019.

The Management Commentary has been prepared in accordance with the requirements of the Local Authority Accounts (Scotland) Regulations 2014 (SSI 2014/20) and the statutory guidance in Finance Circular 5/2015 and based on Companies Act legislation and Financial Reporting Council (FRC) guidance.

Background

Integration of health and social care is the Scottish Government's ambitious programme of reform to improve services for people who use health and social care services. Integration will ensure that health and social care provision across Scotland is joined-up and seamless, especially for people with long-term conditions and disabilities, many of whom are older people.

The Public Bodies (Joint Working) (Scotland) Act was granted royal assent on 1 April 2014. SIC and the Board of NHSS, took the decision that the model of integration of health and social care services in Shetland would be the Body Corporate, known as an Integrated Joint Board (IJB).

Under the Body Corporate model, NHSS and SIC delegate the responsibility for planning and resourcing service provision of adult health and social care services to the IJB.

As a separate legal entity, the IJB has full autonomy and capacity to act on its own behalf and can make decisions about the exercise of its functions and responsibilities as it sees fit.

The IJB is responsible for the strategic planning of the functions delegated to it by SIC and NHSS and for the preparation of the Strategic Plan. The Strategic Plan specifies the services to be delivered by the Parties. The IJB is also responsible for ensuring the delivery of its functions through the locally agreed operational arrangements set out within its Integration Scheme, which can be found at;

http://www.shetland.gov.uk/Health_Social_Care_Integration/documents/SHSCPPartnershipIntegrationScheme15May2015_000.pdf

The practical application of the Integration Scheme is managed and administered in accordance with the Financial Regulations, Standing Orders and Scheme of Administration of the Parties, as amended to meet the requirements of the Act.

Purpose and Objectives

The main purpose of integration is to improve the wellbeing of people who use health and social care services, particularly those whose needs are complex and involve support from health and social care at the same time. The Integration Scheme is intended to achieve the National Health and Wellbeing Outcomes prescribed by the Scottish Ministers in Regulations under section 5(1) of the Act; as follows:

National Health and Wellbeing Outcomes

1. People are able to look after and improve their own health and wellbeing and live in good health for longer.
2. People, including those with disabilities or long-term conditions or who are frail are able to live, as far as reasonably practicable, independently and at home or in a homely setting in their community.
3. People who use health and social care services have positive experiences of those services, and have their dignity respected.
4. Health and social care services are centred on helping to maintain or improve the quality of life of people who use those services.
5. Health and social care services contribute to reducing health inequalities.
6. People who provide unpaid care are supported to look after their own health and wellbeing, including reducing any negative impact of their caring role on their own health and wellbeing.
7. People using health and social care services are safe from harm.
8. People who work in health and social care services feel engaged with the work they do and are supported to continuously improve the

information, support, care and treatment they provide.

9. Resources are used effectively and efficiently in the provision of health and social care.

The Scottish Government 2020 Vision is that, “By 2020, everybody is able to live longer, healthier lives, at home or in a homely setting”.

Shetland’s Partnership Plan

The Shetland Partnership is a wide range of partners and community bodies who collectively make up the Community Planning Partnership (CPP) for Shetland. A CPP should have a clear and ambitious vision for its local area.

The Partnership and the key partners within it, including the IJB, SIC & NHSS, have a statutory duty to produce Shetland’s Partnership Plan and ensure it is delivered and resourced.

Extracts from Shetland’s Partnership Plan 2018-2018:

Our shared vision

“Shetland is a place where everyone is able to thrive; living well in strong, resilient communities; and where people and communities are able to help plan and deliver solutions to future challenges”

Our shared priorities



The IJB approved the Shetland Partnership Plan 2018-2028 – the Local Outcomes Improvement Plan (LOIP) on 20 June 2018, agreeing to prioritise resources in the annual budgeting process to improve local outcomes.

The focus for the IJB with regard to delivery of the LOIP outcomes will be ‘People’ and ‘Participation’ with specific focus on;

Tackling alcohol misuse
Healthy weight and physical activity
Low income/poverty
Satisfaction with public services
People’s ability to influence and be involved in decisions which affect them.

Strategic Plan

The IJB approved its Strategic Commissioning Plan 2019 -2022 on 13 March 2019. This sets out its vision for health and care services in Shetland.

Our vision is that by 2025 everyone is supported in their community to live longer, healthier lives and we will have reduced health inequalities.

The IJB put the preparation of the Strategic Plan on hold during 2018-19, while NHS Shetland facilitated a ‘Scenario Planning’ exercise to understand more fully the issues the Board faced and look at ways to address these. This identified some key themes that are likely to impact on health and care services in the future:

- Demand
- Prevention
- Economics
- Workforce
- Integration
- Technology

The Strategic Commissioning Plan 2019-2022 now sets out an ambitious plan for health and care services in the future, with aspirations for seamless services, wrapped around the needs of individuals, their families and communities.

The Plan sets out the IJB’s priorities for the next 3 years taking all the national, regional and local

drivers for change. The IJB intends to continue to evolve its services models to:

Develop a single health and care system - We will have in place seamless services, wrapped around the needs of individuals, their families and communities, which are not restricted by organisational or professional boundaries. Where possible we aim to deliver a 'one stop shop' approach to health and care.

Maximise population health and wellbeing – people will be supported to look after and improve their own health and well-being, helping them to prevent ill health and live in good health for longer

Develop a unified primary care service with multi-disciplinary teams working together to respond to the needs of local populations

Streamline the patient's journey in hospital – we will work to make sure that people get the right care in the right place at the right time by maximising outpatient, ambulatory, day care services and minimising in-patient stays

Achieve a sustainable financial position by 2023

- Physical Activity
- Journey by Active Travel
- Quality of Care Experience
- Work Related Ill Health
- Premature Mortality

Operational Review

In 2018/19 the IJB set out to put in place arrangements to improve services through a range of initiatives and activities, building on work from previous years.

Our achievements during 2018-19 include:

- The Adult Mental Health redesign project has been progressed, with a focus on creating multi-disciplinary teams and appropriate referrals and care pathways;
- The Social Care programme of work reinforced our approach to 'care at home' being the principle objective of how we care for our service users, with several 'tests of change' being developed around prevention and 24 hour care support. Innovative approaches to workforce recruitment and retention is supporting this work;
- Development of our approach to implementing the Primary Care Improvement Plan, to support how we organise ourselves to ensure that our service users get seen by the right person, in the right place to address their health and care needs;
- A reinvigorated approach to Self Directed Support, with a significant investment in training and coaching to support our staff to have good conversations around choice and flexibility of services, and to them find ways to meet that need through innovative approaches and 'tests of change';
- The Intermediate Care Team is now firmly embedded to support reablement and we invested in the Otago Falls Prevention programme to help avoid people injuring themselves and requiring treatment;
- The community pharmacy work has been developed to provide support to people to

Performance Overview

Managing performance is part of the 'commissioning cycle' which seeks to provide good evidence to ensure that services are prioritised, designed and delivered to meet need. The overall purpose of recording and reporting on performance is to use that evidence to deliver good quality services, and to improve how we do things.

The Scottish Government published an updated National Performance Framework during 2018-19. The framework aims to reduce inequalities and give equal importance to economic, environmental and social progress. To achieve its purpose the framework sets out 'national outcomes' which are to be measured using national indicators. The national indicators specific to health are:

- Healthy Life Expectancy
- Mental Wellbeing
- Healthy Weight
- Health Risk Behaviours

manage their own medicines in community settings and provide services within care homes to ensure residents are receiving medicines safely and that waste is avoided;

- A community co-production project has been undertaken with the support of the Scottish Health Council on the island of Bressay to explore and implement solutions to providing health and care services to a community with no resident health staff;
- Rolling out training on an asset based approach to a wide range of stakeholders - including to people outwith the health and care sectors;
- The Domestic Abuse and Sexual Violence Strategy was refreshed and endorsed by the IJB, the NHS Board and the local authority with a strong platform of development work to tackle the root causes, as well as addressing acute and ongoing support needs for people affected by abuse;
- The IJB strengthened its approach to financial planning with the establishment of a Medium Term Financial Plan.

The Public Bodies (Joint Working) (Scotland) Act 2014 requires Integration Authorities to report against the National Health and Well-being measures, which draw on a mix of qualitative and quantitative measures. The qualitative measures come from the annual Care Experience and Staff survey administered by the Scottish Government. For most of these, Shetland performs well compared to Scottish levels. In terms of system measures, Shetland has performed well against the national benchmarks, as shown below.

National Outcome Indicators	Current Performance	Scotland Rate
Premature mortality rate (per 100,000)	323	425
Rate of emergency admissions for adults (per 100,000)	10,350	12,183
Rate of emergency bed days for adults (per 100,000)	65,137	123,035
Readmissions to hospital within 28 days of discharge (per 1,000)	69	102
Proportion of last 6 months of life spent at home or in a community setting	94.20%	89.20%
Falls rate per 1,000 population in over 65s	18	22
Proportion of care services graded 'good' (4) or better in Care Inspectorate Inspections	97%	Not Known
Number of days people (75+) spend in hospital when they are ready to be discharged (rate per 1,000)	505	762
Percentage of total health and care spend on hospital stays where the patient was admitted in an emergency	14%	25%

Primary Financial Statements

The Financial Statements detail Shetland Health and Social Care Partnership's transactions for the year and its year-end position as at 31 March 2019. The Financial Statements are prepared in accordance with the International Accounting Standards Board (IASB) Framework for the Preparation and Presentation of Financial Statements (IASB Framework) as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom.

A description of the purpose of the primary statements has been included immediately prior to each of the financial statements: The Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the Balance Sheet. These Statements are accompanied by Notes to the Accounts which set out the Accounting Policies adopted by the Partnership and provide more detailed analysis of the figures disclosed on the face of the primary financial statements.

No Cashflow Statement is required as the IJB does not operate a bank account or hold cash.

The primary financial statements and notes to the accounts, including the accounting policies, form the relevant financial statements for the purpose of the auditor's certificate and opinion. The remuneration of the Chief Officer of the Partnership is disclosed in the Remuneration Report.

Financial Review

At its meeting on 22 February 2018 the IJB noted its 2018/19 indicative budget of £44.099m. Subsequently budget revisions have been made during the year for additional funding allocations and application of contingency and cost pressure budgets with the total budget delegated from the IJB to the Parties for 2018/19 being £46.145m (£44.222m 2017/18).

The purpose of the Financial Statements is to present a public statement on the stewardship of funds for the benefit of both Members of the IJB and the public. The IJB is funded by SIC and NHSS.

The Comprehensive Income and Expenditure Statement presents the full economic cost of providing the Board's services in 2018/19.

For the year-ended 31 March 2019, the IJB generated a surplus of £0.541m (£0.239m 2017/18), after adjustment has been made for additional contributions made by SIC and NHSS.

The surplus of £0.541m represents the underspend of Scottish Government Additionality Funding and other specific funding allocations made to NHS Shetland during the year. This funding will be carried forward and the IJB can then make decisions on how best it can be utilised to further its objectives, in line with its Strategic Plan.

The outturn position at 31 March 2019 for the IJB is an overall deficit against budget of £3.116m (2017/18: £2.392m), which represents an overspend in relation to services commissioned from SIC of £0.157m (underspend £0.446m 2017/18) and an overspend in relation to services commissioned from NHSS of £2.959m (overspend £2.838m 2017/18). The £3.116m deficit (which includes 'set aside budget') is detailed in Row 3 in the following table.

Financial Transactions 2018/19

		SIC £000	NHSS £000	Total £000
1	Budgets delegated to the Parties from the IJB	22,396	23,830	46,226
2	Contribution from the Parties to the IJB (against delegated budgets)	(22,553)	(26,789)	(49,342)
3	Surplus/(Deficit)	(157)	(2,959)	(3,116)
4	Additional contributions from Parties to meet IJB Direct Costs	(15)	(14)	(29)
5	IJB Direct Costs (Audit fee, Insurance & Members Expenses)	15	14	29
6	Additional contributions from SIC and NHS to IJB	144	3,513	3,657
7	Final Surplus/(Deficit) of IJB	(13)	554	541

Significant Budget Variances

Mental Health: overspend of £0.463m (22.4% of £2.071m budget)

The overspend relates mainly to the cost (including flights and accommodation) for a Consultant Mental Health locum in the year (£0.652m). This is partially off-set by an underspend against NHS Grampian Mental Health SLA £0.146m due to reduced activity.

The outcome of an international recruitment process will be known in June 2019 and it is hoped that this will result in a reduction in the requirement for expensive locums.

Primary Care: underspend of £0.139m (2.4% of £5.676m budget)

The underspend belies overspending on locum cover for General Practitioners during the year in Health Centres where it was not possible to fill vacant posts, with notable overspend against budgets at, Yell (£0.127m), Whalsay (£0.080m), Unst (£0.093m), Brae (£0.128m). There was also a further overspend as a result of in-year cost pressure following the TUPE transfer of staff at the Scalloway Practice (£0.160m), combined with (£0.070m) locum cost.

The overspending above has been off-set by £1.2m additional primary care, island harmonisation funding received from the Scottish Government in January 2019.

The shared priorities of the LOIP include the objective to attract people to live, work and invest in Shetland.

NHS Shetland are engaged in a partnership project with their counterparts in Orkney, Western Isles and Highland to encourage GPs at any point in their career to work in remote areas of Scotland for fixed periods of time. Phase 1 of the project has been successful in recruiting 28 GPs who will work across the Boards. NHS Shetland are current in negotiation around Phase 2 Scotland wide and Phase 3 International.

Community Nursing: overspend of £0.172m (6.0% of £2.862m budget)

The overspend relates some nursing bank usage and the cover for an Allied Health Practitioner being provided by a GP locum from May to July 2018, including travel costs.

Adult Services: underspend of £0.065m (1.2% of £5.472m budget)

The underspend relates to vacant posts during the year, both at Eric Gray Resource Centre and across Supported Living and Outreach, £0.080m. This has been off-set by overspending at Newcraigielea due to increased demand for this service in the year (£0.053m).

Community Care Resources: overspend of £0.398m (3.5% of £11.350m budget)

The overspend relates mainly to:

- The increased cost of Off-Island Placements following the addition of 2 packages in the year (£0.135m). Unfortunately, there are cases which we do not have the correct resources to meet in Shetland;
- Write off of charging income which has been deemed irrecoverable (£0.074m);
- Agency staffing costs required to meet service demand, as a result of long-term sickness and difficulties in recruitment and retention in various locations (£0.534m);
- Overspend in employee costs at Wastview and Montfield due to increasing the rota in the early part of the year to deal with specific packages of care (£0.234m);
- Off-set by underspend in employee costs across Community Care Resources, significantly at Support At Home Central, £0.073m due to vacant posts, which has been managed as a result of service demand being less than anticipated. Recruitment and retention difficulties at North Haven & Overtonlea & Nordalea led to the use of agency staff and underspend through vacant posts of, £0.087m and there was further underspend at Isleshavn where care home capacity being reduced from 10 to 7 beds for most of the year due to inability to staff the unit to the correct level, £0.069m;
- The overspend is further off-set by savings made in mileage costs due to efficient route planning, use of a fleet vehicle in Yell and the impact of the Council's change to paying the HMRC mileage rate, £0.074m;
- There was an overachievement of Board and Accommodation income in the year, £0.504m. Charging income can vary significantly dependent on the financial circumstances of those receiving care and allowance was made in the year for the anticipated level of waived charges as a result of legislation, such as the Carers Act, expected in the year.

Recruitment and retention of staff continues to be difficult, however the Modern Apprenticeship programme has encouraged people to take up social care work and the SIC also supports the vocational programme in social care run by the Anderson High School which aims to encourage school pupils to take up social care roles.

The shared priorities of the LOIP include attracting people to live and work in Shetland, recognising that the population of Shetland is ageing at a faster rate than the rest of Scotland. A trial recruitment exercise will take place early in 2019/20, initially looking to recruit six social care workers from out with Shetland through the offer of relocation packages.

During 2018/19, the Council agreed to purchase 30 vehicles for Community Care Resources funded from its Spend to Save Fund, estimating savings of £0.064m per annum in mileage costs through the provision of vehicles to staff delivering care at home services. Formerly, staff were required to provide their own vehicles, which in some cases became a barrier to recruitment. The new vehicles are fitted with tracking devices that mitigate lone working concerns and allow for optimum route planning. It is hoped that recruitment and retention of care staff will be improved as a result of vehicle provision.

There are a number of "Test of Change" projects being explored within Community Care Resources with a view to looking at how staffing resources can be used more effectively and different models of care developed. These projects will require additional funding, so work continues to build up information necessary to apply to the Council's Spend To Save Fund. It is hoped that these pilot projects can be started in 2019/20.

In addition to these projects, further service redesign is planned for delivery of meals on wheels, by bringing this in-house. This should create financial savings, whilst also provide more effective nutritional support.

The use of Agency staff has continued into 2019/20, to ensure the safe delivery of care services, but it is hoped this can be reduced or ceased through the actions above.

Unscheduled Care: overspend of £0.823m (27.8% of £2.964m budget)

The overspend in Unscheduled Care relates mainly to;

- The cost of 2 medical consultant posts being covered by locums during the year (£0.732m);
- Ward 3 and A&E ended the year with overspend of (£0.052m) and (£0.038m),

respectively, due to use of bank staff and maternity cover costs.

Recruitment to consultant and junior doctor posts actively continues, working closely with the Deanery, Universities and NHS Education for Scotland to look at ways in which training can be developed to support remote and rural practice and encourage doctors to take up posts in Shetland.

We have made good progress in filling junior doctor vacancies during 2018/19 and developing junior doctor opportunities in remote and rural settings through the Clinical Development Fellowship programme.

The IJB is focused on preventative work to ensure that patients are cared for in the community wherever possible and reduce pressure on services that provide emergency care.

Renal: overspend of £0.059m (29.2% of £0.202m budget)

The overspend is due to an increase in activity throughout the year resulting in the need for additional dialysis sundries and increased patient taxi costs.

Scottish Government Additionality Funding: underspend of £0.080m (13.5% of £0.592m budget)

The Scottish Government allocated £250m of funding nationally in 2016/17 to the health and social care partnerships to support the delivery of improved outcomes in social care, help drive the shift toward prevention and further strengthen its approach to tackling inequalities. Shetland Health and Social Care Partnership was allocated £1.024m of this funding.

In 2017/18, the Scottish Government agreed the 2016/17 funding allocation would be continuing and made a further national allocation of funding for Social Care of £110m. This represented a continuing annual funding allocation of £0.420m to the Shetland Health and Social Care Partnership.

As per Scottish Government guidance, £0.852m of the funding was provided to help meet a range

of existing costs faced by local authorities in the delivery of effective and high quality health and social care services in the context of reducing budgets. The remaining £0.592m was available to support integration projects and the IJB agreed it would be used as follows:

- Support for increased demand for Self-Directed Support packages - £0.348m;
- Recruitment of 2 therapist posts for the Reablement Programme in Care Homes - £0.086m; and
- Funding for Hospital Discharge Liaison Staff - £0.078m; and
- Support the costs associated with providing an enhanced Intermediate Care Team - £0.080m.

The IJB recognises an underspend in this funding of £0.080m, a small underspend in Reablement Programme in Care Homes, £0.002m, and underspend in employee costs due to vacant posts within the Intermediate Care Team during the year, £0.078m.

NHSS Specific Funding: Underspend £0.473m

Contained within the additional contribution from NHSS are 9 specific funding allocations, listed below, which were received by NHSS during the year. These allocations were held in NHSS's General Contingency budget until year-end and then passed to the IJB to be added to the IJB Reserve as an Earmarked element.

- Additional Alcohol and Drugs Partnership Funding - £0.127m
- Rediscover the job in GP – reflect and rejuvenate - £0.171m
- Screening inequalities – Year 1 Funding - £0.028m
- Primary Care Funding: Dispensing Practices per GP Contract - £0.029m
- Section 28 -£0.011m
- Attend Anywhere - £0.020m
- Action 15 - £0.039m
- Primary Care Improvement Fund - £0.011m
- GP Sub Committee - £0.037m

Efficiency Target: Underachieved by £1.850m

An efficiency savings target of £2.276m was identified within the 2018/19 IJB Budget, necessitating a Recovery Plan to be implemented during the year. As at 31 March 2019, there was an underachievement of £1.850m against the Recovery Plan.

Of the £0.426m savings achieved, £0.247m represented recurring savings and £0.179m were non-recurrent.

NHSS have rolled forward their unachieved savings from 2018/19 and combined this with their 2019/20 savings target. In May 2019, the IJB Board noted that the gap between the current service models and available NHSS funding for 2019/20 is £2.331m in respect of functions delegated to the IJB. The Board approved savings proposals of £1.806m, recognising that the remaining gap of £0.525m will be made from additional non-recurrent actions.

In order to look at transforming service delivery and deal with the challenges facing the IJB around workforce and available financial resources, the IJB also agreed a number of proposals for use of IJB Reserves at its May meeting. These projects are intended to support the agreed proposals within the 2019/20 Recovery Plan.

NHSS began a Scenario Planning exercise in January 2018 to look at alternative models for the delivery of health and social care service in Shetland. This has informed the development of Strategic Commissioning Plan for 2019-2022, but has not resulted in the alignment of the Strategic Plan to IJB budgets. The Strategic Plan does however set one of its main priorities of the next 3 years as achieving a financial sustainable position by 2023.

The Balance Sheet as at 31 March 2019

The IJB carried a General Reserve of £0.364m as at 1 April 2018. This reserve was created from underspending in the Scottish Government Additionality Funding in previous years.

It was agreed in 2018/19, that the Reserve would be used to fund a £0.051m investment in the Falls

Prevention Programme, over 3 years, this represents a reduction to the Reserve of £0.013m in year.

Further underspending in the Scottish Additionality Funding and other specific NHSS funding allocations in 2018/19 of £0.554m have been added to the Reserve, leaving a closing General Reserve balance as at 31 March 2019 of £0.905m.

Proposals to utilise a further £0.110m of the General Reserve were agreed by the IJB on 13 May 2019. The funds will be used for the following projects;

Project	Objective	Link to National Outcome	Cost
Stress Control	Greater community resilience	1	£25,000 (over 3 years)
Alternative to residential care accommodation	Greater choice and control for individual	2	£12,172 (delivered over 3 years)
MSK Physiotherapy	Faster access to the most appropriate professional	9	£51,000 (2019/20 only)
Community Nursing Continence Service	Better quality and more efficient service	4	£8,750 (2019/20 only)
Community Led Support Programme	Greater choice and control for individual	2	£13,230 (2019/20 only)
Total agreed use of General Reserve			£110,152

2019/20 Budget and Medium Term Financial Outlook

The IJB Board approved the proposed budget for 2019/20 of £45.649m, on 13 March 2019, subject assurance that contingency budgets of £386k and £800k had been set aside by SIC and NHSS, respectively, and that savings proposals to address the identified funding gap of £2.533m can be achieved in year.

General Reserve is also available to support the strategic objectives of the IJB.

The IJB were advised at their meeting on 14 May that the overall funding gap has reduced to £2.331m against the 2019/20 delegated budgets

after taking account of 2018/19 efficiency savings made. Proposals have been made where Management believe recurring savings can be achieved in year of £1.806m, with a remaining gap of £0.525m which will be closed by additional non-recurrent actions.

A Financial Recovery Plan will continue to be required in 2019/20 to address the efficiency savings required and regular updates on the Recovery Plan will be presented as part of the quarterly financial monitoring reports prepared by the Chief Financial Officer for the Board.

The Shetland IJB, like many others, faces significant financial challenges and is required to operate within tight fiscal constraints for the foreseeable future due to the continuing difficult national economic outlook and increasing demand for services. Additional funding for Health and Social Care Partnerships, as detailed above, was made available from the Scottish Government. Despite this additional funding, pressure continues on public sector expenditure at a UK and Scottish level with further reductions in government funding predicted in future years.

The IJB approved its Medium Term Financial Plan 2019/20 to 2023/24 on 13 March 2019. Based on the current planning assumptions the Plan identifies a likely funding shortfall over the next five year of £7.7m if no action is taken to mitigate the impact of rising costs and reducing funding. The role of the IJB in planning and directing services will be key to addressing this estimated shortfall.

Principle Risks and Uncertainties

The key risks for the IJB in 2019/20 are:

- Continued staffing vacancies across IJB services, with difficulty in recruiting to both health and care roles, resulting in significant expenditure on locum costs;
- Failure to deliver recurring efficiency savings through service redesign proposals leaving a funding gap for the IJB;
- The continued need to make efficiency savings hindering the future development of services. The IJB will need to manage immediate cost pressures and any planned investment in services within available budgets;

- In order to maintain financial balance significant changes in current practise or service models may be required. It is important that proposals are evidence based on current and emerging best practice and represent the optimum balance between cost, quality and safety;
- Limited digital connectivity due to remote location, restricting the potential for use of information technology in service delivery.

Acknowledgement

We would like to acknowledge the significant effort of all the staff across the IJB who contributed to the preparation of the Annual Accounts and to the budget managers and support staff who have ensured delivery of the outcomes of the Strategic Plan within the financial resources available to the IJB for the year ended 31 March 2019

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Jo Robinson
Chief Officer
27 June 2019

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Natasha Cornick
Chair
27 June 2019

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Karl Williamson
Chief Financial Officer
27 June 2019

Annual Governance Statement

Introduction

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

Scope of Responsibility

The IJB is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The IJB also aims to foster a culture of continuous improvement in the performance of the IJB's functions and to make arrangements to secure Best Value.

In discharging these responsibilities, the Chief Officer has a reliance on the systems of internal control of both NHSS and SIC that support compliance with both organisations' policies and promote achievement of each organisation's aims and objectives, as well as those of the IJB.

The IJB has adopted a Local Code of Corporate Governance ("the Local Code") consistent where appropriate with the six principles of CIPFA and the Society of Local Authority Chief Executives (SOLACE) framework "*Delivering Good Governance in Local Government*". This statement explains how the IJB has complied with the Local Code and also meets the Code of Practice on Local Authority Accounting in the UK, which details the requirement for an Annual Governance Statement.

Purpose of Internal Control

The system of internal control is based on an ongoing process designed to identify, prioritise and manage the risks facing the organisation. The system aims to evaluate the nature and extent of failure to achieve the organisation's policies, aims and objectives and to manage risks efficiently, effectively and economically. As such it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control has been in place at the IJB for the financial year ended 31 March

2019 and up to the date of the approval of the Annual Accounts.

The Governance Framework and Internal Control System

The Board of the IJB comprises the Chair and five Members with voting rights; three are SIC Members appointed by the Council and three are Non-Executive Directors appointed by the Scottish Government to the NHSS Board. The IJB via a process of delegation from NHSS and SIC has responsibility for the planning, resourcing and oversight of operational delivery of all integrated health and social care within its geographical area through its Chief Officer. The IJB also has strategic planning responsibilities for a range of acute health services for which the budget is "set aside".

The main features of the IJB's system of internal control are summarised below.

- The overarching strategic vision and objectives of the IJB are detailed in the IJB's Integration Scheme which sets out the key outcomes the IJB is committed to delivering through SIC and NHSS as set out in the IJB's Strategic Plan and Annual Accounts.
- Services are able to demonstrate how their own activities link to the IJB's vision and priorities through their Improvement Plans and Service Plans.
- Performance management, monitoring of service delivery and financial governance is provided through quarterly reports to the IJB as part of the Planning and Performance Management Framework. Quarterly reports include financial monitoring of the integrated budget and the "set aside" budget, the IJB Risk Registers, performance against national outcome measures, local outcome measures and service development projects. The IJB also receives regular reports from the joint Council, Health Board and IJB Clinical, Care and Professional Governance Committee and the IJB Audit Committee.
- The Participation and Engagement Strategy sets out the IJB's approach to engaging with stakeholders. Consultation on the future vision and activities of the IJB is undertaken collaboratively with SIC and NHSS and through existing community planning networks. The IJB publishes information

about its performance regularly as part of its public performance reporting.

- The IJB operates within an established procedural framework. The roles and responsibilities of Board Members and officers are defined within Standing Orders, Scheme of Administration and Financial Regulations; these are subject to regular review.
- Effective scrutiny and service improvement activities are supported by the formal submission of reports, findings and recommendations by Audit Scotland, the external auditors, national inspection agencies and the appointed Internal Audit service to the IJB's Senior Management Team, to the IJB and the main Board and Audit Committee.
- The IJB follows the principles set out in COSLA's *Code of Guidance on Funding External Bodies and Following the Public Pound* for both resources delegated to the Partnership by NHSS and SIC and resources paid to its SIC and NHSS Partners.
- Responsibility for maintaining and operating an effective system of internal financial control rests with the Chief Financial Officer. The system of internal financial control is based on a framework of regular management information, Financial Regulations and Standing Financial Instructions, administrative procedures (including segregation of duties), management and supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the IJB.
- The IJB's approach to risk management is set out in the Integration Scheme and IJB Risk Management Strategy. Reports on risk management are considered regularly by the Health and Social Care Management Team with quarterly reporting on the IJB Risk Registers to the IJB Board and an annual report to the IJB Audit Committee.
- IJB Board Members observe and comply with the Nolan Seven Principles of Public Life. Comprehensive arrangements are in place to ensure IJB Board Members and officers are supported by appropriate training and development.
- Staff of both NHSS and SIC are made aware of their obligations to protect client, patient and staff data. The NHS Scotland *Code of Practice on Protecting Patient Confidentiality* has been issued to all NHSS staff working in

IJB directed services and all staff employed by SIC working in IJB directed services have been issued with the SSSC Codes of Practice.

Review of Adequacy and Effectiveness

The IJB has responsibility for conducting at least annually, a review of effectiveness of the system of internal control and the quality of data used throughout the organisation. The review is informed by the work of the Service Managers within SIC and NHSS (who have responsibility for the development and maintenance of the internal control framework environment), the work of the internal auditors, the Chief Internal Auditor's annual report, and reports from external auditors and other review agencies and inspectorates.

The review of the IJB's governance framework is supported by a process of self-assessment and assurance certification by Directors within SIC and NHSS. The IJB directs SIC and NHSS to provide services on its behalf and does not provide services directly. Therefore, the review of the effectiveness of the governance arrangements and systems of internal control within the IJB places reliance upon the individual bodies' management assurances in relation to the soundness of their systems of internal control.

There were two significant changes to the voting membership of the IJB during the year and up to the date of signing the annual accounts. A new Chair was appointed in March 2019 and a new Interim Chief Officer was appointed in May 2019. The previous Chair had completed their maximum permitted term as a member of NHS Shetland's Board and the previous Chief Officer was appointed to the Interim Chief Executive role in NHS Shetland. The change in membership is not considered a significant issue as thorough handovers and assurances have been received from the previous post holders. The new Chair has been a voting member of the IJB from September 2017 and the new Interim Chief Officer has worked as an Executive Manager in Shetland's Community Health & Social Care Services from 2011. Both have extensive knowledge of the IJB and its delegated functions.

There remains one significant internal control issue which continues to be highlighted by both Internal Audit and the wider scope work of External Audit. The key area of concern remains

focused on the carried forward funding gap and ongoing Savings and Efficiency targets. Since the inception of the IJB in 2015 the Financial Recovery Plan has not succeeded in achieving the IJBs aspiration to “develop a Strategic Commissioning Plan which minimises, or ideally eliminates, the need for a Financial Recovery Plan”.

There has been recent progress as evidenced in the 2019/20 IJB Budget which has identified £1.979m savings from an initial target of £2.533m. The remaining gap of £0.554m will be sought from non-recurrent measures which there is a good track record in achieving.

An IJB Medium Term Financial Plan (MTFP) has been developed during the year and ambition is to align this plan with the Strategic Commissioning Plan so that sustainable services can be delivered within the funding allocation available.

As savings plans are developed and refined the MTFP, which will be updated annually, will begin to incorporate the financial projections of these schemes and minimise or eliminate the need for a Recovery Plan.

Roles and Responsibilities of the Audit Committee and Chief Internal Auditor

IJB Members and officers of the IJB are committed to the concept of sound internal control and the effective delivery of IJB services. The IJB's Audit Committee operates in accordance with CIPFA's Audit Committee Principles in Local Authorities in Scotland and Audit Committees: Practical Guidance for Local Authorities.

The Audit Committee performs a scrutiny role in relation to the application of CIPFA's Public Sector Internal Audit Standards 2013 (PSIAS) and reviews the performance of the IJB's Internal Audit Service. The appointed Chief Internal Auditor has responsibility to review independently and report to the Audit Committee annually, to provide assurance on the adequacy and effectiveness of the IJB's system of internal control.

The internal audit service undertakes an annual programme of work, approved by the Audit Committee, based on a strategic risk assessment. The appointed Chief Internal

Auditor provides an independent opinion on the adequacy and effectiveness of internal control.

The work undertaken for 2018/19 focused on Directions, Self Directed Support and Shetland Specific responses to Audit Scotland's national reports on health and social care integration. The Chief Internal Auditor has also conducted a review of all relevant NHSS Internal Audit reports issued in the financial year by Scott Moncrieff.

On the basis of the audit work undertaken during the reporting period, the Chief Internal Auditor is able to conclude that a reasonable level of assurance can be given that the system of internal control is operating effectively within the organisation.

Compliance with Best Practice

The IJB complies with the CIPFA Statement on “*The Role of the Chief Financial Officer in Local Government 2010*”. The IJB's Chief Finance Officer has overall responsibility for the IJB's financial arrangements and is professionally qualified and suitably experienced to lead the IJB's finance function and to direct finance staff in both partner organisations to ensure the effective financial management of the IJB. The Chief Financial Officer has direct access to the Director of Finance for NHSS and the Executive Manager – Finance for SIC to address financial issues and is a member of the Local Partnership Finance Team.

The Partnership complies with the requirements of the CIPFA Statement on “*The Role of the Head of Internal Audit in Public Organisations 2010*”. The IJB's appointed Chief Internal Auditor has responsibility for the IJB's internal audit function and is professionally qualified and suitably experienced to lead and direct internal audit staff. The Internal Audit service operates in accordance with the CIPFA “*Public Sector Internal Audit Standards 2013*”.

Internal Control Issues and Planned Actions

The IJB continues to recognise the need to exercise strong management arrangements to manage the pressures common to all public bodies. Regular reviews of the IJB's arrangements are undertaken by the appointed internal auditors and overall the IJB's

arrangements are sound. The key area of concern continues to be in relation to the Financial Recovery Plan. The Chief Officer has agreed actions to address this governance issue and has provided assurance that all audit recommendations will be implemented or progressed.

Assurance

Subject to the above, and on the basis of assurances provided, we consider that the internal control environment operating during the reporting period provides reasonable and objective assurance that any significant risks impacting upon the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the internal control environment and action plans are in place to identify areas for improvement.

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Jo Robinson
Chief officer
27 June 2019

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Natasha Cornick
Chair
27 June 2019

Remuneration Report

Introduction

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

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

Remuneration: IJB Chair and Vice Chair

The voting members of the Integration Joint Board shall comprise three persons appointed by NHSS, and three persons appointed by the SIC. Nomination of the IJB Chair and Vice Chair post holders alternates between a SIC Councillor and a Health Board representative.

The IJB does not provide any additional remuneration to the Chair, Vice Chair or any other board members relating to their role on the IJB. The IJB does not reimburse the relevant partner organisations for any voting board member costs borne by the partner. The Chair and Vice Chair did not receive any taxable expenses paid by the IJB in 2018/19 or 2017/18.

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

Remuneration: Officers of the IJB

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

Chief Officer

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

Other Officers

No other staff are appointed by the IJB under a similar legal regime and no other non-voting board members of the IJB meet the criteria for disclosure.

All Partnership officers are employed by either NHSS or SIC, and remuneration to senior staff is reported through the employing organisation.

The Chief Officer is employed by NHSS but this is a joint post with SIC, with 50% of his cost being recharged to the SIC. Performance appraisal and terms and conditions of service are in line with NHS Scotland circulars and continuity of service applies. Formal line management is provided through the Chief Executive, NHSS, but the Director of Community Health and Social Care is accountable to both the Chief Executive of NHSS and the Chief Executive of SIC.

The IJB approved the appointment of the Chief Financial Officer at its meeting on 20 July 2015. The role of Chief Financial Officer for the IJB is carried out by the NHSS Head of Finance & Procurement, Karl Williamson, with NHSS meeting his full cost.

Disclosure by Pay Bands

Pay band information is not separately provided as all staff pay information has been disclosed in the information below.

Remuneration

The Chief Officer received the following remuneration during 2018/19:

Senior Employees	Designation	2018/19			2017/18
		Salary, Fees and Allowances £	Taxable Expenses £	Total Remuneration £	Total Remuneration £
Simon Bokor-Ingram	Chief Officer	95,006	0	95,006	93,698

Pension benefits

In respect of officers' pension benefits, the statutory liability for any future contributions to be made rests with the relevant employing partner organisation. On this basis, there is no pensions liability reflected on the IJB balance sheet for the Chief Officer or any other officers.

The IJB, however, has responsibility for funding the employer contributions for the current year in respect of the officer time spent on fulfilling the responsibilities of their role on the IJB. The table below shows the IJB's funding during the year to support officers' pension benefits. The table also shows the total value of accrued pension benefits which may include benefits earned in other

employment positions and from each officer's own contributions.

The Chief Officer participates in the National Health Service Superannuation Scheme (Scotland). The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations.

Pension entitlement for the Chief Officer for the year to 31 March 2019 is shown in the table below, together with the contribution made to this pension by the employing body.

Name of Senior Official	Designation	In-Year Employer		Accrued Pension Benefits			
		2018/19 £	2017/18 £	As at 31 March 2019		Increase from 31	
				Pension £	Lump Sum £	Pension £	Lump Sum £
Simon Bokor-Ingram	Chief Officer	13,889	13,677	31,979	73,646	2,381	1,126

.....
Jo Robinson
Chief Officer
27 June 2019

.....
Natasha Cornick
Chair
27 June 2017

Statement of Responsibilities for the Annual Accounts

The Integration Joint Board's Responsibility

The Integration Joint Board is required to:

- make arrangements for the proper administration of its financial affairs and to secure that the proper officer has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this Integration Joint Board, the proper officer is the Chief Financial Officer;
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets;
- ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014) and, so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003); and
- approve the Annual Accounts for signature.

I can confirm that these Unaudited Annual Accounts were approved for signature by the Integration Joint Board on 27 June 2019.

Signed on behalf of Shetland Islands Integration Joint Board.

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Natasha Cornick
Chair
27 June 2019

The Chief Financial Officer's Responsibilities

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

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

- selected suitable accounting policies and then applied them consistently;
 - made judgements and estimates that were reasonable and prudent;
 - complied with legislation; and
 - complied with the local authority Accounting Code (in so far as it is compatible with legislation).
- The Chief Financial Officer has also:
- kept adequate accounting records which were up to date; and
 - taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Annual Accounts give a true and fair view of the financial position of the Integration Joint Board at the reporting date and the transactions of the Integration Joint Board for the year ended 31 March 2019.

.....
Karl Williamson
Chief Financial Officer
27 June 2019

Independent auditor's report to the members of Shetland Islands Integration Joint Board and the Accounts Commission

Comprehensive Income and Expenditure Statement for year ended 31 March 2019

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices (GAAP).

2017/18 Net Expenditure £000		Notes	2018/19 Gross Expenditure £000	2018/19 Gross Income £000	2018/19 Net Expenditure £000
25,354	Health Services	3	26,789		26,789
21,708	Social Care Services	3	22,553		22,553
28	Corporate Services	3	29		29
47,090	Cost of Services		49,371	0	49,371
(47,329)	Taxation and non-specific grant income	4		(49,912)	(49,912)
(239)	(Surplus) / Deficit on Provision of Services		49,371	(49,912)	(541)
(239)	Total Comprehensive Income and Expenditure				(541)

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

Movement in Reserves Statement

This statement shows the movement in the year on the reserves held by the IJB.

2018/19	General Fund Balance £000	Total Reserves £000
Balance at 1 April 2018	(364)	(364)
Total Comprehensive Income	(541)	(541)
(Increase) / Decrease in 2017/18	(541)	(541)
Balance at 31 March 2019	(905)	(905)

Comparative movements in 2017/18	General Fund Balance £000	Total Reserves £000
Balance at 1 April 2017	(125)	(125)
Total Comprehensive Income and Expenditure	(239)	(239)
(Increase) / Decrease in 2017/18	(239)	(239)
Balance at 31 March 2018	(364)	(364)

Balance Sheet as at 31 March 2019

This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the IJB. The net assets of the IJB (asset less liabilities) are matched by the reserves held.

As at 31 March 2018 £000		Notes	As at 31 March 2019 £000
364	Other Current Assets	4	905
364	Current Assets		905
364	Net Assets		905
	Represented by:		
364	Usable Reserves		905
364	Total Reserves		905

The Annual Accounts presents a true and fair view of the financial position of the Integration Joint Board as at 31 March 2019 and its income and expenditure for the year then ended.

.....
Karl Williamson
Chief Financial Officer
27 June 2019

Notes to the Primary Financial Statements

Note 1: Accounting Standards issued Not Adopted

The Code requires the disclosure of information about accounting changes that will be required by new accounting standards that are not yet due to be adopted. There are none which are relevant to the IJB accounts.

Note 2: Events After the Reporting Period

The Unaudited Annual Accounts were authorised for issue by the Chief Financial Officer on 27 June 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respect to reflect the impact of this information.

Note 3: Taxation and Non-Specific Grant Income

2017/18 £000		2018/19 £000
20,550	Funding contribution from Shetland Islands Council	21,277
24,895	Funding contribution from NHS Shetland	26,751
1,884	Other Non-ringfenced grants and contributions	1,884
47,329	Total	49,912

The funding contribution from the NHS Board shown above includes £4.890m in respect of 'set aside' resources. These are provided by the NHS which retains responsibility for managing the costs of providing the services. The IJB has responsibility for the consumption of, and level of demand placed on, these resources.

Other non-ring fenced grants and contributions represents Scottish Government funding provided for the IJB, which is paid to the IJB via NHSS.

Note 4: Other Current Assets

As at 31 March 2018 £000		As at 31 March 2019 £000
183	Shetland Islands Council	170
181	NHS Shetland	735
364	Total	905

Amounts owed by the funding partners are stated on a net basis. Creditor balances relating to expenditure obligations incurred by the funding partners but not yet settled in cash terms are offset against the funds they are holding on behalf of the IJB.

Note 5: Usable Reserve: General Fund

The IJB holds a balance on the General Fund for two main purposes:

- to earmark, or build up, funds which are to be used for specific purposes in the future, such as known or predicted future expenditure needs. This supports strategic financial management.
- to provide a contingency fund to cushion the impact of unexpected events or emergencies.

2017/18 £000	General Fund	2018/19 £000
(125)	Balance at 1 April	(364)
(239)	Transfers in: Scottish Government Additionality Funding Reserve	(541)
(364)	Balance at 31 March	(905)

Note 6: Related Party Transactions

The IJB has related party relationships with the SIC and NHSS. In particular, the nature of the partnership means that the IJB may influence, and be influenced by, its partners. The following transactions and balance included in the IJB's accounts are presented to provide additional information on the relationships.

Transactions with Shetland Islands Council

2017/18 £000		2018/19 £000
(20,550)	Funding contributions due from Shetland Islands Council	(21,277)
21,708	Expenditure on services provided by Shetland Islands Council	22,553
1,158	Total	1,276

Balances with Shetland Islands Council

As at 31 March 2018 £000		As at 31 March 2019 £000
183	Amounts due from Shetland Islands Council	170
183	Total	170

Transactions with NHS Shetland

2017/18 £000		2018/19 £000
(26,779)	Funding contributions due from NHS	(28,635)
25,354	Expenditure on services provided by NHS Shetland	26,789
(1,425)	Total	(1,846)

Balances with NHS Shetland

As at 31 March 2018 £000		As at 31 March 2019 £000
181	Amounts due from NHS Shetland	735
181	Total	735

The SIC and NHSS provide support services to the IJB. These costs are not recharged to the IJB.

The Scottish Government have the power to exert significant influence over the IJB through changes to legislation and funding.

Note 7: Post Balance Sheet Event

Simon Bokor-Ingram was appointed Interim Chief Executive of NHS Shetland on 22 April 2019, so it was necessary to appoint an interim Director of Community Health and Social Care to cover the expected 6 month period he will be unable to cover his permanent post, which includes his role as Chief Officer of the IJB.

Jo Robinson was appointed as Interim Director of Community Health and Social Care from 13 May 2019.

Note 8: Summary of Significant Accounting Policies

A General Principles

The Annual Accounts summarise the IJB's transactions for the 2018/19 financial year and its position as at 31 March 2019.

The IJB was established under the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014 and is a Section 106 body as defined in the Local Government Act 1973 and as such is required to prepare its annual accounts in compliance with the Code of Practice on Accounting for Local Authorities in the United Kingdom, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

The accounting convention adopted in the financial statements is historical cost. The accounts have been prepared on a going concern basis, on the premise that its functions and services will continue in existence for the foreseeable future.

B Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are made only when required by proper accounting practices, or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the IJB's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

C Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract;
- supplies are recorded as expenditure when they are consumed, but where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet;
- expenses in relation to services received (including services provided by employees) are

recorded as expenditure when the services are received rather than when payments are made;

- interest receivable on investments and payable on borrowing is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cashflows fixed or determined by the contract; and
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a change made to the CIES for the income that might not be collected.

D Funding

The IJB is primarily funded through funding contributions from the statutory funding partners, SIC and NHSS. Expenditure is incurred as the IJB commissions specified health and social care services from the funding partners for the benefit of service recipients in Shetland.

E Cash and Cash Equivalents

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

F Employee Benefits

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

The IJB has a legal responsibility to appoint a Chief Officer. More details on the arrangement are provided in the Remuneration Report. Charges from the employing partner are treated as employee costs.

G Provisions, contingent liabilities and contingent assets

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

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

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

H Reserves

The IJB's reserves are classified as either Usable or Unusable Reserves.

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

I Indemnity Insurance

The IJB has indemnity insurance for costs relating primarily to potential claim liabilities regarding Board member or officer responsibilities. The NHSS Board and the SIC have responsibility for claims in respect of the services that they are statutorily responsible for and that they provide.

Unlike NHS Boards, the IJB does not have any "shared risk" exposure from participation in the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS). The IJB participation in the

CNORIS scheme is therefore analogous to normal insurance arrangements.

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

J Events after the Balance Sheet

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the annual accounts are authorised for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period, whereby the annual accounts are adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period, whereby the annual accounts are not adjusted to reflect such events; where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

K VAT

The IJB is not VAT registered and does not charge VAT on income or recover VAT on payments. Any VAT incurred in the course of activities is included within service expenditure in the accounts.

Shetland Islands Health and Social Care Partnership

Agenda Item

2



Meeting(s):	IJB Audit Committee Integration Joint Board	27 June 2019 27 June 2019
Report Title:	Interim External Audit Report	
Reference Number:	CC-25-19-F	
Author / Job Title:	Karl Williamson / Chief Financial Officer	

1.0	Decisions / Action required:
1.1	<p>The IJB Audit Committee RESOLVE to:</p> <p>NOTE Deloitte's Interim Audit Report to the IJB Audit Committee on the audit for year ended 31 March 2019 (Appendix 1).</p>
1.2	<p>The IJB RESOLVE to:</p> <p>NOTE Deloitte's Interim Audit Report to the IJB Audit Committee on the audit for year ended 31 March 2019 (Appendix 1).</p>
2.0	High Level Summary:
2.1	IJBs are specified in legislation as 'Section 106' bodies under the terms of the Local Government (Scotland) Act 1973, so are expected to prepare their financial statements in compliance with the Code of Practice on Local Government Accounting in the United Kingdom. These Annual Accounts are then subject to external audit. Deloitte LLP is currently the IJB's nominated auditors.
2.2	The purpose of this report is to receive Deloitte's Interim Report to the Audit Committee on the audit for the year ended 31 March 2019.
3.0	Corporate Priorities and Joint Working:
3.1	The IJB is a separate legal entity, accountable for the stewardship of public funds and expected to operate under public sector best practice governance arrangements, proportionate to its transactions and responsibilities.
3.2	Section 95 of the Local Government (Scotland) Act 1973 requires that every local authority shall make arrangements for the proper administration of their financial affairs. One of the key controls for financial management is the preparation of annual accounts which will be submitted for external audit.

4.0 Key Issues:	
4.1	Deloitte has identified various areas for improvement across the four audit dimensions of Financial Sustainability, Financial Management, Governance and Transparency and Value for Money.
4.2	The Action Plan from page 29 on the Interim Audit Report provides the detail on seventeen new audit recommendations and progress against six prior year recommendations.
4.3	Officers are currently drafting management responses to these new recommendations which will be included in the final Audit Report which will be presented to the IJB Audit Committee and IJB on 26 September 2019.
5.0 Exempt and/or confidential information:	
None	
6.0	
6.1 Service Users, Patients and Communities:	None
6.2 Human Resources and Organisational Development:	None
6.3 Equality, Diversity and Human Rights:	None
6.4 Legal:	IJBs are specified in legislation as 'Section 106' bodies under the terms of the Local Government (Scotland) Act 1973, so are expected to prepare their financial statements in compliance with the Code of Practise on Local Government Accounting in the United Kingdom.
6.5 Finance:	There are no financial implications arising from this report.
6.6 Assets and Property:	None
6.7 ICT and new technologies:	None
6.8 Environmental:	None
6.9 Risk Management:	The Annual Audit Report includes the identification of key risks and internal control arrangement in place to manage those risks, together with any improvement actions required.
6.10 Policy and Delegated Authority:	Shetland's Integration Joint Board (IJB) was formally constituted on 27 June 2015 and operates in accordance with

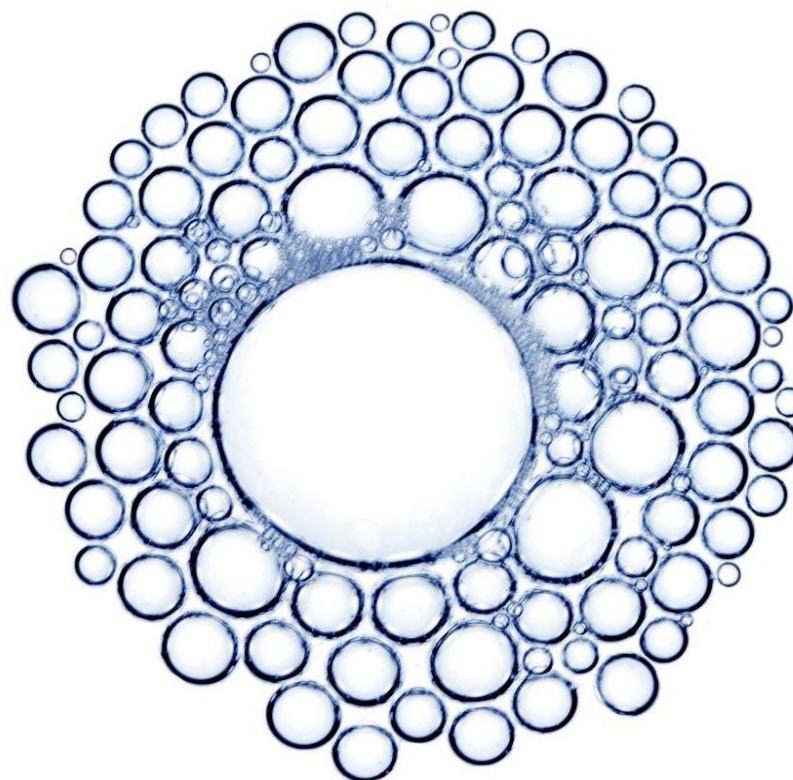
	<p>the approved Integration Scheme, Scheme of Administration, and the Financial Regulations.</p> <p>The IJB Audit Committee remit includes consideration of all report from the external auditors, including the External Auditor's Annual Report and to review the IJB's financial performance as contained in the Annual Report. Receiving the audited accounts of the IJB and related certificates and reports is a matter reserved by the IJB.</p>	
6.11 Previously considered by:	The proposals in this report have not been presented to any other committee or organisation.	

Contact Details:

Karl Williamson, Chief Financial Officer, karlwilliamson@nhs.net
10 June 2019

Appendices:

Appendix 1 – Deloitte's Interim Report to the IJB Audit Committee on the audit for the year ended 31 March 2019



Shetland Islands Integration Joint Board
Interim Report to the Audit Committee
on the audit for the year ended 31 March 2019

Issued 18 June 2019 for the meeting on 27 June 2019

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Introduction

The key messages in this report

I have pleasure in presenting our report to the Audit Committee (the Committee) of Shetland Islands Integration Joint Board (the IJB) as part of our 2018/19 audit responsibilities. I would like to draw your attention to the key messages of this paper:

Background

As set out in our plan which was presented to the Committee in March 2019, the Code of Audit Practice sets out four audit dimensions which set a common framework for all public sector audits in Scotland.

Our audit work has considered how the IJB is addressing these and our conclusions are set out within this report.

Scope of audit

Our audit work covered the four audit dimensions as follows:

- Financial sustainability;
- Financial management;
- Governance and transparency; and
- Value for money.

The audit incorporated the specific risks highlighted by Audit Scotland, in particular, the impact of EU withdrawal, the changing landscape for public financial management, dependency on key suppliers and increased focus on openness and transparency.

As part of this review we met with the Chief Officer, Chief Financial Officer, a number of Board members and senior members of the IJB's partner organisations in NHS Shetland (the NHS) and Shetland Islands Council (the Council). We also observed an Audit Committee meeting in March 2019.

We then reviewed supporting evidence to support our judgements and conclusions which are contained within this report.



Introduction (continued)

The key messages in this report (continued)

Overall conclusions

Financial sustainability – The IJB is not in a financially sustainable position. While the IJB's Medium-Term Financial Plan ('MTFP') refers to the need for £7.7m (14%) of recurring savings to be achieved by 2023/24 (with cumulative savings of £25.4m, 10% of the IJB's cumulative budget), it has not taken sufficient action to address this and has not identified the savings required to close the funding gap. The IJB needs to work with its partners to prioritise and progress transformational change, considering alternative methods of service delivery or taking difficult decisions such as changes to the level of service provided in order to reach a financially sustainable position in the medium to longer term.

Financial management – The IJB has effective financial management processes in place. However, there is room for improvement in the budget setting process, the reporting of progress against budget and changes to the budget in year. To improve financial management at the IJB, the Board should delegate authority to a committee to review and report to the Board on financial performance. The IJB also needs to consider the capacity of the leadership team given the dual role being completed by the Chief Financial Officer, and changes in the Chief Officer role.

Governance and transparency – The IJB promotes a culture of openness and transparency, although there is room for improvement and the IJB needs to adopt an approach of always 'striving for more'. While attendance at meetings is good, there is a downward trend and the level of turnover at meetings limits the effectiveness of scrutiny. Scrutiny could be improved through the development of tailored training plans for the Board.

The IJB needs to significantly improve its approach to self assessment. It should develop a self assessment programme to ensure that the Council has adequate self assessment arrangements in place.

Value for money – While the IJB's performance continues to fare well against the national average, this comes at substantial cost. The IJB has noted that achieving Best Value is an area in which it needs to improve. Given the current financial position, the IJB needs to consider the targets it sets and outline what it considers acceptable performance in lower-priority areas, ensuring such decisions are made through engagement with the wider community. When preparing its budget, the IJB should make clear links to outcomes and outline how spend is improving outcomes or how spend will be reduced in areas that are not.

The IJB should develop a clear and concise annual Improvement Plan. This Improvement Plan should be informed by service self-assessments, stakeholder surveys and national reports.

The IJB has been performing consistently against its targets. However, performance has declined from 2017/18 in 51% of cases (improving in 34%; remaining consistent in 15%). From the IJB's performance monitoring reports, it is difficult for the Board to fully assess performance, given that performance information provided is lengthy, highly numerical and difficult to follow, with the accompanying report lacking detail. There needs to be a link made between cost and performance, and the IJB should consider the targets it sets on an ongoing basis to ensure they remain realistic, demonstrate a commitment to improvement and are aligned with the Scottish Government's National Performance Framework.

Our detailed findings and conclusions are included on pages 5 to 26 of this report.

Next steps

An agreed Action Plan is included at pages 29 – 34 of this report. We will consider progress with the agreed actions and provide an update on any significant changes in our annual audit report to the Committee in September 2019.

Added value

Our aim is to add value to the IJB by providing insight into, and offering foresight on, financial sustainability, risk and performance by identifying areas for improvement and recommending and encouraging good practice. In so doing, we aim to help the IJB promote improved standards of governance, better management and decision making, and more effective use of resources.

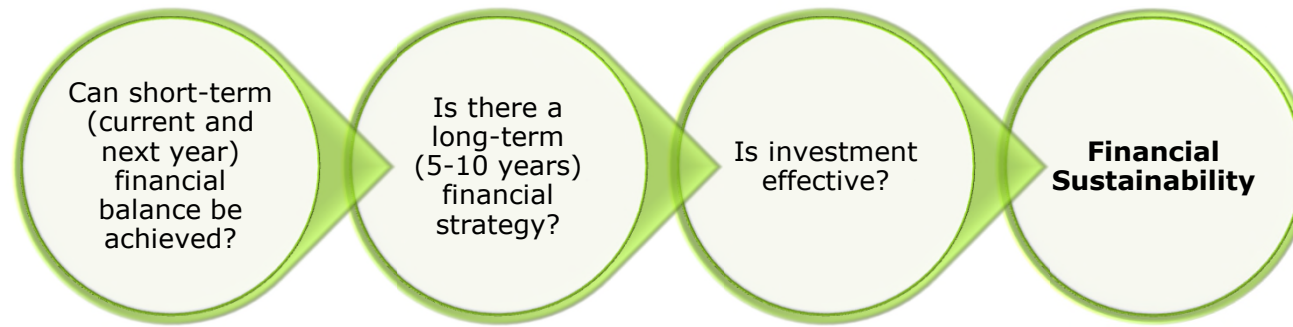
This is provided throughout the report and our separate Sector Developments report. In particular, we have added value through our work with the IJB by sharing best practice on medium-term financial planning. We also believe that our input has encouraged a constructive discussion of the IJB's governance arrangements, its approach to openness and transparency, how it works to improve outcomes for the community and how it can use self-assessment to improve performance.

Pat Kenny
Audit Director

Financial sustainability

Overview

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



Audit risks

Within our audit plan we identified a number of risks as follows:

- The IJB fails to take sufficient action to reach a financially sustainable position; and
- The IJB's long-term financial planning is inconsistent with the Scottish Government's five-year plan.

Financial sustainability (continued)

Short-term financial position

Short-term financial balance

The IJB has achieved financial balance in 2018/19 and is forecasting to do so in 2019/20. However, financial balance was only achieved in 2018/19 following the receipt of additional funding of £1.2m from the Scottish Government, through NHS Shetland (in relation to primary care). The remaining funding gap was addressed through deficit funding of £3.6m provided by NHS Shetland directly. In 2019/20, the IJB has identified savings to address the majority, but not all, of the funding gap.

In 2017/18, the IJB identified an 'efficiency target' of £2.53m, achieving £0.92m of these (37%). In 2018/19, the IJB identified an 'efficiency target' of £2.28m, achieving £0.23m of these (10%). In 2019/20, the IJB agreed a high-level savings targets of £2.53m. Savings have been identified to address £1.98m (78%) of this target. This is a substantial improvement on 2017/18 and 2018/19. However, detailed plans were not prepared until May 2019 and savings for the remaining £0.55m have yet to be identified. Given historical performance, the IJB will need to carefully and closely monitor performance against savings plans in the year to ensure that these are achieved or that appropriate alternative actions are taken to address the funding gap, as discussed further below and on the following pages.

It is essential that the IJB operates within the delegated budget and commissions services from the Council and NHS Shetland on this basis, particularly given the risk of overspends against budget (as has occurred in 2017/18 and 2018/19). Where the IJB identifies that budgeted services will require more resources than available, it needs to identify savings, agree additional funding from the NHS and Council, or change service delivery: it is poor practice and not in line with the Integration Scheme to budget using non-existent resources where savings are not identified.

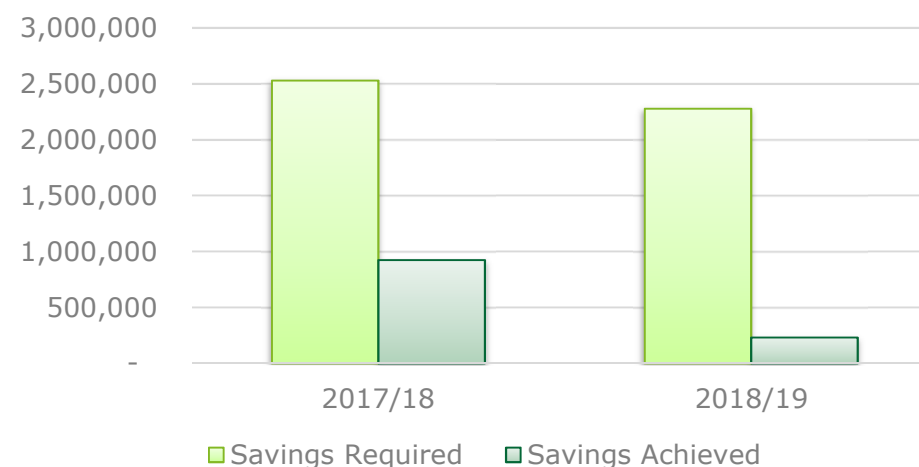
Budgeted Expenditure £m	Funding Gap £m	Identified Savings £m	Unidentified Savings £m
48.18	2.53	1.98	0.55

Reserves

The IJB has a clear Reserves Policy in place, which sets out the legislative basis for holding reserves and how reserves should be used. However, it does not set a minimum level of reserves to be held. The Reserves Policy was approved in 2017. While there has been no review since then, there has been no significant change in operations that would necessitate such a review.

The need for the IJB to maintain reserves to address short-term funding gaps is minimised as the Integration Scheme places responsibility on the Council and NHS to agree a recovery plan with the IJB and identify other options to address overspends where this plan is unsuccessful. However, we do note that the IJB has £0.31m of unearmarked reserves to carry forward to 2019/20, which provides a degree of a buffer for funding gaps and which can be allocated by the IJB to drive forward redesign, transformation and programmes of demand management.

IJB performance against savings target



Financial sustainability (continued)

Medium to long-term financial sustainability

Medium-term financial sustainability

We welcome the development of an IJB-specific Medium-Term Financial Plan ('MTPF') in 2018/19. While the IJB's MTPF refers to the need for £7.7m (14%) of recurring savings to be achieved by 2023/24 (with cumulative savings of £25.4m, 10% of the IJB's cumulative budget), the suggestion in the plan that "spending would need to increase by 17% by 2023/24" is unhelpful - the IJB cannot simply keep increasing spend, it must make savings and if it cannot identify savings through service redesign it will be required to make difficult decisions on service provision in order to reach a financially sustainable position.

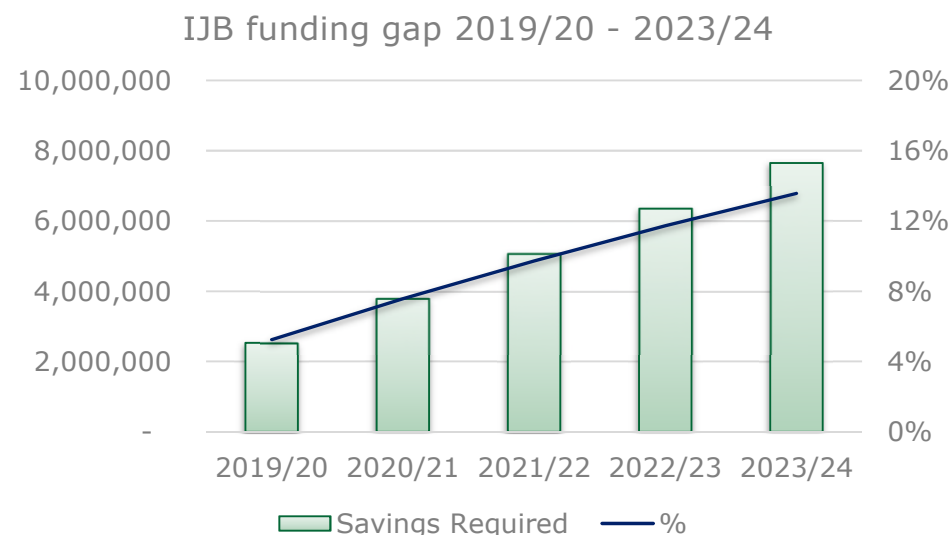
While a useful starting point, the robustness of the MTPF needs to be substantially improved, with specific consideration given to the following:

1. The MTPF presents a single figure for the funding gap. It needs to include scenario analysis and risk assessments of assumptions (particularly in relation to potential service redesign and funding from the IJB's partner organisations). The IJB should adopt the mid-point of the 'worst case' and 'best case' scenarios for quantifying its funding gap.
2. The MTPF currently quantifies the problem facing the IJB, but does not plan how this problem will be addressed. In the immediate future, the IJB needs to outline the options available to it to address the funding gap: this can include preferred methods of achieving savings (such as redesign), but it must also include actions which the IJB would take if these methods were not achieved (such as reductions in service provision).
3. The MTPF does not outline how the IJB intends to use its resources to deliver the Strategic Commissioning Plan (page 7). The MTPF needs to include clear links to the Strategic Commissioning Plan to enable the IJB and wider stakeholders to understand how the IJB plans to allocate its resources over the medium term to achieve the objectives set out in the Strategic Commissioning Plan, and to understand the 'funding gap' against each area of the plan.
4. In accordance with the Integration Scheme, the IJB should be revising its Strategic Commissioning Plan in light of budget allocations and be setting a clear direction for both the NHS and Council.

In 2017/18 and 2018/19, the IJB achieved savings of 2% and 0.5% of its total expenditure (with the funding gap being 5%). Without any plans in place and with this historical record over the prior two years, it is difficult to see how the IJB can realistically expect to be able to close a funding gap which is forecast to be 14% in five years.

While we are aware of the ongoing work in service redesign and business transformation at the Council and NHS, there is no evidence that these have identified all the savings required to meet the target in the MTPF, nor that the IJB has prepared for the eventuality that it may have to alter service delivery if it fails to achieve the necessary savings.

Given recent performance against savings targets, the IJB's short-term financial balance being achieved only through additional funding from NHS Shetland (£3.6m), the significant medium-term funding gap and the lack of detailed savings plans to address it, it is clear that at present, the IJB is not financially sustainable.



Financial sustainability (continued)

Medium to long-term financial sustainability (continued)

Medium-term financial planning

The IJB developed its MTFP in March 2019, covering the period to 2023/24. Within this plan, the Scottish Government's Medium-Term Financial Strategy ('MTFS') is considered a 'key factor'. The assumptions used in the plan - in terms of funding uplifts and cost increases - are consistent with the Scottish Government MTFS and Health and Social Care Medium-Term Financial Framework ('MTFF'). However, the IJB's MTFP does not make reference to the key principles of public service reform - prevention, performance, partnership and people - and how these key principles contained within the MTFS are reflected in the IJB's financial planning, and how the IJB intends to align its resources to these key principles or monitor progress against them.

In order to develop a culture where long-term financial sustainability is at the forefront of decision makers' minds, the IJB should include the impact that decisions will have on the IJB's position against the in-year budget and the funding gap identified in the MTFP in the 'Finance implications' section of reports. This will make the anticipated longer-term financial impact of decisions clear to everyone who is making the decision, rather than simply understanding the impact in the short term. The implications of decisions on long-term outcomes and needs of the community should also be enhanced, to move away from service decisions being based on the availability of short-term funding rather than long-term need.

Strategic Commissioning Plan

The IJB underwent a scenario planning exercise in 2018/19 to develop an updated Strategic Commissioning Plan covering the period 2019-22. While the scenario planning exercise was a welcome and innovative approach, substantial improvements are required to the resulting plan, including:

- Quantifying demand pressures and the resulting costs in a 'no change' environment, linked clearly to the MTFP.
- Identification of the level of transformation required, linked to NHS Shetland's and Shetland Islands Council's transformation programmes.
- Specific, detailed action plans need to be developed and linked to the plan to ensure it is achievable.

The IJB needs to review the transformation programmes of its partner organisations (page 9), building the anticipated financial impact of these projects into the budget, the MTFP and Strategic Commissioning Plan. At present, it is difficult to understand what impact transformation has had or is expected to have. This also makes it difficult to monitor the effectiveness of transformation projects as a tool for ensuring financial sustainability.

Financial sustainability (continued)

Medium to long-term financial sustainability (continued)

Transformation work

The IJB does not have a standalone transformation programme, with transformation being through NHS Shetland and Shetland Islands Council, both of whom have their own Business Transformation Programmes. The IJB needs to assess these programmes and consider whether they meet the IJB's needs: if not, the IJB should consider developing its own programme. The IJB should receive reporting on progress against the programmes in areas which are relevant to the IJB. Currently, it is not clear how the transformation programmes of the NHS and Council will deliver the savings the IJB requires and how the IJB will monitor this.

Workforce Strategy and plan

The IJB does not have permanent employees, other than the Chief Officer. However, workforce is pivotal to the IJB's objectives and is considered through the Joint Organisational and Workforce Development Protocol between the IJB, NHS and Council.

The IJB needs to work with the NHS and the Council to ensure that the IJB's needs are met through its partners' workforce plans. As the NHS and Council are both developing their workforce plans in the current year, the IJB should receive reporting on how the IJB has been involved in the development of the plan, what the IJB identified as its needs and how these have been built into the plan. Any IJB-specific gaps should be highlighted, with the consequent plans to address those gaps provided to the Board (e.g. changes in service delivery models, additional training, use of technology.)

Deloitte view – Financial sustainability

As discussed on page 6, the IJB is projecting an overspend against budget in 2018/19, with only 10% of the budgeted savings being achieved. Despite this, the IJB expects to achieve a surplus position due to additional funding of £3.6m from NHS Shetland. The IJB's MTFP identifies a cumulative funding gap to 2023/24 of £25.4m (10%), with the recurring annual funding gap set to increase from £2.5m (5%) in 2019/20 to £7.7m (14%) by 2023/24. The IJB needs to identify savings, agree additional funding from the NHS and Council, or agree changes to service delivery which will enable it to reach a financially sustainable position over the medium term.

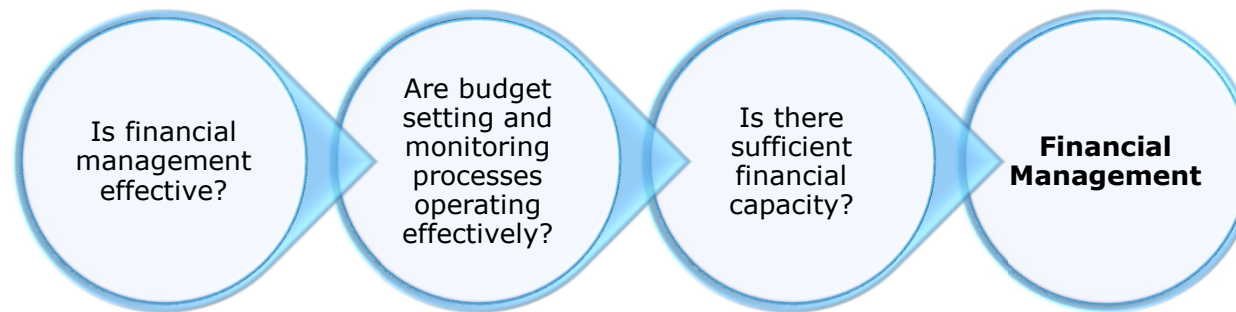
The assumptions in the IJB's MTFP are consistent with the Scottish Government's MTFS and MTFF. However, there is room for improvement in outlining how the anticipated spend over the medium term aligns with the key themes on public service reform (prevention, performance, partnership, people), the Strategic Commissioning Plan and demonstrates a focus on improving outcomes.

The IJB's Strategic Commissioning Plan needs to be improved, quantifying demand pressures and the resulting costs in a 'no change' environment, linked clearly to the MTFP and identifying the level of transformation required, linked to NHS Shetland's and Shetland Islands Council's transformation programmes. In 2019/20, the IJB needs to prioritise the process of preparing specific, detailed action plans linked to the plan to ensure it is achievable.

Financial management

Overview

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.



Audit risks

Within our audit plan we identified a number of risks as follows:

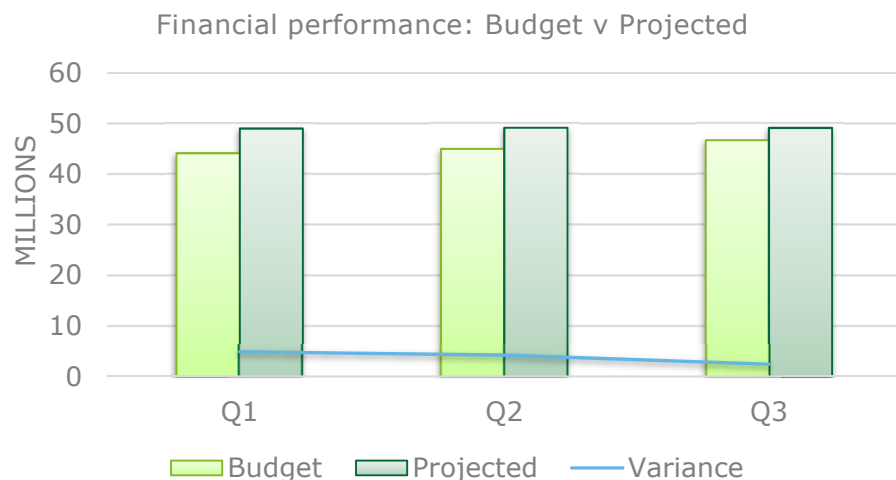
- The budget setting arrangements of the IJB are insufficient to commission services within the funding available and monitor performance; and
- The underlying financial performance of the IJB is not transparently reported.

Financial management (continued)

Financial performance

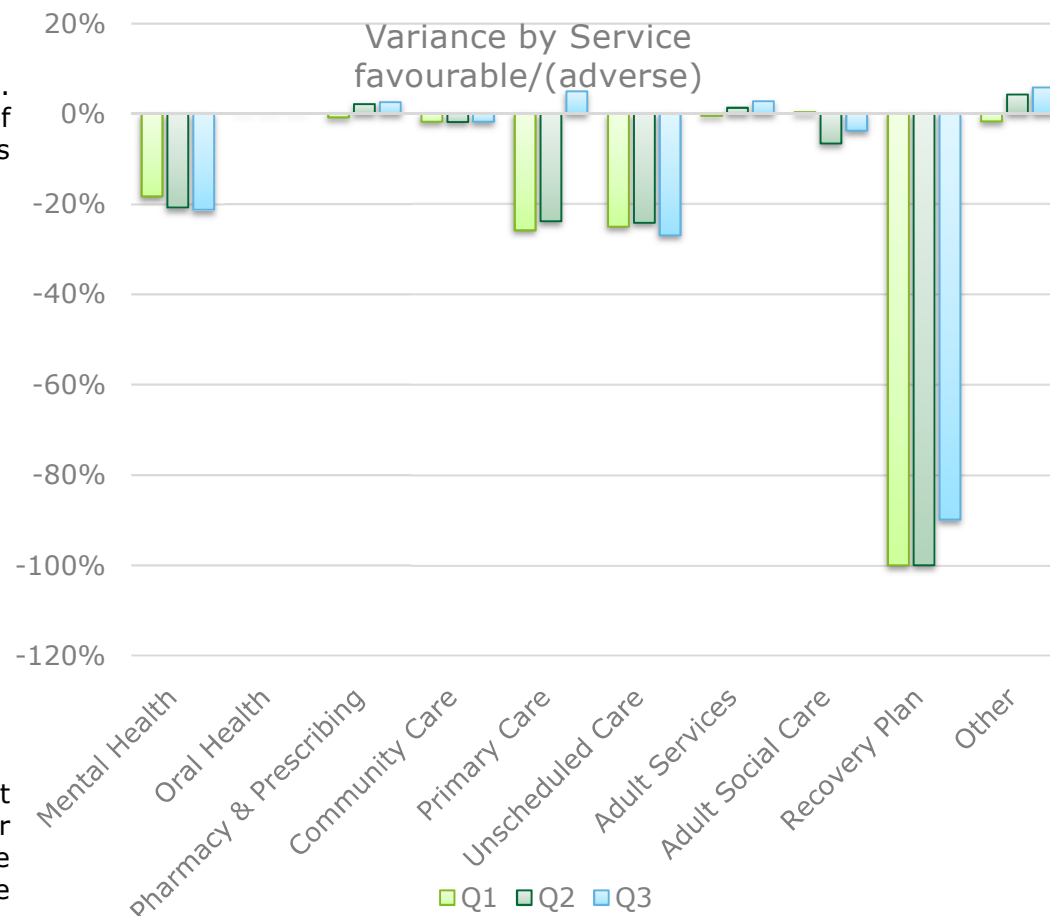
2018/19 projected outturn

The IJB is expected to end the year with an overspend compared to budget. Despite this, it will achieve a surplus in the year, due to additional funding of £3.6m being received from NHS Shetland. This has been reported to members throughout the year as illustrated below:



The original 2018/19 budget was noted rather than approved by the IJB, as it was not possible to prepare a balanced budget. The IJB budgeted for expenditure of £44.122m in the year. This has been repeatedly revised in the year, to £44.139m in Q1, £44.972m in Q2 and £46.718m in Q3. The 'reduction' in the overspend to Q3 is due to additional funding from the Scottish Government, specifically for primary care.

It is difficult for the Board to assess the financial performance of the IJB given that the financial monitoring reports and outturn reports presented to the IJB only refer to forecast spend to the year-end. There is no information provided on the actual spend incurred in any given period to provide assurance to the IJB that financial performance is in line with budget at any given point in time in the year. Going forward, financial monitoring reports should present information on actual expenditure in each quarter, in addition to the forecast outturn for the full year as at the end of each quarter.



Overspends in the year were driven by a failure to achieve the savings needed in the recovery plan, additional locum costs for psychiatric cover, primary care and unscheduled care. Given the long-term and recurrent nature of these costs (i.e. the psychiatric locum cover has been provided on an ongoing basis for almost two years, and the IJB has historically failed to achieve the recovery plan), it is questionable how appropriate it is to not build these foreseeable issues into the budget.

Financial management (continued)

Systems of internal financial control

Financial reporting

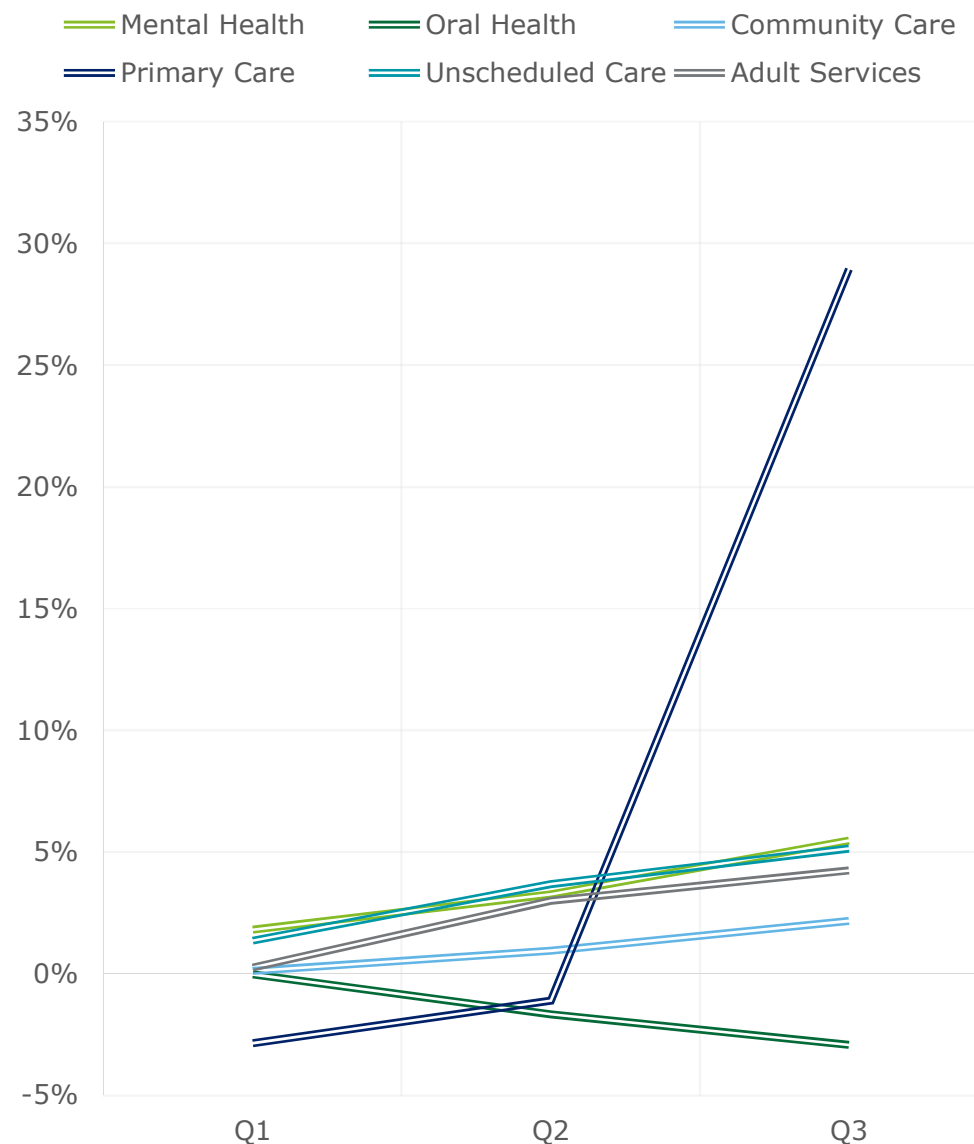
Amendments to the budget are made throughout the year, to take account of changing circumstances and events which were not foreseen when the budget was agreed.

Revisions to the budget are included in the Financial Monitoring Reports (FMR) which are presented to the Board each quarter. While this provides information on the numerical amendments which were made, they do not provide any detail on why these revisions were required and why they weren't identified in the original budget. The revisions are substantial - £6.4m of amendments or reallocations have been made to Q3, with the overall budgeted spend increasing by £2.6m (6%). We are aware that the main driver of changes to the budget in the year was additional funding received from NHS Shetland. High-level narrative on the reasons for major reallocations within service budgets and amendments to the overall budget should be included in the FMR.

We have concerns about the accuracy of budgeting (page 13) and forecasting given the amount of amendments in the year, in addition to the high level of forecast overspends from Q1 to Q3. In 2017/18, the Q1 FMR forecast an overspend of 6.5% (increasing to 7.5% by Q3); in 2018/19, the Q1 FMR forecast an overspend of 11% (reducing to 5.2% by Q3 due to additional funding received). The overspends are due to the budget being 'made' to balance with savings - both identified and unidentified - which is inappropriate: savings should be attached to the individual service budgets (by reducing their budgeted allocation) and separately identified in the budget report to enable monitoring throughout the year. Savings should not be treated as essentially a 'balancing figure' in the budget.

We note that there is no committee within the IJB responsible for monitoring financial performance, and a significant amount of Board meeting time is spent analysing the detail of IJB finances rather than focusing on strategic thinking and priority areas. The IJB should delegate authority to a committee to review and report to the Board on financial performance to better spread workload, free up time in Board meetings, improve the scrutiny of financial performance and enhance the importance attached the committees by the IJB.

BUDGET AMENDMENTS BY SERVICE



Financial management (continued)

Systems of internal financial control (continued)

Budget setting

Financial planning is not integrated, long-term or outcome focused. This severely limits the ability of the IJB to change the way the system operates. A way to move from this is to follow up on recommendations we made to treat the budget allocation as 'IJB money' rather than 'Council' and 'NHS' money.

We are pleased to note that the IJB has approved its budget for 2019/20 (as opposed to simply noting it, as in 2018/19). In 2018/19, the IJB was in breach of the Integration Scheme by failing to develop a recovery plan to address the budgeted funding gap. We welcome progress in this area - the IJB has identified £1.979m of the £2.533m savings required in 2019/20, with the budget specifically highlighting the remaining funding gap as being achievable through other non-recurring actions. A number of improvements, however, are required to the budget setting process:

1. There needs to be a link between the budgeted spend and the IJB's priorities as set out in the Strategic Commissioning Plan.
2. There needs to be improved links between the budget and outcomes: there is no information of the outcomes the IJB expects to be progressed (and to what extent) by the budget, which makes it difficult for the IJB to assess to what extent budgetary decisions are impacting on outcomes achieved.
3. Although seminars are held to discuss the budget, it was noted in our discussions with IJB Members that the level of engagement needs to be improved. IJB Members need to be able to contribute to discussions on budget setting and should feel able to challenge the budgeted funding allocations. Funding allocations should be based on need, and it is inappropriate for funding allocated to be below the cost of services commissioned as disclosed in the 2019/20 budget.
4. There is a requirement in the Integration Scheme for the budget to be linked to locality plans. The IJB is not complying with this requirement as no locality plans exist. This means that the IJB is also in breach of the Community Empowerment Act.

In line with good practice, the IJB should maintain a central record of all queries received from the IJB on the budget and answers provided, with this being publicly available, thereby ensuring that all Members are equally informed on the budget and that the public can be assured that appropriate scrutiny is applied to the budget.

Financial capacity

From our audit work over the past number of years, we are satisfied that there are suitably qualified and experienced officers leading the finance function within the IJB. We note that there have been no changes in the finance function in the year. The quality of reporting is appropriate.

However, the IJB needs to consider the capacity of the finance function given the dual role being completed by the Chief Financial Officer, who works as Head of Finance & Procurement at NHS Shetland. While we are aware that capacity is an ongoing consideration, we note the dual role of this position has not been specifically considered. This should be specifically considered given the findings of the recent Audit Scotland report on Health & Social Care Integration (which highlighted capacity concerns due to a lack of dedicated Chief Financial Officers and insufficient support being provided to them) and Ministerial Review on integration (which noted that the role of the Chief Financial Officer is both operational and strategic, which is a wider role than initially planned for.) Nationally, increasing numbers of IJBs are appointing their own dedicated Chief Financial Officer or full-time support at a more junior grade.

The IJB needs to consider the case for a dedicated Chief Financial Officer in Shetland. If a case exists, the NHS and Council should work with the IJB and provide it with the resources needed to develop that capacity. The IJB will need to carefully manage any change and transition and maintain continuity of knowledge given recent changes in the Chief Officer role (page 16).

The IJB also needs to consider if its leadership is appropriately resourced and supported by enough personnel and other services (e.g. HR, legal, accountancy) to deliver the strategic change necessary. While staff may be 'assigned' to the IJB to provide these services, this is on top of their current roles and the IJB needs to critically evaluate whether this is appropriate and actually working in practice - if it is not, the IJB needs to be clear what is missing that would enable improved outcomes and work with the Council and NHS for these to be provided.

Financial management (continued)

Systems of internal financial control (continued)

Internal audit

Shetland Islands Council's Chief Internal Auditor provides the Internal Audit function for Shetland IJB. Internal Audit concluded that the main area of concern remains centred on the carried forward funding gap and the ongoing savings and efficiency targets.

The Internal Audit function has independent responsibility for examining, evaluating and reporting on the adequacy of internal controls. During the year, we have liaised with internal audit and reviewed all internal audit reports. These have helped inform our audit work, although no specific reliance has been placed on the work of internal audit.

On the basis of the audit work undertaken during the year, the Chief Internal Auditor is able to conclude that a reasonable level of assurance can be given that the system of internal control is operating effectively within the IJB.

In 2018/19, the Chief Internal Auditor of Shetland Islands Council retired. An opportunity was taken to outsource the internal audit service, with the strategic direction for the internal audit now being set by 'Audit Glasgow', the internal audit function within Glasgow City Council, who provide internal audit services to a number of other bodies. The Council is retaining several internal audit staff, thereby ensuring continuity of knowledge. The transition has been well managed and offers an opportunity for the IJB to make use of a wider base of expertise.

Standards of conduct for prevention and detection of fraud and error

We have reviewed the IJB's arrangements for the prevention and detection of fraud and irregularities. Overall we found the IJB's arrangements to be well designed and appropriately implemented.

Deloitte view – financial management

Although we welcome improvements made in the budget setting process in 2018/19, further improvements are needed. In future, the budget should quantify the impact of the current year decisions on the funding gaps identified throughout the period covered by the MTFP, rather than just focusing on the impact in the coming year. The IJB also needs to better align its budget with its Strategic Commissioning Plan, making clear how the budget progresses the IJB's priorities.

Throughout the year, the IJB was forecasting an overspend against budget. Despite this, the IJB has achieved a surplus position due to additional funding from the Scottish Government and NHS Shetland. Going forward, FMRs should present information on actual expenditure in each quarter, in addition to the forecast outturn for the full year as at the end of each quarter. This will enable the IJB to challenge where overspends are anticipated more effectively. To further improve scrutiny, narrative in the FMRs needs to be significantly improved to provide explanations for why variances have occurred, not just what they consist of.

Revisions to the budget are referred to in the FMRs, however, these do not provide any detail on why these revisions were required and why they weren't identified in the original budget. The revisions are substantial but insufficient information is provided to enable appropriate challenge of the reasons for this.

A significant amount of Board meeting time is spent analysing the detail of IJB finances rather than focusing on strategic thinking and priority areas. The IJB should delegate authority to a committee to review and report to the Board on financial performance.

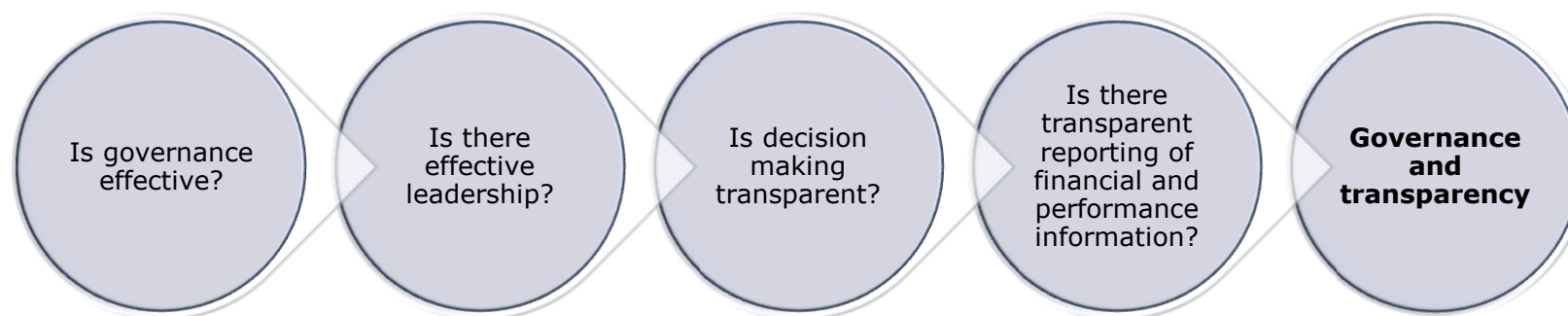
The IJB needs to consider the capacity of the leadership team given the dual role being completed by the Chief Financial Officer, and changes in the Chief Officer role. The IJB should consider the case for a dedicated Chief Financial Officer in Shetland. The IJB also needs to consider if its leadership is appropriately resourced. If it is not, the IJB needs to be clear what is missing that would enable improved outcomes and work with the Council and NHS for these to be provided.

The IJB has changed internal auditors in the year, given the retirement of its Chief Internal Audit. The internal audit function is now provided by 'Audit Glasgow', the internal audit service in Glasgow City Council. The transition has been well managed and offers an opportunity for the IJB to make use of a wider base of expertise.

Governance and transparency

Overview

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information



Audit risks

Within our audit plan we identified a number of risks as follows:

- Scrutiny is rendered less timely and appropriate given the time between the events occurring and being reported to the IJB; and
- The IJB's approach to openness and transparency is not keeping pace with public expectations and good practice.

Governance and transparency (continued)

Leadership, vision and governance arrangements

Leadership and vision

The IJB and its partners have a clear vision for what they want to achieve for the people of Shetland, as set out in the Shetland Partnership Plan, to which the IJB has clearly linked its Strategic Commissioning Plan. Members and staff within the partner organisations support the vision.

The IJB has strong executive leadership, driven by the Chief Officer. The Chief Officer and leadership teams within the Council and NHS need to continue to drive progress together, ensuring that there is sufficient buy-in across the team, rather than being so heavily reliant on the Chief Officer.

There have been a number of changes in leadership at the IJB in the year. In April 2019, the Chief Officer took up the Interim Chief Executive post at NHS Shetland, with a replacement Interim Chief Officer announced in May 2019. The Chair of the IJB's term ended at the end of March 2019, with a new Chair appointed from April. The IJB needs to ensure that it has appropriate transitional arrangements and handovers in place to enable functions which need to be carried out to be carried out regardless of changes in the leadership.

While changes in leadership provide opportunities for changes in direction, the IJB must be particularly aware of the potential impact on its partner organisations - the NHS and Council - as a result of the vacancy in the Chief Officer role created by the appointment of the IJB's previous Chief Officer to the Interim CEO role at the NHS.

Development

The IJB does not have a training plan at an individual officer, Member, committee, or Board level. From discussion with Members, we have confirmed that no skills gap analysis has been carried out and appraisals are not conducted for Members to enable an informed training plan to be developed. The effectiveness of training that is provided is not regularly assessed.

The Shetland Partnership Plan's **vision** is:

"Shetland is a place where everyone is able to thrive; live well in strong, resilient communities; and where people and communities are able to help plan and deliver solutions to future challenges."

The Shetland Partnership Plan has agreed four **strategic priorities** to help make this happen:

Participation

People

Place

Money

The IJB needs to fundamentally overhaul its approach to training and adopt a formal, ongoing approach to development. The IJB needs to carry out a skills gap analysis as part of the annual self assessment of committees and the IJB, work in conjunction with Members to develop training plans for them (specific to committees/Members' needs), assess the effectiveness of all training provided and track and report attendance at training by Members. The IJB should specifically consider a joint development programme with the NHS and Council to improve understanding and integration.

Governance and transparency (continued)

Leadership, vision and governance arrangements (continued)

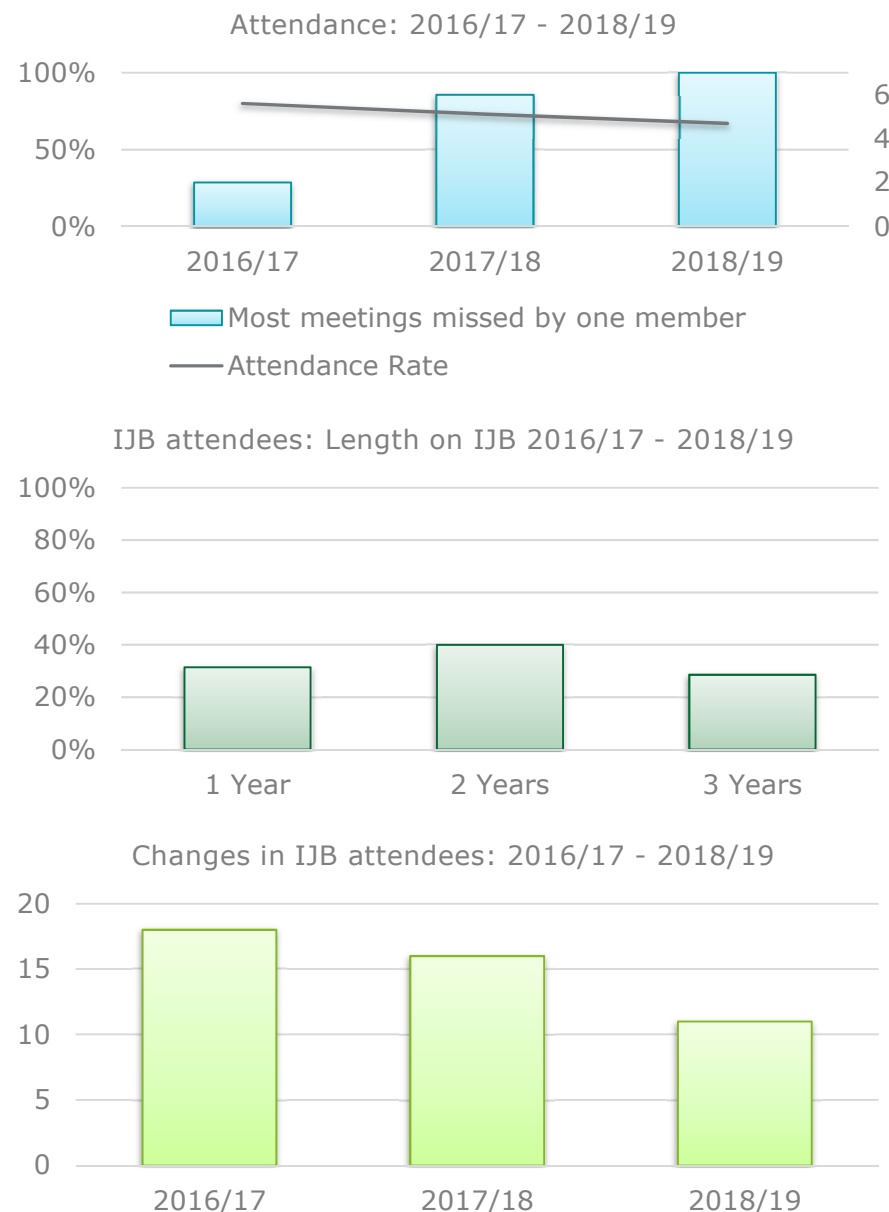
Effectiveness of governance

The IJB does not have a structured approach to regular self-assessment. In 2018/19, no self-assessments were conducted. The IJB needs to have annual self-assessments of governance arrangements, committee and Board performance, which can help inform and guide the more structured triennial reviews of the governance framework. The IJB should agree a structured self-assessment and review programme, thereby ensuring the IJB has adequate self-assessment arrangements in place.

From review of the attendance sheet for IJB meetings, we are concerned at the declining level of attendance: dropping from 80% in 2016/17 (when the IJB was newly established) to 67% in 2018/19. While attendance is still acceptable, the direction of travel is worrying. There are issues also with the continuity of knowledge given the high level of turnover in IJB members: 18 people attended IJB meetings in 2016/17, there were 16 changes to these in 2017/18 and a further 11 changes to these in 2018/19. Only 29% of IJB members have attended meetings in every year of the IJB's existence. This makes it difficult for the IJB to maintain focus and momentum as there is regular turnover (or use of substitutes).

Attendance sheets are not maintained for the IJB Audit Committee. However, of the 4 meetings held in 2018/19, we note from attendance at these meetings that one meeting was quorate only by virtue of the substitute attendance of the Chair of the IJB (which is against good practice), and another had to be cancelled due to the meeting being inquorate. Having an Audit Committee where the meeting is quorate with Committee members only 50% of the time is obviously not acceptable and indicates wider issues with perceptions of the Audit Committee and its importance. The Chair of the IJB, in partnership with the Council and NHS, needs to ensure that appropriate time is provided for IJB meetings and Members are held to account for non-attendance at meetings or for failing to carry out their responsibilities.

We have reviewed the IJB's 'action tracker' of decisions. We noted that this was not provided to the IJB in Q3, which makes it difficult for the Board and the public to understand how decisions taken are implemented and to monitor their implementation. An action tracker should be developed for each committee and should be provided at every meeting. The action tracker needs to include target dates, have clear and concise updates provided, and have sufficient information to justify the Red/Amber/Green/Completed status which is chosen.



Governance and transparency (continued)

Openness and transparency

Openness and transparency

Taking an **open approach** to business can support good governance.

It is about behaviours, centred on a preference for sharing information about how and why decisions are made. In the public sector, this is based on the recognition that public services are delivered for the public good using public money.



Transparency can be seen as a process. Access to information provides insight into decision-making and how the organisation works. Transparency in the public sector is supported by statutory requirements and regulations. These are minimum requirements and it is for individual organisations to decide whether the content and volume (in terms of quantity and amount of detail) of the information that they make available contributes to increased understanding. There are judgements to be made, and an approach designed to increase transparency rather than comply with minimum standards is more likely to satisfy the good governance test.

Openness and transparency are individually important, and working well together they help demonstrate that public organisations are acting in the public interest.

We have considered the IJB's approach to openness and transparency, how good the IJB's information is; and its commitment to improving openness and transparency and concluded that the IJB has a generally positive attitude towards openness and transparency. However, we note that the IJB has not carried out a review of how open and transparent it is and no such review is included in the IJB's business programme for 2019/20. The IJB has not sought the views of the wider community on its approach to openness and transparency. The IJB should carry out regular stakeholder surveys and seek views on how open and transparent it is through these.



Governance and transparency (continued)

Openness and transparency (continued)

Quality of information

The IJB provides extensive and timely information to Members to enable them to take decisions. However, the IJB should review whether the style of report is appropriate (it is important that Members are involved in any such review.) There is a high quantity of lengthy reports, with the covering reports often failing to identify the key matters actually being considered and the implications of decisions not being properly analysed and considered.

As part of the review of reports, the IJB should also consider how it minutes meetings: the IJB should ensure that minutes are clear and have sufficient detail. We note that the Council has recently announced its intention to move towards webcasting of Council meetings and this should be considered for the IJB also. This, coupled with effective minute taking, should demonstrate how scrutiny has been effective and how decisions have been made.

In addition to making information available on its website and hosting public Board and committee meetings, the IJB needs to take steps to actively communicate with the community on an ongoing basis about key decisions it has taken and the impacts that they have had. Improvements could be made through the use of webcasting meetings or hosting meetings in alternative locations on occasion.

Publishing information

The IJB makes a large volume of information publicly available. The IJB needs to ensure that the information which is publicly available is accessible to the reader. For example, while the IJB has published its governance arrangements, it would not be clear to the average member of the public how the IJB makes decisions as the documents published are detailed, technical operational documents and not summarised or explained for non-IJB users.

The IJB should consider developing its own website, rather than having information published on Shetland Islands Council's website. While a link to the IJB-specific page is clearly signposted on the Council's homepage, information on the IJB is not always clearly differentiated from Council responsibilities and decisions, which hinders the ability of the IJB to forge its own identity and to be seen as an entity in its own right. Across Scotland, a number of IJBs have their own websites and the level of information disclosed is greater than that disclosed by the IJB in Shetland, and clearly demonstrates to stakeholders and the wider public what the IJB is responsible for and how it is driving improvement across the health and social care system.

Commitment to improvement

The IJB is required by law to carry out a formal review of its Integration Scheme by the fifth anniversary of its adoption, identifying and assessing potential changes which could improve integration.

Through this review, the IJB needs to ensure that there is agreement of responsibility and accountability arrangements. The NHS, IJB and Council need to work together to clearly set out roles and responsibilities of each of the parties - in greater detail than currently set out in the Integration Scheme - ensuring consistency across the partner organisations and ensuring that delegation of responsibilities is carried out effectively. We are aware of work being piloted nationally, through NHS Ayrshire and Arran, to develop an exemplar set of Directions to make commissioning more transparent. The IJB should ensure it is an early adopter of these when developed.

Fundamentally, the IJB needs to make it work locally, addressing any perceived lack of clarity and setting out how local arrangements will work. The IJB needs to establish, communicate and enforce a clear governance structure, outlining who is responsible for service performance and quality of care.

The IJB should be considering how it can become increasingly open and transparent on an ongoing basis, identifying improvements that will help stakeholders and the public to understand how decisions are made and how they can engage with the IJB. The IJB should carry out annual self-assessments of its performance as a body and the effectiveness of its governance through committee evaluations. The IJB should ensure that any such assessment specifically considers improvements which can be made to openness and transparency. The results of these reviews should be made publicly available through the publication of an Annual Self-Evaluation Report.

Governance and transparency (continued)

Deloitte view

Deloitte view – Governance and transparency

In general, the IJB has a good attitude to openness and transparency. However, it has not taken specific actions in the year to improve its approach to openness and transparency in line with good practice. The IJB should review its approach to openness and transparency in 2019/20, developing an action plan in conjunction with the Board and wider stakeholders, monitoring improvements in openness and transparency on an ongoing basis thereafter. The IJB should specifically consider developing its own website, enabling it to create a distinct identity and improve the level and accessibility of information disclosed.

The lack of review of the IJB's approach to openness and transparency evidences the IJB's weaknesses in self assessment. In the year, no self-assessments were carried out. The IJB should have annual self-assessments of governance arrangements, committee and Board performance. The IJB should develop a self assessment programme to ensure that the IJB has adequate self assessment arrangements in place.

The IJB is required by law to carry out a formal review of its Integration Scheme in 2019/20. Through this review, the IJB needs to ensure that there is agreement of responsibility and accountability arrangements, clearly setting out roles and responsibilities of each of the parties. The IJB should ensure it is an early adopter of the exemplar Directions being developed at a national level.

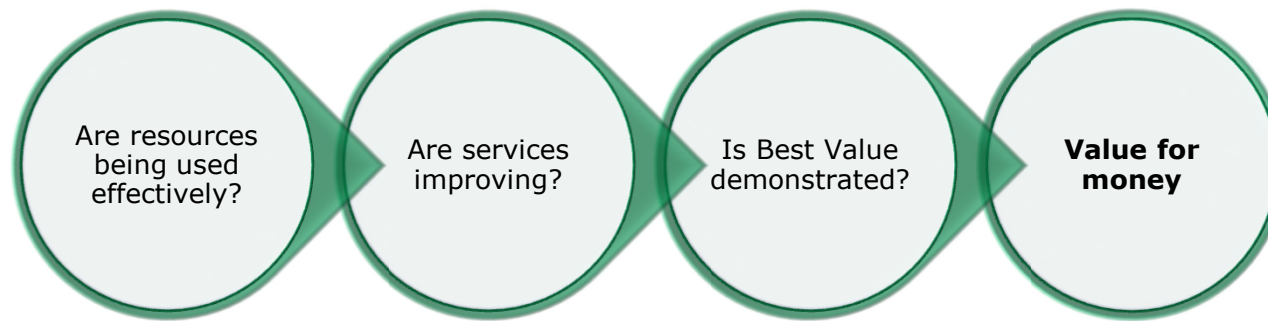
While attendance at IJB meetings is acceptable, the downward trend in attendance is worrying and the effectiveness of scrutiny is at risk of being weakened by the high level of turnover of those attending. The effectiveness of training that is provided is not regularly assessed. The IJB needs to adopt a formal, ongoing approach to development. The IJB needs to carry out a skills gap analysis as part of the annual self assessment of committees and the Board, work in conjunction with Members to develop training plans for them (specific to committees/Members' needs), assess the effectiveness of all training provided and track and report attendance at training by the Board.

The IJB provides extensive and timely information to Members to enable them to take decisions. However, the IJB should review whether the style of report is appropriate. There is a high quantity of lengthy reports, with the covering reports often failing to identify the key matters actually being considered and the implications of decisions not being properly analysed and considered.

Value for money

Overview

Value for money is concerned with using resources effectively and continually improving services.



Audit risks

Within our audit plan we identified a number of risks as follows:

- The IJB does not allocate resources effectively; and
- The IJB does not clearly report on its contribution towards the national outcomes.

Value for money (continued)

Performance management

Performance management

The IJB has a performance management framework in place, with performance regularly considered by management and the Board. This is currently based on existing frameworks in each partner body and further work is required to provide a fully integrated suite of indicators for the IJB linked to its Strategic Commissioning Plan and the Scottish Government's National Performance Framework.

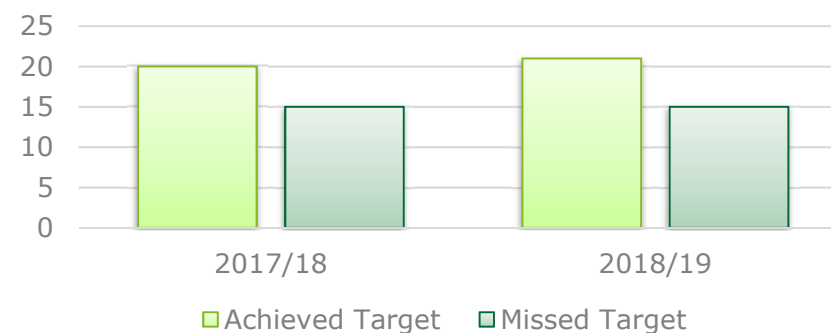
Performance data

The IJB has been performing consistently against its targets: in 2017/18, it achieved 20 targets and missed 15, and in 2018/19, it achieved 21 targets and missed 15 (one additional target was added). However, this information does not enable the IJB to fully understand its performance: while the IJB has performed consistently, this is because it is meeting targets which have not changed - between 2016/17 and 2018/19, targets have either decreased or remained static in 71% of cases, so while the IJB is meeting targets, this doesn't mean that performance is actually improving. From our review of indicators in 2018/19, we noted that performance has declined from 2017/18 in 51% of cases (improving in 34%), which is a substantially different picture to that suggested by comparing against target. At present, while performance is declining, this is masked by the way performance is reported. The IJB should be reviewing its historical performance and its targets and challenging whether targets set are realistic and demonstrating a commitment to continuous improvement.

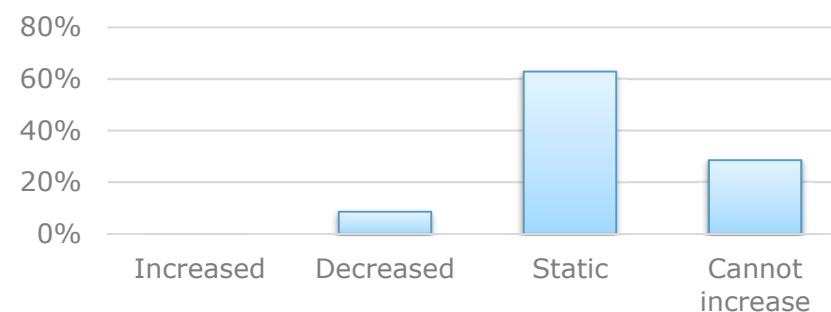
Members have noted that performance information provided to the IJB is lengthy, highly numerical and difficult to follow. The accompanying report lacks detail. The narrative provided alongside the performance indicators is extremely high-level and does not enable an observer to understand specifically why performance has - or has not - met a target, whether that was within or outwith IJB control, and what specifically will be done to address areas of underperformance. There is no link made between cost and performance. Reports also do not outline the general performance of the IJB - with each indicator presented separately it is difficult for members to identify trends across the IJB.

To demonstrate a focus on improving performance and outcomes, an Improvement Plan should be reported to the IJB. This Improvement Plan should be informed by service self-assessments, stakeholder surveys and national reports. A centralised Improvement Plan will enable the IJB to monitor improvement across the IJB as a whole - rather than considering the Council and NHS separately - and to identify areas where improvement is not progressing as planned.

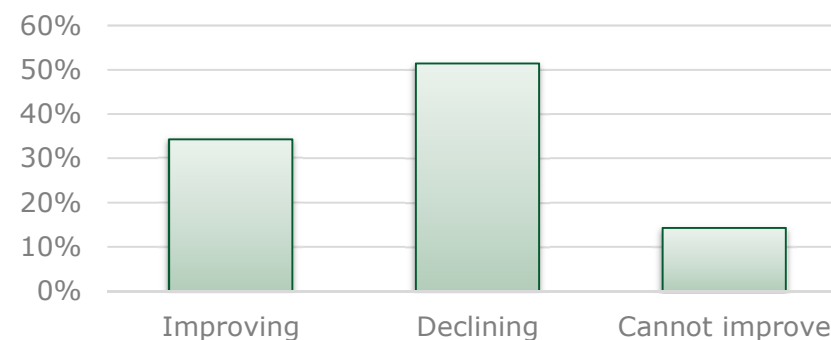
Performance against target: 2017/18 - 2018/19



Targets: 2016/17 - 2018/19



Performance Indicators: 2017/18 - 2018/19



* Cannot increase/cannot improve due to the target and performance being 100%.

Value for money (continued)

Performance management (continued)

Accuracy of reporting

From our review of information reported to the IJB, we noted that the sickness absence information reported to the IJB differs from that reported to the Council, despite the sickness absence information being for the same period and covering the same staff. It is not clear why the information differs between reports and undermines the ability of the Board to effectively monitor performance in this area. The IJB needs to work with the Council and NHS to standardise what is reported to committees (i.e. if sickness absence is reported to one committee, the same information should be reported to all committees). Through Pentana, the IJB should develop a suite of indicators that are locked down at month and quarter end and then used for all reporting to ensure consistency.

Demand management

The IJB has been involved in several programmes of demand management in recent years, receiving 'spend to save' funding from the NHS and Council to progress these. This provides upfront funding to services in order to deliver changes which will yield recurring future savings whilst improving outcomes. We are aware of recent investment in areas such as mental health, primary care, intermediate care and social care to change how service is delivered to improve outcomes whilst making financial savings. These are positive examples of the IJB working with its partners to improve services for the local community and we encourage the IJB, NHS and Council to work together to identify further areas where such action can be taken.

While there have been a number of programmes approved and started, the IJB needs to continue to improve its focus on transformational change and its engagement - both internally and externally - as it drives transformation forward as the basis for its longer-term financial strategy. This will require investment in strategic leadership, planning and good governance. The IJB needs to set a risk appetite for transformational change against which it monitors risks and actions taken.

Engagement between the IJB, its partners and the wider community from the outset is key: all stakeholders should understand how the approach to transformation will improve services as well as reduce costs. The repercussions for financial sustainability and service delivery if savings are not achieved needs to be clearly communicated to all stakeholders. There needs to be improved monitoring of performance against the targets set for each project and actions in transformation need to be clearly linked to outcomes to enabling monitoring of the impact that transformation is having on services. The action plans currently included in the projects are high-level, with more detail needed on who is responsible for taking actions forward and when they need to be completed by, and how and when progress will be monitored.

The progress reports provided to the IJB do not enable it to effectively monitor and properly scrutinise performance. In progress reports, it should be clear:

- i. What work has been undertaken to date.
- ii. What work is still to be completed.
- iii. Why there are revised due dates (if any) and the financial impact this has had.
- iv. Whether or not the action has been completed on time, and if not, what lessons have been learned and remedial actions taken.

Value for money (continued)

Best Value

Best Value

There is clarity in the IJB on who is accountable for achieving Best Value: the Chief Officer. However, a number of concerns have been highlighted through our discussions on the IJB achieving Best Value and obtaining appropriate assurance that it is demonstrating value for money in the use of resources. It was noted that the IJB is heavily reliant on Best Value statements from NHS Shetland and Shetland Islands Council, however, there was an acceptance from everyone we spoke to that the IJB is struggling to achieve Best Value and does not have enough information or consider a wide enough range of areas to assure itself that Best Value is being achieved: the IJB noted in its local response to the national report on integration that "Best Value is an area that is less developed."

Concerns were raised about a lack of buy in or appetite for change, with resistance to change by IJB members being highlighted as a key risk to the IJB's ability to achieve Best Value. While a number of service redesign and improvement actions have been approved and taken forward since the IJB was established (page 23), these have been primarily through delegated authority rather than working with the Board, and change through the Board has been slow. It is clear from our discussions, observations at IJB meetings and review of relevant documents that although there is a desire for improvement across the IJB, there is also a fear of change and the risk and exposure associated with it which means that improvement is slow and not continuous.

The Board and officers need to work together and with their partners in the NHS and Council to identify the factors that are slowing improvement, set clear actions for how such factors will be addressed on an ongoing basis in the future, and report to the Board on an annual basis on the IJB's self-assessment of Best Value to monitor improvements in this area and identify any further actions necessary.

Deloitte view – Value for money

In line with good practice identified by Audit Scotland, we recommend that the IJB prepare a clear and concise annual Improvement Plan to be reported to the Board. This Improvement Plan should be informed by service self-assessments, stakeholder surveys and national reports.

The IJB has been performing consistently against its targets. However, this information does not enable the IJB to fully understand its performance: while the IJB has performed consistently, this is because it is meeting targets which have not changed. From our review of indicators in 2018/19, we noted that performance has declined from 2017/18 in 51% of cases (improving in 34%).

From the IJB's performance monitoring reports, it is difficult for the Board to fully assess performance, including performance against outcomes, given that performance information provided is lengthy, highly numerical and difficult to follow, with the accompanying report lacking detail. There needs to be a link made between cost and performance, and the IJB should consider the targets it sets on an ongoing basis to ensure they remain realistic whilst also demonstrating a commitment to improvement.

The IJB noted that Best Value is an area in which it is less developed. The IJB needs to identify causal factors, set clear actions for improvement and report on an annual basis on a self-assessment of Best Value to monitor improvements in this area and identify further actions.

Other specific risks

As set out in our Audit Plan, Audit Scotland identified a number of areas as significant risks faced by the public sector. We have considered these as part of our audit work on the four audit dimensions and summarised our conclusions below.

Risk	Areas considered	Conclusion
EU Withdrawal	We have assessed what work the IJB has done to prepare for the impact of EU withdrawal, specifically considering people and skills; finance; and rules and regulations.	<p>The IJB is reliant on the NHS and Council to prepare for EU Withdrawal to minimise impact on the IJB. However, there has been no reporting to the IJB on what actions the NHS and Council are taking, so it is not possible for the IJB to have assurance that sufficient planning is underway, despite it being recorded as a 'high' risk on the IJB's risk register.</p> <p>While the IJB's partner organisations - the NHS and Council - are prepared in many areas for EU withdrawal, there are a number of areas - workforce planning, longer-term financial planning and contingency planning for a 'no deal' withdrawal - which require improvement. Some of these areas have not been considered by the partner organisations, others have been considered but have not addressed IJB-specific risks and detailed plans and actions remain under development.</p> <p>Overall, the Council and NHS were found to be partly prepared for EU Withdrawal. Given that the IJB is reliant on their preparedness, that conclusion also applies to the IJB.</p>
Changing landscape for public financial management	As part of our audit work on financial sustainability (see pages 5 – 9) we have considered how the IJB has reviewed the potential implications of the Scottish Government's MTFS for its own finances, including long term planning.	<p>The IJB produced its MTFP (5 year financial plan) in March 2019, based on NHS Shetland's and Shetland Islands Council's MTFPs, with the Scottish Government's MTFS being considered as a 'key factor' within those plans. The assumptions used in the plan - in terms of funding uplifts and cost increases - are consistent with the Scottish Government MTFS.</p> <p>However, there is room for improvement in outlining how the anticipated spend over the medium term aligns with the key themes on public service reform (prevention, performance, partnership, people) and demonstrating a focus on improving outcomes.</p>

Other specific risks (continued)

Risk	Areas considered	Conclusion
Dependency on key suppliers	We obtained a detailed breakdown of expenditure by supplier and performed an analysis to identify if there were any risks of dependency on key suppliers.	<p>No specific risks of key supplier failure have been identified through our work. While the IJB has a number of key supplier relationships – through the NHS and Council – only one accounts for more than 10% of expenditure with external suppliers.</p> <p>CrossReach accounts for 23% of IJB expenditure with external suppliers. Given their strong financial position, the comparatively small amount of transactions with the IJB, its backing by local authorities, status as a subsidiary of the Church of Scotland and its regulation by the Scottish Charity Regulator, we are satisfied that although this is a key supplier for the IJB, the risk of key supplier failure is remote.</p>
Openness and transparency	We have considered the IJB's approach to openness and transparency as part of our audit work on governance and transparency (see page 18).	The IJB has a good attitude to openness and transparency. However, there is room for improvement and the IJB needs to ensure its approach to openness and transparency keeps pace with public and regulatory expectations. The IJB should review its approach to openness and transparency, considering wider expectations, developing an action plan in conjunction with wider stakeholders to ensure that the IJB clearly demonstrates that it is always striving for more.

Appendices



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 help the Audit Committee of the IJB discharge their governance duties.

Our report includes the results of our work on the following:

- Financial sustainability;
- Financial management;
- Governance and transparency; and
- Value for money.

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.

This report has been prepared for the Audit Committee of the IJB, 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.

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



for and on behalf of Deloitte LLP
Glasgow

18 June 2019

Action plan

Recommendations for improvement

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
<i>Financial Sustainability</i>	<p>The MTFP should be made more robust, giving specific consideration to the following:</p> <ol style="list-style-type: none"> 1. Include scenario analysis and risk assessments of assumptions. 2. The MTFP needs to outline the options available to the IJB to address the funding gap. 3. The MTFP should outline how the IJB intends to use its resources to deliver the Strategic Commissioning Plan. 4. The MTFP should make reference to the key principles of public service reform - prevention, performance, partnership and people - and how these key principles are reflected in the IJB's financial planning, and how the IJB intends to align its resources to these key principles and monitor progress against them. <p>(See page 7 for further details.)</p>	<p>The Strategic Commissioning Plan (SCP), which is refreshed annually will be the primary mechanism for addressing these recommendations. However, the MTFP will be updated annually so that it is aligned to the SCP.</p> <p>This is an ongoing iterative process where the SCP and MTFP are interdependent.</p>	Chief Financial Officer	31/03/2020	High
<i>Governance & Transparency</i>	<p>The IJB needs to have annual self-assessments of governance arrangements, committee and Board performance. The IJB should agree a structured self-assessment and review programme.</p> <p>(See page 17 for further details.)</p>	<p>This recommendation will be addressed through the IJB Governance Review which features in the IJB Business Programme.</p>	Executive Manager, Governance & Law (SIC)	31/12/2019	High
<i>Governance & Transparency</i>	<p>The Chair of the IJB, in partnership with the Council and NHS, needs to ensure that appropriate time is provided for IJB meetings and Members are held to account for non-attendance at meetings. The IJB should specifically review attendance at committee and Board meetings on an annual basis to identify where improvement is needed and to agree actions to be taken.</p> <p>(See page 17 for further details.)</p>	<p>This recommendation will be addressed through the IJB Governance Review which features in the IJB Business Programme.</p>	Executive Manager, Governance & Law (SIC)	31/12/2019	High

Action plan (continued)

Recommendations for improvement (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
<i>Value for Money</i>	The IJB should review its historical performance and its targets and challenge whether targets set are realistic and demonstrating a commitment to continuous improvement.	As the IJB is a relatively small organisation with limited resources this recommendation will be addressed through existing mechanisms.	Chief Officer	30/03/2020	High
	To demonstrate a focus on improving performance and outcomes, the IJB should develop an Improvement Plan. This Improvement Plan should be informed by service self-assessments, stakeholder surveys and national reports. (See page 22 for further details.)	The annual refresh of the SCP, subsequent directions and the Performance Management Framework will represent a continuous improvement cycle.			
<i>Financial Sustainability</i>	The Strategic Commissioning Plan should be reviewed to include:	The SCP, which is refreshed annually, will address these recommendations.	Chief Officer	31/03/2020	Medium
	<ol style="list-style-type: none"> 1. Quantification of demand pressures and the resulting costs in a 'no change' environment, linked clearly to the MTFP. 2. Identification of the level of transformation required, linked to NHS Shetland's and Shetland Islands Council's transformation programmes. 3. Specific, detailed action plans need to be developed and linked to the plan to ensure it is achievable. (See page 8 for further details.)	The MTFP will be updated annually so that it is aligned to the SCP. This is an ongoing iterative process where the SCP and MTFP are interdependent.			

Action plan (continued)

Recommendations for improvement (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
<i>Financial Sustainability</i>	<p>The IJB should include the impact that decisions will have on the IJB's position against the in-year budget and the funding gap identified in the MTFP in the 'Finance implications' section of reports. The implications of decisions on long-term outcomes and needs of the community should also be enhanced, linked clearly to specific elements of the Strategic Commissioning Plan.</p> <p>(See page 8 for further details.)</p>	<p>The Chief Financial Officer will provide quality control reviews on all 'Finance Implication' sections of IJB reports during the Agenda Management process.</p> <p>The Chief Officer will quality control the impacts section of reports with regard to outcomes.</p>	Chief Financial Officer	31/03/2020	Medium
<i>Financial Management</i>	<p>High-level narrative on the reasons for major reallocations within service budgets and amendments to the overall budget should be included in the FMR.</p> <p>(See page 12 for further details.)</p>	<p>The budget process will be reviewed during 19/20 to address this recommendation.</p>	Chief Financial Officer	31/03/2020	Medium
<i>Financial Management</i>	<p>The IJB should delegate authority to a committee to review and report to the Board on financial performance to better spread workload, free up time in Board meetings, improve the scrutiny of financial performance and enhance the importance attached the committees by the IJB.</p> <p>(See page 12 for further details.)</p>	<p>As the IJB is a relatively small organisation with limited resources this recommendation will be addressed through existing committee structures.</p> <p>IJB agendas and chairing technique will be reviewed to allow greater scrutiny of financial reports.</p>	Chief Officer	31/03/2020	Medium

Action plan (continued)

Recommendations for improvement (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
<i>Financial Management</i>	<p>A number of improvements are required to the budget setting process:</p> <ol style="list-style-type: none"> 1. There needs to be a link between the budgeted spend and the IJB's priorities as set out in the Strategic Commissioning Plan. 2. There needs to be improved links between the budget and outcomes. 3. The IJB should work with the Board to identify what engagement is necessary as part of the budget setting process. 4. Funding allocations should be based on need, and the IJB should challenge allocations which are not. 5. The budget is required to be linked to locality plans. The IJB is not complying with this requirement as no locality plans exist. 6. The IJB should maintain a central record of all queries received on the budget and answers provided, with this being publicly available. <p>(See page 13 for further details.)</p>	<p>The SCP, which is refreshed annually, will be the primary mechanism for addressing these recommendations.</p> <p>The budget setting process will be reviewed during 2019/20 to ensure the budgets are aligned to need.</p> <p>There is an ambition to maintain core records within the new website which is currently under development.</p>	Chief Financial Officer	31/03/2020	Medium
<i>Governance & Transparency</i>	<p>The IJB needs to adopt a formal, ongoing approach to development. The IJB needs to carry out a skills gap analysis as part of the annual self assessment of committees and the IJB, work in conjunction with the Board to develop training plans for them (specific to committees/Members' needs), assess the effectiveness of all training provided and track and report attendance at training by the Board. The IJB should specifically consider a joint development programme with the NHS and Council to improve understanding and integration.</p> <p>(See page 16 for further details.)</p>	<p>This recommendation will be addressed through the IJB Governance Review which features in the IJB Business Programme.</p>	Executive Manager, Governance & Law (SIC)	31/12/2019	Medium

Action plan (continued)

Recommendations for improvement (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
Governance & Transparency	The IJB should carry out annual reviews of how open and transparent it is, seeking the views of the wider community. The IJB should carry out regular stakeholder surveys to help inform its approach to openness and transparency.	This recommendation will be addressed through the IJB Governance Review which features in the IJB Business Programme. There is an ambition to maintain core records within the new website which is currently under development.	Executive Manager, Governance & Law (SIC)	31/12/2019	Medium
	The results of these reviews should be made publicly available through the publication of an Annual Self-Evaluation Report.				
	(See page 18 for further details.)				
Governance & Transparency	The IJB should review whether the style of reports used and is appropriate. Covering reports should identify the key matters being considered and the implications of decisions.	This recommendation will be addressed through the IJB Governance Review which features in the IJB Business Programme.	Executive Manager, Governance & Law (SIC)	31/12/2019	Medium
	(See page 19 for further details.)				
Governance & Transparency	The IJB should consider developing its own website, to improve the level and accessibility of publicly disclosed information and clearly demonstrate to stakeholders and the wider public what the IJB is responsible for and how it is driving improvement across the health and social care system.	SIC is currently refreshing its internet platform and the IJB will have its own website within this system.	Chief Officer	31/03/2020	Medium
	(See page 19 for further details.)				

Action plan (continued)

Recommendations for improvement (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
<i>Governance & Transparency</i>	<p>The IJB is required by law to carry out a formal review of its Integration Scheme by the fifth anniversary of its adoption, identifying and assessing potential changes which could improve integration. This review needs to:</p> <ol style="list-style-type: none"> 1. Ensure that there is agreement of responsibility and accountability arrangements. 2. Clearly set out roles and responsibilities of each of the parties. 3. Address any perceived lack of clarity in the Integration Scheme and set out how local arrangements will work. 4. Establish, communicate and enforce a clear governance structure, outlining who is responsible for service performance and quality of care. <p>(See page 19 for further details.)</p>	<p>The IJB will carry out a formal review of its Integration Scheme by the fifth anniversary of its adoption, identifying and assessing potential changes which could improve integration.</p>	Director of Corporate Services (SIC)	15/11/2020	Medium
<i>Value for Money</i>	<p>Progress reports provided to the IJB should make it clear:</p> <ol style="list-style-type: none"> 1. What work has been undertaken to date; 2. What work is still to be completed; 3. Why there are revised due dates (if any) and the financial impact this has had; and 4. Whether or not the action has been completed on time, and if not, what lessons have been learned and remedial actions taken. <p>(See page 23 for further details.)</p>	<p>This recommendation will be addressed through the IJB Performance Management Framework 2019-2024.</p>	Chief Officer	31/03/2020	Medium
<i>Governance & Transparency</i>	<p>An action tracker should be developed for each committee and should be provided at every meeting. The action tracker needs to include target dates, have clear and concise updates provided, and have sufficient information to justify the Red/Amber/Green/Completed status which is chosen.</p> <p>(See page 19 for further details.)</p>	<p>Action Trackers are included in the Business Programmes of IJB and IJB Audit Committee. The IJB will ensure they are provided at every meeting.</p>	Chief Officer	30/09/2019	Low

Action plan (continued)

Follow-up 2017/18 action plan

We have followed up the recommendations made in our 2017/18 annual report in relation to the wider scope areas and are pleased to note that 7 of the total 14 recommendations made have been fully implemented. The following recommendations have either not been implemented or are only partially implemented. We will continue to monitor these as part of our audit work and provide an update in our Annual Report to the Committee in September 2019.

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2018/19 Update
Financial Sustainability	Continued focus needs to be given to developing a medium-term financial strategy through the Scenario Planning exercise. This should include quantification of the forecast funding gap and plans to address this.	The body understands the long-term pressures, which have been built in plans. There is a three year strategic plan in place (2016-19), but a medium-term financial plan is starting to be developed through a combination of the NHS MTFP and SIC LDP and is one of the anticipated outcomes of the Scenario Planning exercise.	Chief Financial Officer	1/12/18	High	<p><i>Partially implemented:</i> We will monitor progress on this against our updated recommendation on page 29.</p> <p>Updated management response: The SCP, which is refreshed annually, will be the primary mechanism for addressing this recommendation. The MTFP will be updated annually so that it is aligned to the SCP.</p> <p>Updated target date: 31/3/2020</p>
Governance & Transparency	A training plan should be put in place for the Audit Committee and Board members to ensure they know what their roles and responsibilities are, as well as to be clear on the scope of their work.	Management have agreed to consider the training needs of the Audit Committee and Board and to institute a relevant training plan.	Executive Manager, Governance & Law (SIC)	1/9/18	Medium	<p><i>Partially implemented:</i> We will monitor progress on this against our updated recommendation on page 33.</p> <p>Updated management response: This recommendation will be addressed through the IJB Governance Review which features in the IJB Business Programme.</p> <p>Updated target date: 31/12/2019</p>

Action plan (continued)

Follow-up 2017/18 action plan (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2018/19 Update
<i>Governance & Transparency</i>	The Audit Committee should have a clear terms of reference in place, and this should be assessed for effectiveness on an annual basis, in accordance with best practice.	The Terms of Reference will be reviewed so as to be clear on the responsibilities of the Audit Committee.	Executive Manager, Governance & Law (SIC)	1/9/18	Medium	<p><i>Partially implemented:</i> We will monitor progress on this against our updated recommendation on page 33.</p> <p>Updated management response: This recommendation will be addressed through the IJB Governance Review which features in the IJB Business Programme.</p> <p>Updated target date: 31/12/2019</p>
<i>Value for Money</i>	In order to demonstrate how the Board is achieving its objectives and meeting planned outcomes, management should demonstrate a clear link between expenditure and outcomes achieved.	Management consider that it is difficult to see the link between actions and outcomes, as often improvement can be hidden by the changing demographics (ageing population, for e.g.). However, they have agreed to look at this further going forward.	Chief Financial Officer	1/9/18	Medium	<p><i>Not implemented:</i> We will monitor progress on this against our updated recommendation on page 30.</p> <p>Updated management response: The SCP, which is refreshed annually, will be the primary mechanism for addressing this recommendation.</p> <p>Updated target date: 31/3/2020</p>

Action plan (continued)

Follow-up 2017/18 action plan (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2018/19 Update
<i>Governance & Transparency</i>	The management accounts reporting process takes approximately two months. We accept that this is in line with protocol, but that improvements in the speed of reporting, without compromising on the quality should be explored.	Management have accepted this point and will consider if there are areas where the efficiency of reporting can be enhanced.	Chief Financial Officer	1/3/19	Low	<p><i>Not implemented:</i> We will monitor progress on this against our updated recommendation on page 33.</p> <p>Updated management response: The timing of financial reporting will be considered during 2019/20.</p> <p>Updated target date: 31/03/2020</p>
<i>Financial Sustainability</i>	The Board should focus on implementing recurring saving schemes to ensure long-term financial sustainability. The Board should complete an exercise to fully evaluate demand drivers and the impact on costs going forward.	The Strategic Commissioning Plan recognises the scrutiny placed on the Board and all future redesign projects will be supported with robust needs and risk assessments. These assessments will be subject to further scrutiny through the existing decision making structure of the IJB. NHS Shetland identified that they are focused on recurring savings efficiencies in 2017/18.	Chief Financial Officer	30/6/18	High	<p><i>Partially implemented:</i> We will monitor progress on this against our updated recommendation on page 32.</p> <p>Updated management response: The SCP, which is refreshed annually, will be the primary mechanism for addressing this recommendation.</p> <p>Updated target date: 31/03/2020.</p>



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Sector developments

June 2019

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Introduction

Sharing our research, informed perspective and best practice

As part of our “added value” to the audit process, we are sharing our research, informed perspectives and best practice from our work across the wider public sector. In particular, we have included the following within this report:

1. Keeping pace? Government’s technology transformation – Research (pages 4-6)

Technology is a key driver for public sector transformation, making government departments more effective and public services accessible for those who rely on them.

Snapshot research with 815 civil servants has identified their views on the role and adoption of technologies, skills and training, as well as confidence levels in dealing with cyber-attacks. Whilst the results tell us that there is an appreciation of the impact and risks of technology developments, and progress is underway, the public sector appears to be struggling to keep pace.

2. Best practice case study (pages 7-9)

We have provided some case study data where Deloitte have been involved in transformational work within England.

4. Deloitte Perspective (page 10)

We have shared our perspectives and insights which are informed through our daily engagement with companies large and small, across all industries and in the private and public sectors.

5. National reports (pages 11 – 14)

We have summarised the recommendations and proposals from recent Audit Scotland and the Ministerial Strategic Group’s review on progress with integration which should be considered by the IJB as part of the ongoing development of the Partnership.

Keeping Pace?

Government's technology transformation

Technology is a key driver for public sector transformation, making government departments more effective and public services accessible for those who rely on them.

Snapshot research with 815 civil servants has identified their views on the role and adoption of technologies, skills and training, as well as confidence levels in dealing with cyber-attacks. Whilst the results tell us that there is an appreciation of the impact and risks of technology developments, and progress is underway, the public sector appears to be struggling to keep pace.

Area	Survey results	Action
Role of technology in government	<p>Respondents were asked which technologies have the most potential to impact on their department and on service delivery. Transformation of existing IT (88 per cent), cyber security (81 per cent) and data analytics (73 per cent) were the top three for greatest effect on the department. For service delivery, online interaction with citizens and cyber security were joint first (72 per cent), followed by transformation of existing IT (63 per cent) and mobile technology (60 per cent).</p> <p>On the other hand, digital currencies, blockchain, Internet and augmented reality are viewed as the least likely to impact either department operations or service delivery. These new technologies may have the power to revolutionise how we do things, however, our survey suggests that while IT professionals in the public sector are aware of them, they perceive them to be well down the list of priorities.</p> <p>But is there a need for the public sector to be at the 'leading edge' or at least be 'faster followers'? Transforming existing IT, the clear priority for survey respondents, and a focus of existing investment is arguably more likely to generate service improvements for citizens and drive savings internally.</p> <p>Equally the use of advanced data analytics to drive better insights for example, is now well established and delivering real benefits for many public sector organisations.</p>	<p>It will be important of course for public sector CIOs to keep a 'watching brief' on new technology. Technology that was new one year can become mainstream the next as functionality matures and the price point reduces.</p>

Keeping Pace? (continued)

Government's technology transformation (continued)

Area	Survey results	Action
Adoption of technology	<p>When asked which technologies they had explored for adoption, respondents highlighted those which might be considered more 'mainstream': transformation of IT (78 per cent), cyber security (64 per cent), cloud computing (59 per cent), mobile technology (56 per cent) and data analytics (54 per cent).</p> <p>Interestingly, while 72 per cent felt that online interaction with citizens had potential for the greatest impact on service delivery, only 46 per cent have explored the area for adoption.</p> <p>It's a well-worn stereotype that people working within the public sector believe they are behind the private sector in many areas. Our survey backs up this perception in relation to the adoption of new technologies; whilst 35 per cent felt they were behind others in the public sector, 64 per cent felt they were behind private sector organisations.</p> <p>Barriers highlighted include lack of budget (82 per cent), perceived cost (74 per cent) and 'fear of failure' culture (42 per cent).</p>	<p>The key lessons from our experience that helps accelerate technology adoption:</p> <ul style="list-style-type: none"> • Develop a coherent business case that clearly describes the benefits from the investment. This can help achieve buy-in and ensure the project is appropriately prioritised. • Have a clear Digital Strategy that supports the delivery of the business strategy: leadership and direction are at the core of driving successful technology adoption. • Involve citizens and service users in the design and delivery of new technology. This is critical for realising benefits and delivering 'fit for purpose' solutions. • Work closely with procurement teams to encourage technology innovation and accelerate the procurement process.
Cyber Security	<p>The survey was conducted approximately one month after one of the biggest cyber-attacks ever within the UK public sector with the WannaCry attack on the NHS.</p> <p>The survey presents a conflicting message in the response to questions of cyber security.</p> <p>When asked which technology developments have the greatest potential to impact on the department and service delivery, cyber security was flagged by 81 per cent and 71 per cent respectively. This shows a significant realisation of the real and present threat and potential for impact.</p> <p>However almost half (44 per cent) are not sure or do not have confidence in their organisation's ability to withstand a cyber-attack. Interestingly the more senior civil servants are, the more likely they are to express confidence. This could be due to the senior group having more visibility of what the department is doing organisation-wide to reduce the risk of cyber-attack, or it could be down to this group having less awareness of the risks and exposure that exists.</p> <p>The survey showed that 56 per cent were confident which could be attributed to an increased awareness amongst users, strengthening of cyber security policy across government and more stringent compliance requirements e.g. GDPR and NIS Directive.</p>	<p>It is clear that the public sector understands the importance of strong and robust cyber security technology.</p> <p>We would encourage organisations to adopt a holistic approach to cyber security including people, processes and technology, and use the clear interest in cyber security to promote awareness amongst staff.</p>

Keeping Pace? (continued)

Government's technology transformation (continued)

Area	Survey results	Action
Skills and training	<p>Skills Digital skills gaps provide a barrier to adoption according to 68 per cent of respondents. For many CIOs, figuring out the answer as to where to invest in skills can be challenging. The IT industry is constantly morphing with skills that were readily available a month ago being in short supply today. There is a clear move within the public sector towards user-centred design and data analytics, and it is perhaps not surprising that these figure large in terms of skills gaps in the survey.</p> <p>In our experience an added complication is the disparity in salaries between IT staff in the public and private sector. There is a fear factor of training people up only for them to get a better paid job elsewhere.</p> <p>Beyond the IT team, digital skills for the entire workforce need to be considered and addressed. One respondent suggested that there is a need for a standardised set of digital skills for all staff while another pointed to the need for more structured programmes to support upskilling.</p> <p>Investment in skills, for both the IT team and wider workforce, needs to be linked to the organisation's IT Strategy. Once an organisation has established what it wants to achieve, it can then establish a plan, including the volume and type of skills required. This will typically be a mix of in-house and outsourced resource dependent upon the nature of the project.</p> <p>Training 'On the job' training continues to be the most important means through which civil servants acquire the digital skills they need to perform their job effectively (64 per cent).</p> <p>Given the pervasiveness of technology in the workplace and at home, a potential working assumption is that all staff have, or will acquire on the job, the digital skills they need. This a potentially dangerous assumption. There are still many people within the workplace who are uncomfortable with technology. If they have not been given the right support and training, the risk is that they will become less effective in the workplace and the benefits of the organisation's investment in technology will not be fully realised.</p>	<ul style="list-style-type: none"> • Involve HR professionals in skills analysis, including the digital skills required for the entire workforce as well as the more specific skills for the IT team. The principles behind training needs analysis are still as relevant as they ever were: identifying people's current skill levels and any gaps is crucial to IT benefits delivery. • Embed a structured training programme based on the skills analysis. • Consider partnerships with universities, local employers and trusted suppliers. Some of the skills needed in the public sector can be accessed in small bites. For example, skills necessary with particular new technologies do not require long-term continuity of resource. External resources can deliver pace, capability and, with larger suppliers, an element of risk transfer that justifies the higher cost in the short and medium term. • In-house academies and training programmes can be used to upskill the existing workforce. Well-designed programmes can have a big impact on culture and levels of buy-in. Delivering programmes or partial programmes via e-learning will be time efficient and help to keep skills up-to-date

Best practice case studies

Our teams have worked with a number of English Council to support them through transformation programmes. We have set out on pages 8 and 9 two specific case studies that formed part of this work, including how they have applied demand management to transform services, and the outcomes achieved which are relevant to the Health and Social Care Partnership.

- **New Adult Services front door** – this increased contact centre capabilities and resolution at the first point of contact.
- **Re-defining the care offer within its Social Care service** - this included planning and delivering targeted reviews of care packages, re-defining the care offer and rolling out strength based approaches as well as a new contact model.

Best practice case studies (continued)

Council– New Adult Services front door

Overview

In 2015, an English Council embarked on a £100m efficiency programme. Adult Social Care directorate was expected to contribute £43.1m to this target, approximately 15% of their operating budget. This is in the context of an ageing population with increasing social care needs, workforce pressures and a complex provider marketplace.

The challenge

To improve demand management at the 'front door'. This is needed to reduce pressures on front line operational teams through an enhanced contact centre function and a new digital service.

What we did

We set up a project team that combined experienced operating model practitioners from Deloitte with Adult Services staff to bring deep operational expertise:

- As part of a department wide operating model the team defined a channel strategy that described how Adult Services would interact with customers and professionals.
- We worked with the leadership team to agree an agile approach to developing a new contact and assessment team to shift operational activity to the phone channel.
- Starting with a high level design of the contact centre, the team worked through three test cycles to design and implement: new processes; changes to internal policy around information management and financial delegation; an organisation structure with new capabilities; enhanced management information; and a transparent governance structure.
- The team collaborated with digital developers to design a new digital service to improve customers' access to information and advice and transform the processes that describe how they interact with Adult Services.

Outcomes

The bespoke digital service and contact centre:

- Increased the contact centre resolution rate from 30% to 70%; and
- Reduced the cost to serve customers by 25%.

Adult Services have been able to make a compelling business case for investing in the contact centre to deliver longer term savings across their front line teams.

Best practice case studies (continued)

Council – Re-defining the care offer

Overview

The Council was facing a significant funding gap, which was challenging the future sustainability of the Council. This was in the context of an aging population and increased demand for adult social care services.

The challenge

To identify and deliver a number of change initiatives across Adult Services to reduce spend and better manage projected increased demand. As part of this there was a need to address inconsistency in social work practice and inequity of care packages.

What we did

Re-defined the care offer: jointly with staff we developed a strengths based, tiered model to promote a consistent approach among social care practitioners. The approach promotes reablement and considers alternative creative approaches to meeting need which draws on a person's natural support.

A framework was developed to guide staff in their practice and we then delivered training and communications to upskill staff and promote the new approach. This was supported by a benefits tracking system to monitor progress across the service and to address variance between teams.

Targeted reviews: through a diagnostic of the social care data, we prioritised a number of service user reviews (adults and children with disabilities). We worked with the Council to put in place a dedicated team and support them to undertake strengths based reviews which included preparing and delivering an induction programme; putting in place a benefits tracking system; and undertaking regular reporting and team meetings to discuss progress and unblock issues.

New front door: We supported the Council to put in place a new approach for managing demand at the front door, redesigning the customer journey including the promotion of digital channels. We redesigned processes and increased the skills and delegated authorities of call handlers in the contact centre to improve resolution at the first point of contact.

Outcomes

The Council had a savings target for the whole council that they asked us to help them jointly achieve of £10.5m over 2 years. We helped them deliver £15.5m over 3 years. £9m of this was from adult and children with disabilities services and the remaining on procurement initiatives (see other case study).

Deloitte perspectives

Talking Public Sector: Our podcast series on government and public services

Our podcast explores the big challenges facing the public sector, how citizens want the public services to be run and what the future holds by drawing on expert opinion and exclusive research. Aimed at anyone who works in or with the public sector, this podcast brings together leaders from government and the public services, industry experts and commentators to provide an insights on the big issues facing public bodies in the UK and around the world.

Listen and subscribe to Talking Public Sector:

<https://www2.deloitte.com/uk/en/pages/public-sector/articles/talking-public-sector.html>

Tech Trend 2019: A Government and Public Services Perspective

Our recently published 10th edition of the Tech Trends report reflects on a decade of disruptive change and demystifies the future of digital transformation. The story of technology trends is inseparable from the story of the public sector.

Technology can help make government more effective by protecting and maintaining infrastructure, creating more personalised and secure citizen interactions, or automating tasks so workers can focus on more value-added jobs.

As leaders work to reshape their organisations and realise these possibilities, they rely on fresh, relevant insights. We are delighted to share [our perspective](#) which provides a UK Government and Public Services lens on Deloitte's *Technology Trends 2019: Beyond the digital frontier*.

<https://www2.deloitte.com/uk/en/pages/public-sector/articles/public-sector-tech-trends.html>

Digital government: It's all about the people *a view from Government and Public Sector Lead Partner, Rebecca George*

Deloitte has published our third Digital Disruption Index. Based on a survey of the UK's most senior digital leaders from both private and public sectors, the index explores levels of digital maturity in their organisations. The results reinforce my belief that the defining factor in getting digital right is not the technology – which of course needs to deliver – but is people: the people who lead digital transformation and the people with the skills to make it happen.

Read Rebecca's full view at:

<https://www2.deloitte.com/uk/en/pages/public-sector/articles/digital-government-all-about-people.html>

The Digital Disruption Index is available online:

<https://www2.deloitte.com/content/campaigns/uk/digital-disruption/digital-disruption/digital-disruption-index.html>

One of the key insights is around Artificial Intelligence (AI) which is increasingly a strategic priority. After Cloud, Cyber-security and Data analytics – three foundational digital pillars – respondents to our survey rated AI as the most important technology to their digital strategy.

The use of advanced data science, whether explicitly AI or a combination of AI, Robotic & cognitive automation (RCA) and Data analytics, is at the centre of much current debate about ethics and the societal impact of digital technology. A significant number of senior leaders seem unaware of these ethical considerations. We believe that what is unethical in the real world is unethical in the digital world, and we explore how organisations are able to make AI decision-making as transparent as human decision-making.

We have recently been engaged with NHS Lothian where we have gone live, as part of a data gathering and piloting phase, with two unattended and six attended robots. These are helping clinicians to triage referrals quicker and are also automating the invoice raising process in the finance department.

Health and social care integration

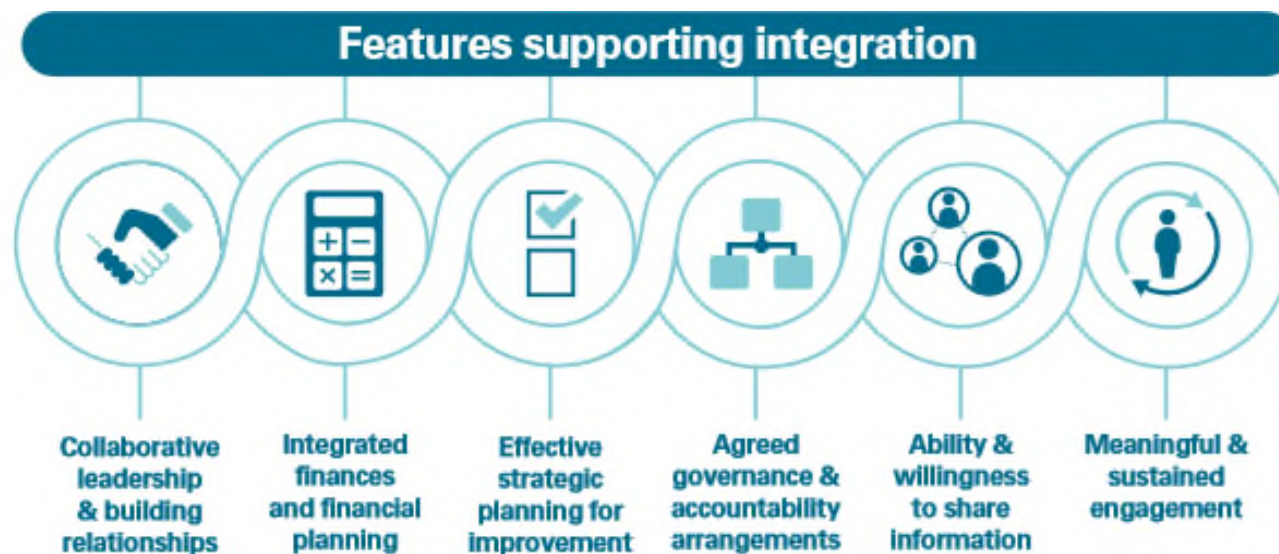
Audit Scotland and the Ministerial Strategic Group have both reviewed progress with integration

Overview

Audit Scotland issued its latest progress report on Health and Social Care Integration in November 2018 as part of its health and social care series. It reported that while some improvements have been made to the delivery of health and social care services, Integration Authorities (IA), Councils and NHS Boards need to show a stronger commitment to collaborative working to achieve the real long-term benefits of an integrated system. While some progress was noted, the remaining challenges are significant. It found that success will depend on long term integrated financial planning and stable and effective leadership. All bodies involved (being IAs, Councils, NHS Boards, the Scottish Government and COSLA) need to tackle these issues as a matter of urgency in order to transform the way services are provided for Scotland's ageing population.

The Ministerial Strategic Group (MSG) issued its progress review in February 2019. The report referred to evidence emerging of good progress in local systems and referred to Audit Scotland's report which highlighted a series of challenges that need to be addressed. The pace and effectiveness of integration need to increase.

Both reports highlighted six areas that must be addressed if integration is to make a meaningful difference to people in Scotland.



Next steps

The IJB, in partnership with the NHS and the Council consider how these issues identified in these reports will be addressed as part of the development of the Partnerships.

Health and social care integration (continued)

Audit Scotland and the Ministerial Strategic Group have both reviewed progress with integration (continued)

Key findings	Audit Scotland conclusion	Audit Scotland recommendations (for IJBs)	MSG proposals
Collaboration leadership and building relationships	A lack of collaborative leadership and cultural differences are affecting the pace of change	<p>No specific recommendations for IJBs. The Scottish Government and COSLA should:</p> <ul style="list-style-type: none"> • Ensure that there is appropriate leadership capacity in place to support integration • Increase opportunities for joint leadership development across the health and social care system to help leaders to work more collaboratively. 	<ul style="list-style-type: none"> • All leadership development will be focused on shared and collaborative practice. • Relationships and collaborative working between partners must improve. • Relationships and partnership working with the third and independent sector must improve.
Integrated finances and financial planning	Longer term, integrated financial planning is needed to deliver sustainable service reform.	<p>The Scottish Government, COSLA, Councils, NHS Boards and IA's should work together to:</p> <ul style="list-style-type: none"> • Support integrated financial management by developing a longer-term and more integrated approach to financial planning at both a national and local level. All partners should have greater flexibility in planning and investing over the medium to longer term to achieve the aim of delivering more community based care. <p>IAs, Councils and NHS bodies should work together to:</p> <ul style="list-style-type: none"> • View their finances as a collective resource for health and social care to provide the best possible outcomes for people who need support. 	<ul style="list-style-type: none"> • Health Boards, Local Authorities and IJBs should have a joint understanding of their respective financial positions as they relate to integration. • Delegated budgets for IJBs must be agreed timeously. • Delegated hospital budgets and set aside requirements must be fully implemented. • Each IJB must develop a transparent and prudent reserves policy. • Statutory partners must ensure appropriate support is provided to IJB S95 Officers. • IJBs must be empowered to use the totality of resources at their disposal to better meet the needs of their local populations.

Health and social care integration (continued)

Audit Scotland and the Ministerial Strategic Group have both reviewed progress with integration (continued)

Key findings	Audit Scotland conclusion	Audit Scotland recommendations (for IJBs)	MSG proposals
Effective strategic planning for improvement	Good strategic planning is key to integrating and improving health and social care services	<p>IA's, Councils and NHS Boards should work together to:</p> <ul style="list-style-type: none"> • Ensure operational plans, including workforce, IT and organisational change plans across the system, are clearly aligned to the strategic priorities of the IA • Monitor and report on the Best Value in line with the Public Bodies (Joint Working) (Scotland) Act 2014. 	<ul style="list-style-type: none"> • Statutory partners must ensure that Chief Officers are effectively supported and empowered to act on behalf of the IJB. • Improved strategic inspection of health and social care is developed to better reflect integration. • National improvement bodies must work more collaboratively and deliver the improvement support partnerships require to make integration work. • Improved strategic planning and commissioning arrangements must be put in place. • Improved capacity for strategic commissioning of delegated hospital services must be in place.
Agreed governance & accountability arrangements	It is critical that governance and accountability arrangements are made to work locally.	<p>The Scottish Government, COSLA, Councils, NHS Boards and IAs should work together to:</p> <ul style="list-style-type: none"> • Agree local responsibility and accountability arrangements where there is disagreement over interpretation of the Public Bodies (Joint Working) (Scotland) Act 2014 and its underpinning principles. Scenario or examples of how the Act should be implemented should be used which are specific to local concerns. There is sufficient scope within existing legislation to allow this to happen. 	<ul style="list-style-type: none"> • The understanding of accountabilities and responsibilities between statutory partners must improve. • Accountability processes across statutory partners will be streamlined • IJB chairs must be better supported to facilitate well run Boards capable of making effective decisions on a collective basis • Clear directions must be provided by IJBs to Health Boards and Local Authorities • Effective, coherent and joined up clinical and care governance arrangements must be in place.

Health and social care integration (continued)

Audit Scotland and the Ministerial Strategic Group have both reviewed progress with integration (continued)

Key findings	Audit Scotland conclusion	Audit Scotland recommendations (for IJBs)	MSG proposals
Ability & willingness to share information	IAs are using data to varying degrees to help plan and implement changes to services but there are still gaps in key areas.	<p>The Scottish Government, COSLA, Councils, NHS Boards and IAs should work together to:</p> <ul style="list-style-type: none"> • Share learning from successful integration approaches across Scotland. • Address data and information sharing issues, recognising that in some cases national solutions may be needed. • Review and improve the data and intelligence needed to inform integration and to demonstrate improved outcomes in the future. They should also ensure mechanisms are in place to collect and report on this data publicly. 	<ul style="list-style-type: none"> • IJB annual performance reports will be benchmarked by Chief Officers to allow them to better understand their local performance data. • Identifying and implementing good practice will be systematically undertaken by all partnerships. • A framework for community based health and social care integrated services will be developed.
Meaningful & sustained engagement	Meaningful and sustained engagement will inform service planning and ensure impact can be measured.	<p>IAs, Councils and NHS Boards should work together to:</p> <ul style="list-style-type: none"> • Continue to improve the way that local communities are involved in planning and implementing any changes to how health and care services are accessed and delivered. 	<ul style="list-style-type: none"> • Effective approaches for community engagement and participation must be put in place for integration. • Improved understanding of effective working relationships with carers, people using services and local communities is required. • We will support carers and representatives of people using services better to enable their full involvement in integration.



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