

The 2018/19 audit of Fife Integration Joint Board

Report on significant findings



ACCOUNTS COMMISSION 

Prepared by Audit Scotland
February 2020

The Accounts Commission

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Commission findings

- 1 The Commission accepts the Controller of Audit's report on matters arising from the 2018/19 audit of Fife Integration Joint Board (IJB). We endorse the recommendations of the appointed external auditor and note they have been agreed with the board.
 - 2 In November 2018, we published with the Auditor General our [Health and social care integration: update on progress](#) report. We reported that health and social care integration authorities are limited in their ability to improve the health and social care system and thus improve outcomes for people who need support. We attributed this to a lack of integrated, long-term and focused financial planning, coupled with financial pressures.
 - 3 Our audits of individual integration authorities support this conclusion. Our [Local government in Scotland: Financial overview 2018/19](#), published in December 2019, reports that a majority of IJBs struggled to break even, with 19 out of 30 IJBs requiring additional funding. Annual audit reports confirm that the pace of progress with integration has been too slow, with limited evidence of a significant shift in spending and services from acute hospitals to the community.
 - 4 It is therefore important to note that Fife IJB is not the only IJB nationally to face significant challenges. It is responsible for planning and commissioning health and social care services in Fife which are delivered through Fife Health and Social Care Partnership, including social work services for adults and older people, community hospitals, children's community health services, primary care, and mental health services.
 - 5 We are, however, seriously concerned about the Controller's conclusion that progress in the IJB has been slow and that it faces clear ongoing financial sustainability issues, having reported recurrent overspends. The IJB has no reserves and has been dependent upon additional year-end funding from Fife Council and NHS Fife for the past three years. This lack of sustainability undermines how the IJB will be able to improve and deliver vital health and social care services for the people of Fife.
 - 6 We welcome recent progress made by the IJB in securing senior appointments, adopting a new strategic plan, and progressing reviews of its integration scheme and of its medium-term financial strategy. It is important that such reviews are concluded and implemented as planned.
 - 7 Nevertheless, we underline the critical need for strengthening of financial management and of performance reporting arrangements, as well as implementing recovery and improvement actions that it previously agreed. We emphasise in particular the need for a robust recovery plan to be put in place to address the financial pressures faced by the IJB. The responsibilities of the board itself – and thus its relationship with its partners Fife Council and NHS Fife – need to be clearer and adhered to.
 - 8 The Commission maintains a significant interest in the progress of health and social care integration, alongside the Auditor General. We are committed to undertaking a further national audit of progress later in our five-year work programme. Meantime, we will keep an interest in auditors' annual reports of individual integration authorities. We therefore ask the Controller to update us on any further significant developments, including those in Fife.
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Executive summary

Background

1. The Code of Audit Practice (the Code) requires auditors at the conclusion of each year's audit to produce a report summarising the significant matters arising from the audit. For integration joint boards (IJBs) these reports are addressed to the members of the board and to the Controller of Audit.
2. I have received the annual audit report for Fife Integration Joint Board for 2018/19. The auditor has issued an unqualified opinion on the financial statements for 2018/19, but has identified significant issues in the wider audit dimensions under the Code, several of which have been ongoing and are of wider relevance to the sector.
3. I submit this report under section 102(1) of the Local Government (Scotland) Act 1973 as a matter that the Controller of Audit considers should be brought to the Commission's attention.

Annual audit report 2018/19

4. The auditor's [annual audit report](#) was considered by the IJB on 24 September 2019. The report has also been published on Audit Scotland's website.
5. I would draw the Commission's attention to the following points raised by the auditor in their report:

Financial management and financial sustainability concerns

- Financial management arrangements need to be strengthened and the quality of financial reports to members improved. 2018/19 was the first year of the three-year financial recovery plan agreed with the partner bodies. Throughout the year, finance reports showed the planned in-year deficit of £4.5 million was not going to be delivered and a deficit of between £9 and £11 million was the likely outcome. Recovery actions did not identify the required level of savings or actions to reduce expenditure to address the overspend.
- The IJB approached the Scottish Government for help with the development of a financial plan and a turnaround consultant report was commissioned. The report was given to the Senior Leadership Team of the Health and Social Care Partnership in November 2018 but only provided to the Finance & Performance Committee in March 2019.
- One of the key recommendations of the turnaround consultant was the introduction of a 'Grip and Control Framework'. This was presented as the main source of savings in the second financial recovery plan considered by the board in December 2018. Implementation was delayed until January 2019 and there is little evidence that the process implemented from January resulted in any savings or restriction of any expenditure, before the financial year-end.
- Board members raised concerns about the lack of information available to them following the turnaround consultant's report and requested an action plan. Officers prepared a response to a selection of the points flagged but members sought responses to all the points raised by the consultant. There was an underlying overspend in 2018/19 of £9.3 million (almost two

per cent of budget), met by additional contributions from Fife Council and NHS Fife, to give an overall breakeven position for the year. The integration scheme includes a risk-share arrangement to deal with overspends and these are met 72 per cent by NHS Fife and 28 per cent by Fife Council, regardless of which area of the budget incurred overspend.

- This is the third year of significant annual financial deficits, which have been met by additional year-end contributions from partners (2016/17 = £9.3 million, 2017/18 = £8.8million, 2018/19 = £9.3 million). In the first two years, the overspend occurred mainly in the NHS areas of the budget and Fife Council made payments to NHS Fife representing its share of the risk arrangement. In 2018/19, the overspend occurred in Social Care services and NHS Fife made a payment to Fife Council under the risk share arrangement.
- The IJB approved a financial strategy which required a breakeven position over a three-year period. However, the year 1 target for 2018/19 was not met. The IJB still has no long-term financial plan in place.
- The IJB is not financially sustainable: it has no reserves and continues to be dependent on additional year-end funding from partner bodies to meet overspends.

Good governance and management arrangements are not embedded

- More work is needed to ensure partners' roles and responsibilities are clear. There have been discussions at some committee meetings about who is responsible for decision-making and whether decisions should be remitted to the IJB or partner body.
- There have been significant changes in the IJB leadership team, with three chief officers and four chief finance officers since the IJB became operational on 1 April 2016.

Transformation and Best Value arrangements have been slow to develop

- In 2019, the Ministerial Strategic Group for Health and Community Care published a report on progress with integration and proposals for ensuring the success of integration.¹ The IJB completed a self-assessment of progress against these proposals, which showed limited progress with only eight of the 22 proposals identified as 'established'.
- The IJB is still in the process of introducing a Best Value performance management framework.

Context

Fife IJB is not the only Integration Joint Board facing significant challenges

6. The [*Local government in Scotland: Financial overview 2018/19*](#), published by the Accounts Commission in December 2019, reports that:

- a majority of IJBs struggled to achieve breakeven in 2018/19, and a number failed to deliver their planned savings in 2018/19. Without additional funding, 19 IJBs would have recorded deficits

¹ This is a key strategic group covering transformational change in health and community care in Scotland – <https://www.gov.scot/groups/ministerial-strategic-group-for-health-and-community-care/>

- medium-term financial planning is improving but no IJB had a financial plan that extended for more than five years. Twenty-six IJBs now carry reserves to help to meet future commitments and pressures, but the levels vary significantly
- auditors identified a total estimated funding gap across IJBs of £208 million for 2019/20, representing 2.5 per cent of total income
- the pace of progress with integration has been too slow, and there is limited evidence of a significant shift in spending and services from acute hospitals to the community
- a third of senior staff have changed during 2018/19, which may have an impact on capacity and pace of progress.

Developments since the annual audit report

Some recent progress has been made by the IJB

7. The IJB has made some progress since the annual audit report was finalised in September 2019:

- permanent appointments have been made to the posts of chief officer (October 2019) and chief finance officer (June 2019)
- the chief officer is receiving support from the Scottish Government's Director of Delivery of Health and Social Care Integration
- development workshops have been held with board members and officers on financial management and governance
- a review of the integration scheme has been initiated which will include consideration of the governance arrangements and will be concluded in 2020
- an integrated transformation board has been created, consisting of the chief officer of the IJB, along with the chief executives of the council and NHS board
- a revised and updated medium-term financial strategy is in development, which will identify savings options for closing the forecast funding gaps and should be in place to inform budget-setting for the period 2020/21-2022/23
- a new performance management framework is being introduced in 2020 to support Best Value, with the draft framework submitted to the board in December 2019
- a new strategic plan was approved in September 2019 covering the three years until 2022
- new arrangements for out-of-hours services have begun to be phased in
- 'Total Mobile' the councils digital rostering system has now been rolled out to external service providers, representing progress with digital transformation.

Financial projections for 2019/20 show that an overspend of £10.1 million is expected

8. The latest forecast of expenditure for 2019/20 (based on information to the end of September) shows an expected overspend of £3.5 million. This is in addition to the £6.6 million for which savings had not been identified when the budget was set. The total effect is a projected underlying deficit of £10.1 million (1.9 per cent of total budgeted expenditure).

Conclusion

9. Fife IJB is not alone in facing challenges with integration and transformation of health and social care. However, it is clear from the annual audit report for 2018/19 that progress at Fife has been slow and that there are ongoing issues with financial sustainability.

10. There is some positive progress following the appointment of a new chief officer and chief finance officer. Completing the revised medium-term financial strategy should be a key priority for the board, alongside the review of the integration scheme and developing a shared understanding of the respective roles of the key partners.

11. An ongoing process of building collaborative leadership and relationships will be needed to ensure the scale and pace of progress improves at Fife IJB. Significant short and medium-term financial issues are likely to remain until transformation of services can be achieved. It will be necessary for the IJB to be clear in its approach and to focus on changes that deliver savings to get the board onto a more sustainable footing.

12. I invite the Commission to consider the auditor's findings.

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN

T: 0131 625 1500 E: info@audit-scotland.gov.uk 

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