

East Lothian  
Integration Joint Board



**REPORT TO:** East Lothian IJB - Audit and Risk Committee

**MEETING DATE:** 12 December 2017

**BY:** Chief Finance Officer

**SUBJECT:** Update on Actions from the Annual Accounts

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**1 PURPOSE**

- 1.1 This report updates the committee on the actions from the AGS and Annual Accounts paper which was presented to the committee at its last meeting

**2 RECOMMENDATIONS**

- 2.1 The Committee is asked to note the update

**3 BACKGROUND**

- 3.1 At its October 2017 meeting the IJB received a report on the improvement actions that had been laid out both in the IJB's Annual Governance Statement (AGS) and the independent auditors report on the IJB's 2016/17 annual accounts. The IJB asked the committee to ensure that these actions are progressed and the committee chair has asked for an update to be presented at every meeting.
- 3.2 The detail of the actions and the management response was laid out in an appendix to the October paper and this is attached to this report for information.

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3.3 The update is:-

Actions identified in the AGS	Update
<b>Financial Assurance</b>	The partners are in the process of finalising their budgetary offers to the IJB for 2018/19 with an indicative position for the following two years. This information will inform the IJB's three year financial plan which will be presented to the IJB at its January meeting. Full financial assurance on the 18/19 budget will be presented to the IJB in March 2018.
<b>Three year financial plan</b>	See above
<b>Financial Risk Sharing</b>	The financial risk sharing is laid out in the Integration scheme. The current position for 2017/18 will be presented to the IJB at its December meeting.
<b>Support to the IJB from the partners</b>	The partners have continued to provide support to the IJB. Further discussion are underway regarding support to the IJB's CIA.
<b>Performance management</b>	Regular reports are now being presented to the IJB. However this matter is to be discussed by the A&R at this meeting to consider any further requirements.
<b>Risk management</b>	A risk strategy and policy is presented to the IJB at this meeting
<b>Use of the Social Care Fund</b>	The 17/18 position will be reported to the IJB at its March 2018 meeting along with proposals for 2018/19.
<b>Risk Register</b>	See above
<b>Participation, engagement and the workforce development plan</b>	The IJB is working with the partners to produce a workforce plan
<b>Budget monitoring</b>	Regular updates on the 2017/18 financial position have been and continue to be presented to the IJB
<b>Efficiency savings</b>	The efficiency savings proposed in 2017/18 will be presented to the IJB at its December meeting. The 2018/19 and future plans will be examined in the financial assurance paper to the March IJB

#### **4 ENGAGEMENT**

- 4.1 The IJB's Audit and Risk committee is held in public and the papers are openly available in line.

#### **5 POLICY IMPLICATIONS**

- 5.1 There are no new policy implication for the IJB in this report

#### **6 INTEGRATED IMPACT ASSESSMENT**

- 6.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

#### **7 RESOURCE IMPLICATIONS**

- 7.1 Financial – None  
7.2 Personnel – None  
7.3 Other – None

#### **8 BACKGROUND PAPERS**

- 8.1 Report to the Audit and Risk Committee – October 2017.

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<b>DATE</b>	December 2017

#### Appendices

1. Action plan for AGS – Annual Accounts 2016/17
2. Extract from independent auditors report on the 2016/17 annual accounts



**Appendix 1 - Extract from the 2016/17 annual accounts – AGS action plan**

<b>Areas for Improvement identified in 2015/16</b>	<b>Action undertaken 2016/17</b>
<p><b>Financial Assurance</b> Finalisation of the 2016/17 financial assurance process including a formal offer of financial resources from NHS Lothian</p>	<p>At its March 2016 meeting the IJB accepted the East Lothian Council budgetary offer and an indicative offer from NHS Lothian. NHS Lothian's formal financial allocation offer for 2016/17 was received on 14 June 2016. The final financial assurance for 2016/17 was presented to the IJB at its August meeting. The IJB agreed to the proposed budget.</p>
<p><b>Three year financial plan</b> The financial plan that underpins the IJB's Strategic Plan should cover a three year period.</p>	<p>Although NHS Lothian have only made an offer for one year, East Lothian Council have made a three year indicative position. The 2017/18 budget is also a one year settlement however this is now being addressed in 2017/18 as part of the future budget setting process.</p>
<p><b>Financial Risk Sharing</b> Completion of a financial risk sharing agreement between the IJB and its partners.</p>	<p>The 2016/17 financial risk sharing was agreed. NHS Lothian agreed to cover the health elements of the IJB's budget and East Lothian Council made an additional £1.0m available to cover any overspends within the social care element of the IJB's budget.</p>

Areas for Improvement identified in 2015/16	Action undertaken 2016/17
<p><b>Support to the IJB from the partners</b> Finalisation of the actions requiring to be undertaken by the partners to support the IJB as laid out in the IJB's integration scheme.</p>	<p>A range of matters have been progressed :-</p> <ul style="list-style-type: none"> <li>• Additional staffing to support for the IJB's planning team</li> <li>• Support from NHS Lothian Internal Audit team to the IJB's CIA</li> <li>• Support for the delivery of performance and activity information from NHS Lothian</li> <li>• Support to prepare an IJB risk register</li> <li>• Redesign of the NHS Strategic Planning group and NHS Finance and performance group to reflect the responsibilities of the IJB</li> <li>• Agreement to an whole Lothian system Internal Audit report sharing mechanism – that is all four councils, NHS Lothian and all four IJBs</li> <li>• Representation of the IJB on NHS Lothian's clinical governance committee.</li> </ul>
<p><b>Performance management</b> Further development of the performance management framework for the IJB.</p>	<p>The IJB is continuing to work with its partners to agree and implement a system of performance management (including financial performance). Detailed reports were presented to the IJB at its meetings in August 2016 and February 2017. Further reports will be presented to the IJB in 2017/18.</p>
<p><b>Risk management</b> Further developments in the risk management system for the IJB.</p>	<p>A draft proposal and risk register was submitted to the IJB's Audit and Risk Committee on 23 March 2016 with a further report along with an updated risk register which was presented to the Audit and Risk Committee on 21 June 2016. The risk register continues to be developed and has been presented to the Audit and Risk Committee at each of its meeting in 2016/17.</p>

Area for Improvement identified in 2016/17	Actions to be undertaken In 2017/18
<p><b>Use of the Social Care Fund</b> A lack of a clear audit trail to monitor the actual social care fund (£4.37 million) expenditure incurred to date for certain categories of spends.</p>	<p>A range of reports regarding the SCF were made to the IJB in 2016/17 a final report will be made to the IJB meeting of June 2016. This report shows that the expenditure on the SCF was in line with the IJB's agreement with East Lothian Council.</p>
<p><b>Performance Management</b> The need to ensure that the performance management framework is fully developed and clearly sets out how the IJB will measure performance against the Strategic Plan, identify areas where improvements are required and demonstrate to stakeholders the benefits that are being delivered.</p>	<p>This work continues supported by the IJB's partners and a reporting mechanism has been agreed with further development work in train. Reports were presented to the IJB at its meetings in August 2016 and February 2017.</p>
<p><b>Risk Register</b> The risk register in place requires review to ensure that it includes all ongoing and emerging risks facing the IJB including these identified as part of the financial assurance process. The register should clearly set out the additional controls and measures to manage the risks identified and meet the desired risk targets.</p>	<p>The IJB's risk register was presented to the meeting of the IJB's Audit and Risk committee in 2016/17. It is being reviewed and updated and work is underway with both NHS Lothian and the other IJBs in the Lothians to ensure that there are all the risk are appropriately covered.</p>
<p><b>Participation, engagement and the workforce development plan</b> Progress that requires to be made on Participation and Engagement and the Workforce Development and Support Plan, to ensure compliance with the Integration Scheme.</p>	<p>The IJB has continued to engage both its partners and, more importantly the public which its services. Regular updates and briefings are provided on the IJB's website and the IJB has undertaken a second 'big conversation' to engage with the public.</p>

# Appendix 1

## Action plan 2016/17

### 2016/17 recommendations for improvement



Para no.	Issue/risk	Recommendation	Agreed management action/timing
28	<p><b>1. Budget monitoring</b></p> <p>Quarterly budget monitoring reports were not produced during 2016/17 as per the Integration Scheme.</p> <p><b>Risk:</b> The absence of adequate budget monitoring arrangements increases the risk that the IJB will fail to identify and remedy with its partners any projected overspends.</p>	<p>For 2017/18, the IJB needs to finalise its financial plan based on offers from the partners and ensure this is reported quarterly to Members.</p>	<p>The IJB is monitoring the 17/18 position closely and has reported the first quarter position and indicative out-turns to the IJB in August 2017. The financial position will be updated on a quarterly basis and the CO and CFO are progressing any required recovery plans with the partners.</p> <p>Action by the CO and the CFO. Quarterly reports.</p>



30	<p><b>2. Risk sharing framework</b></p> <p>There is no risk sharing framework in place between the IJB and its partners.</p> <p>NHS Lothian and East Lothian Council were required to provide additional funding in the year in order for the IJB to deliver a break even position.</p> <p>In 2017/18 and future years, in the absence of such funding agreements, the IJB may fail to achieve this break-even position.</p> <p><b>Risk:</b> In the absence of this framework, and given the funding challenges going forward, there is a risk that lines of accountability for overspends are unclear and go unresolved.</p>	<p>The IJB should put in place a risk sharing framework with its partners to ensure that the lines of accountability regarding overspends are clearly set out.</p>	<p>As above, the IJB will follow the actions to manage overspends as laid out in the Integration Scheme. Having reported the potential for an overspend at to the IJB's August 2017 meeting, the CO and the CFO have requested recovery plans from the partners. The CFO will continue to report this position to the IJB .</p> <p>Action – CFO, updated quarterly.</p>
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48	<p><b>3. Financial Planning</b></p> <p>The IJB does not have a medium to long term financial plan in place. Despite the IJB being fully funded by partners</p>	<p>The IJB needs to develop medium to long term financial plans to assist in addressing upcoming and future budget challenges.</p>	<p>The IJB is working with its partners who will provide it with indicative three year allocations. Having considered the resources available to it</p>
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[Appendix 1 Action plan 2016/17 | 21](#)



Para no.	Issue/risk	Recommendation	Agreed management action/timing
	<p>who only receive annual funding allocations from the Scottish Government, this should not prevent the IJB from preparing medium to long term financial plans based on sensitivity analysis and scenario planning for possible budget changes.</p> <p><b>Risk:</b> Issues relating to financial sustainability and planning in the medium to long term are not identified in a timely matter and this could prevent future delivery of key services.</p>		<p>the IJB will prepare a three year financial plan laying out how it will achieve its Strategic Plan. The partners are committed to supporting the IJB in these actions and the CFO and CO have been discussing and preparing these plans working with both the partners and the IJB's Strategic Planning Group.</p> <p>The proposal is to prepare an outline plan by January 2018.</p> <p>Action CFO</p>

54	<b>4. Efficiency savings</b> <p>For 2017/18 the IJB is required to deliver £3.3 million savings with £500,000 yet to be identified. Robust plans need to be in place as it is unlikely that further funds will be made available by partners to fund any further pressures.</p> <p><b>Risk:</b> The IJB may not be able to deliver the targeted savings in 2017/18 and will not break-even.</p>	<p>The IJB needs to identify and agree the remaining 2017/18 savings required in order to break-even.</p>	<p>As above, the IJB has approached the partners regarding their efficiency and recovery plans and this will be reported as part of the quarterly financial reporting.</p> <p>Action CFO, updated quarterly.</p>
65	<b>5. Risk management</b> <p>The IJB has not developed its own risk management strategy, and has chosen to rely exclusively on the risk management strategy of its partners in developing its own risk register.</p> <p><b>Risk:</b> The IJB is not in compliance with the requirements of the Integration Scheme with respect to risk management and could consequently be less effective in capturing and monitoring all of the relevant risks for the IJB.</p>	<p>The IJB should develop its own risk management strategy to ensure it is complying with the Integration Scheme. Further work is still to be done to refine the risk management and review processes within the IJB.</p>	<p>Agreed.</p> <p>This will be developed with the IJB's Audit and Risk committee.</p> <p>Action, CO and CFO, to be completed by the end of the financial year.</p>
73	<b>6. Performance reporting</b> <p>The annual performance report was not submitted in line with the Act during 2016/17.</p>	<p>The IJB needs to ensure that it produces an annual performance report in line with the requirements of the Act and that it is relevant to the</p>	<p>The Annual performance report was submitted to the IJB for approval at its August 2017 meeting. The report has now been published on the IJB's</p>



Para no.	Issue/risk	Recommendation	Agreed management action/timing
	<p><b>Risk:</b> There is a risk that the failure to routinely monitor and report in-year performance could lead to the IJB failing to meet some or all of the metrics set out by the Act as well as failure to address issues as they become known.</p>	<p>IJBs operations and presented to members by 31 July each year.</p>	<p>website.</p>