



## ***Audit Committee***

West Lothian Civic Centre  
Howden South Road  
LIVINGSTON  
EH54 6FF

8 January 2019

A meeting of the **Audit Committee** of West Lothian Council will be held within the **Council Chambers, West Lothian Civic Centre** on **Monday 14 January 2019** at **2:00pm**.

For Chief Executive

### **BUSINESS**

#### **Public Session**

1. Apologies for Absence
2. Declarations of Interest - Members should declare any financial and non-financial interests they have in the items of business for consideration at the meeting, identifying the relevant agenda item and the nature of their interest
3. Order of Business, including notice of urgent business and declarations of interest in any urgent business
4. Confirm draft Minute of Meeting of Audit Committee held on Monday 08 October 2018 (herewith)

#### **Public Items for Decision**

5. Internal Audit Progress Report - Report by Audit, Risk and Counter Fraud Manager (herewith)

#### **Public Items for Information**

6. Brexit Preparations - Report by Head of Planning, Economic Development and Regeneration (herewith)
7. Risk Actions Arising from Audit and Inspection Reports - Report by Audit, Risk and Counter Fraud Manager (herewith)

DATA LABEL: Public

8. Audit Scotland Report: Housing Benefit Performance Audit - Annual Update 2018 - Report by Head of Finance and Property Services (herewith)
9. Local Government in Scotland Financial Overview 2017/18 - Report by Head of Finance and Property Services (herewith)
10. Audit Scotland Report: Health and Social Care Integration: Update on Progress - Report by Depute Chief Executive (herewith)
11. Counter Fraud Report for First Six Months of 2018/19 (April to September) - Report by Audit, Risk and Counter Fraud Manager (herewith)

**Private Items for Information**

12. The Clerk considers that the following business is likely to be taken in private (exempt under the relevant paragraphs of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973)
13. Counter Fraud Report for First Six Months of 2018/19 (April to September) Appendix 1: Summary of Fraud/Irregularity Established 1 April 2018 to 30 September 2018 - Report by Audit, Risk and Counter Fraud Manager (Exempt in terms of paragraphs 1 and 14)
14. Counter Fraud Investigation: Community Payback Orders - Report by Audit, Risk and Counter Fraud Manager (Exempt in terms of paragraphs 1 and 14)

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NOTE **For further information please contact Anastasia Dragona on tel. no. 01506 281601 or email [anastasia.dragona@westlothian.gov.uk](mailto:anastasia.dragona@westlothian.gov.uk)**

MINUTE of MEETING of the AUDIT COMMITTEE of WEST LoTHIAN COUNCIL held within COUNCIL CHAMBERS, WEST LoTHIAN CIVIC CENTRE, on 8 OCTOBER 2018.

Present – Councillors Chris Horne (Chair), Damian Timson, Lawrence Fitzpatrick, John McGinty and David Tait; Noel Lawlor, Lay Member.

In attendance

Graham Hope (Chief Executive), Donald Forrest (Head of Finance and Property Services), Craig McCorriston (Head of Planning, Economic Development and Regeneration), Donna Adam (Strategic Resource Manager), Joanna Anderson (Community Planning Development Officer), Kenneth Brown (Senior Engineer), Sharon Leitch (Senior Auditor), Jo MacPherson (Head of Social Policy – Interim), Graham Malcolm (Roads & Transportation Manager), James Millar (Governance Manager), Colin Miller (Housing Strategy & Development Manager), Kenneth Ribbons (Audit, Risk and Counter Fraud Manager), Stuart Saunders (Senior Compliance Officer), Paul Stark (Active Schools and Community Sport Manager), Stephen Reid (EY).

1. DECLARATIONS OF INTEREST

Agenda Item 13 – Accounts Commission Report – Councils’ Use of Arm’s Length Organisations

Councillor Horne declared a non-financial interest as a council appointed member of West Lothian Leisure Board of Directors. A specific exclusion applied which enabled him to participate in consideration of this item of business.

Councillor Tait declared a non-financial interest as a member of West Lothian Leisure Advisory Committee.

Agenda Item 15 – Audit Scotland – Maintaining Scotland’s Roads

Councillor Horne declared a non-financial interest as a council appointed member of SEStran. Councillor Horne participated in consideration of this item of business.

2. MINUTE

The committee approved the minute of its meeting held on 25 June 2018 as being a correct record. The Chair thereafter signed the minute.

3. INTERNAL AUDIT CHARTER

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager, providing details of the Internal Audit Charter.

The report advised that the internal audit charter was last approved by the

Audit and Governance Committee on 26 September 2016. Following the annual review of internal audit's compliance with the PSIAS conducted in April 2018 it was identified that the terminology within the charter needed to change following the change in committee arrangements in May 2017.

The charter was attached as an appendix to the report. As well as amendments to the committee references, some minor changes were made to the wording to improve clarity.

The report explained that the charter was important as it clearly set out the arrangements for securing internal audit's independence, and set out the right of internal audit staff to receive documents, information and explanations from officers and members of the council.

It was recommended that the Audit Committee approve the internal audit charter.

#### Decision

To approve the Internal Audit Charter.

#### 4. REPORT TO MEMBERS AND THE CONTROLLER OF AUDIT ON THE 2017/18 AUDIT

The committee considered a report (copies of which had been circulated) by the Head of Finance and Property Services which provided details of the outcome of the 2017/18 Audit and summarised key points arising from the Auditor's Annual Report.

The report had been forwarded to the Controller of Audit and formed part of the audit process.

Ernst & Young (EY) had carried out the audit on behalf of West Lothian Council for the second year in a row, providing an unqualified opinion of the council's financial statements for 2017/18, while the first year's audit had been reviewed in order to learn lessons and support efficiencies in the second year of audit. The collaboration between the auditor and the council had been deemed to be a constructive one and would continue to be reviewed in subsequent years in order to identify areas of learning and improvement.

In relation to the amber assessment for financial sustainability on page 2 of the report, Stephen Reid confirmed the council was in a good position as a result of approval of its five year corporate plan and priorities, its medium-term financial strategy and the identification of 92% of the anticipated savings required over the five-year period. He advised that the amber assessment reflected the unknowns and the challenges facing all local authorities and the need for continued member and officer focus on delivering challenging levels of savings. The Head of Finance & Property Services also noted the problems caused by uncertainty over pay awards and the Scottish Government funding continuing to be made only on an annual year-to-year basis.

The classification in the council's accounts of West Lothian Leisure as a subsidiary was raised. The Head of Finance & Property Services confirmed that this was an accounting treatment in accordance with accounting conventions and good practice. The Chief Executive explained to the committee that the council was the sole owner of West Lothian Leisure under an arrangement put in place after legal advice on both sides and in accordance with the charity regulator's rules. Nevertheless, West Lothian Leisure remained in independent control of its operations and strategy and any owner's rights held by the council would only be exercised in extreme circumstances.

The Head of Finance & Property Services also explained that the council's approach to asset valuation, confirmed by EY, was in accordance with the relevant CIPFA Code and reflected international practice.

It was recommended that the Audit Committee:

1. Consider EY LLP's 2017/18 Annual Audit Report;
2. Consider the audited Annual Accounts for 2017/18.

Decision:

To note and approve the terms of the report.

5. INTERNAL AUDIT OF THE ADMINISTRATION OF SCHOOL FUNDS

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager providing details of the outcome of an internal audit of the procedures within Education Services for monitoring the completion and return of school fund accounts. The resultant audit report was attached as an appendix to the report, which included an action plan containing agreed management actions.

In response to a question relating to returns being submitted by schools, members were advised that all overdue returns had now been made by head teachers.

During the course of further discussion regarding existing procedures and guidance, particularly relating to whether adequate support and training were available, officers agreed to report on improvements in control and training arrangements to a future meeting of the committee.

The report concluded by advising that the level of control required improvement.

It was recommended that the Audit Committee note that the control was considered to require improvement.

Decisions:

- To note the recommendation in the report;
- To note that all overdue returns had now been made by head teachers;
- To agree that officers should review the existing procedures and guidance, particularly relating to whether adequate support and training were available, and report on improvements in control to a future meeting of the committee.

## 6. INTERNAL AUDIT OF EXTERNAL CHILDREN'S PLACEMENTS

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager which provided details of the outcome of an internal audit of external children's placements by Social Policy. The report examined the procedures within Social Policy for making external children's placements. The internal audit report dated 9 July 2018: External Children's Placements was attached as an appendix to the report, which included an action plan containing agreed management actions.

The interim Head of Social Policy confirmed that although there were assessments in place in some other cases the result of the audit sampling was accurate and had highlighted shortcomings which had now been addressed. She also explained the difficulty in ensuring that all providers took part in framework contracts and in having to respond in urgent circumstances and to find providers able to provide the services assessed as necessary for service users whether or not they were on a framework contract.

The Audit, Risk and Counter Fraud Manager then responded to questions from members of the committee. In response to a question relating to the testing undertaken on a sample basis on the key controls, it was agreed that he would carry out a follow-up investigation and repeat the sampling exercise to ascertain whether improvements in control had been made.

The report concluded by advising that control required improvement.

It was recommended that the Audit Committee note that the control was considered to require improvement.

### Decisions:

- To note the recommendation in the report;
- To agree that the Audit, Risk and Counter Fraud Manager should carry out a follow-up investigation to repeat the sampling exercise and consider improvements in control.

## 7. INTERNAL AUDIT OF FIRE SAFETY MEASURES IN COUNCIL HOUSING

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager providing details of an internal audit of fire safety measures within council housing, details of which were attached as an appendix to the report. The report included an action plan with agreed management actions and concluded that the control was considered to be satisfactory.

In relation to Action Point 3.2, the Acting Head of Housing Customer and Building Services confirmed that the legislation referred to did not apply to the council and so the risk would require to be deleted and replaced. He confirmed liaison with the Scottish Fire & Rescue Service and internal inspection arrangements to ensure safety within common entrances in premises owned by the council. He also explained that RSLs were responsible for their own properties and that the council had no formal role or responsibility. The Audit, Risk and Counter Fraud Manager responded to questions from members of the committee. A question was asked about the new database systems being introduced to help streamline data access. He advised members that he would include data transfer and data quality in his follow-up work.

It was recommended that the Audit Committee note that the control was considered to be satisfactory.

Decisions:

- To note the recommendation in the report;
- To note that the Audit, Risk and Counter Fraud Manager would cover data transfer and data quality in the move to new systems in his follow-up work.

8. INTERNAL AUDIT OF RISK ARISING FROM EXITING THE EUROPEAN UNION

Councillor Fitzpatrick left the meeting during discussion of this item and did not participate in consideration of the remaining items of business.

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager discussing the outcome of an internal audit of controls to mitigate risks arising from exiting the European Union. The report found that the controls to mitigate risks arising from exiting the European Union were effective.

It was recommended that the Audit Committee note that the control was considered to be effective.

Decision:

To note the recommendation in the report.

9. INTERNAL AUDIT OF RISK ARISING FROM WELFARE REFORM

The committee considered a report (copies of which had been circulated) providing details of the outcome of an internal audit of controls to mitigate risks arising from welfare reform. The audit related directly to risk FP004 “Roll out of Universal Credit – impact on Finance and Property Services” and risk HCBS002 “Increase in rent arrears due to failure to manage the impact of welfare reform”. The audit concluded that the existing level of control was effective.

Officers provided members with further information in relation to the accuracy and completeness of information logged in Pentana. They informed members of the imminent transfer of funding from councils to Citizens’ Advice Bureaux for the provision of advice to those applying for or in receipt of universal credit and of the National Audit Office report on issues arising from the universal credit system and implementation.

It was recommended that the Audit Committee note that the control was considered to be effective.

Decision:

To note the recommendation in the report.

10. INTERNAL AUDIT OF ACCOUNTS PAYABLE

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager providing details of the outcome of an internal audit of the administration of the council’s accounts payable system. The audit work focussed on the weaknesses identified by the Dundee fraud, and audit testing which was carried out on key controls within Finance and Property Services. The resultant audit report was attached as an appendix to the report and included an action plan containing agreed management actions. The audit found that the control was effective.

In response to questions from members the Head of Finance & Property Services emphasised the robust internal controls to prevent and detect abuse or fraud in the system and the lessons learned from frauds perpetrated on councils elsewhere in Scotland.

It was recommended that the Audit Committee note that the control was considered to be effective.

Decision:

To note the recommendation in the report.

11. ACCOUNTS COMMISSION REPORT - COUNCILS' USE OF ARM'S-LENGTH ORGANISATIONS

The committee considered a report (copies of which had been circulated) by the Head of Education (Learning, Policy and Resources) providing

details of the review of arm's length external organisations and relevant recommendations following the publication of the Accounts Commission report of May 2018.

The report noted that the term 'arm's length external organisation' (ALEO) referred to a separate body with its own legal identity, set up by the council to deliver services, and discussed key findings and recommendations to be noted by the committee. West Lothian Leisure (WLL) was regarded as being West Lothian Council's only ALEO.

The seven key findings and six recommendations within the Accounts Commission report for councils with established arm's-length external organisations were outlined within the report. Officers have reviewed the recommendations and were of the view that no further action was required by the council in response to the recommendations contained within the report.

Officers confirmed to members that the use of ALEOs and their potential designation as charities continued to meet the regulator's requirements and that local authority interventions elsewhere had been judged to be appropriate. The council had never exercised its powers as sole owners and left the operations and strategic direction of West Lothian Leisure to its Board of Directors.

It was recommended that the Audit Committee:

1. Note the seven key findings and six recommendations within the Accounts Commission report for councils with established arm's-length external organisations;
2. Note the steps taken before and after the publication of the report in relation to reviewing and strengthening the council's relationship with West Lothian Leisure had been completed;
3. Note that actions agreed by the council to implement the findings and recommendations in the council's Best Value Assurance Report 2017 in relation to West Lothian Leisure had been completed;
4. Note in particular the amendments made to the council's Scheme of Administration in relation to the West Lothian Leisure Advisory Committee (Appendix 2 of the report);
5. Agree that the council's current arrangements met the Accounts Commission's concerns and advice.

The recommendations had been reviewed and it was concluded that no further action was required on behalf of the council in response.

Decision:

To approve the recommendations in the report.

## 12. COMMUNITY PLANNING: AN UPDATE - IMPACT REPORT

The committee considered a report (copies of which had been circulated) by the Head of Planning, Economic Development and Regeneration providing an overview of Community Planning: An Update – Impact Report published by the Accounts Commission and Auditor General in July 2018. The report followed on from previously published Community Planning: an update, published in March 2016, and summarised the key messages and recommendations from the previous report and progress made against them as well as set out the implications for West Lothian. The report concluded that West Lothian Community Planning Partnership (CPP) had made progress and work was ongoing to ensure that the CPP continued to review and improve the way it worked.

Officers explained to members the ways in which the Partnership was enhancing community involvement and engagement both in areas of deprivation and elsewhere. The developing more proactive approach to community empowerment actions such as asset transfers and participation requests was explained. Officers also underlined the challenges in aligning partners' resources and approaches towards achievement of agreed outcomes and especially in relation to prevention. The development of agreed priorities through the Transforming Your Council exercise had assisted with that and was evidenced by things like the recent launch of the Anti-Poverty Strategy and Task Force.

It was recommended that the Audit Committee:

1. Note the key messages and recommendations included in the report;
2. Note the implications for West Lothian Community Planning Partnership and the progress being made against the recommendations.

### Decision:

To note the recommendations in the report.

## 13. AUDIT SCOTLAND - MAINTAINING SCOTLAND'S ROADS: A FOLLOW UP REPORT - IMPACT REPORT

The committee considered a report (copies of which had been circulated) by the Head of Operational Services advising of the Audit Scotland report Maintaining Scotland's Roads: a follow-up report – Impact Report. The report summarised the impact made by the Accounts Commission and Auditor General for Scotland performance audit Maintaining Scotland's Roads: a follow-up report published in August 2016 and gave recommendations for councils, Transport Scotland and Society of Chief Officers of Transportation in Scotland (SCOTS).

The key recommendations for SCOTS were outlined within the report. Members were also advised that council officers participated in a wide

range of SCOTS specialist groups and the asset management project. This ensured that West Lothian has a strong voice and was in a position to influence the direction of roads maintenance in Scotland. West Lothian has already met a number of the key recommendations and was working well with collaborative partners to make progress in other areas. Officers emphasised the need to apply a risk-based approach to address decreasing budgets and the hope that the shadow joint committee working in relation to shared services would start to produce more tangible results.

It was recommended that the Audit Committee note the:

1. Recommendations made by the report; and
2. Current position in West Lothian.

Decision:

To note the recommendations in the report.

14. AUDIT SCOTLAND REPORT: THE NATIONAL FRAUD INITIATIVE IN SCOTLAND

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager providing details of the Audit Scotland's report on the National Fraud Initiative (NFI) data matching exercise, which was attached as an appendix to the report.

The report explained that the NFI significantly contributed to the security and transparency of public sector finances by: ensuring that services were only delivered and benefits only paid to the correct people; preventing, identifying and reducing fraud and error; allowing overpayments to be recovered; and enabling penalties to be imposed.

The Audit Scotland report identified that fraud and error outcomes valued at £18.6 million had been recorded in Scotland for 2016/17. £16.8 million related to the 2016/17 NFI exercise and £1.8 million related to late outcomes from the 2014/15 exercise.

It was recommended that the Audit Committee note that fraud and error outcomes in Scotland valued at £18.6 million had been recorded.

Decision:

To note the recommendation in the report.

15. BEST VALUE ASSURANCE REPORT

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager providing an update on the progress made in implementing the agreed actions arising from the Best Value Assurance Report.

The agreed actions in relation to the recommendations contained in the report were added to Pentana as risk actions and the Progress Report on Best Value Assurance Report Actions, attached as an appendix to the report, set out the progress made.

It was recommended that the Audit Committee note that all of the agreed actions arising from the Best Value assurance Report had been implemented.

Decision:

To note the recommendation in the report.

16. SCOTTISH LOCAL AUTHORITIES CHIEF INTERNAL AUDITORS' GROUP (SLACIAG) - ANNUAL REPORT

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager informing members of the Scottish Local Authorities Chief Internal Auditors' Group (SLACIAG) annual report for 2017, which was attached as an appendix to the report.

The report noted that SLACIAG's purpose was to promote best practice in local government internal audit and act as a networking forum for members and set out in more detail the group's activities and objectives.

It was recommended that the Audit Committee note the work of SLACIAG as a forum for the dissemination of best practice for internal audit in local government.

Decision:

To note the recommendation in the report.



**AUDIT COMMITTEE**

**INTERNAL AUDIT PROGRESS REPORT**

**REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER**

**A. PURPOSE OF REPORT**

To inform the Audit Committee of progress in relation to the internal audit plan for 2018/19.

**B. RECOMMENDATION**

It is recommended that the Audit Committee:

1. notes that the 2018/19 internal audit plan remains on target to be completed;
2. agrees to the amendments to the 2018/19 internal audit plan as set out in section D.5 of this report.

**C. SUMMARY OF IMPLICATIONS**

<b>I Council Values</b>	Being honest, open and accountable, making best use of our resources.
<b>II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)</b>	None.
<b>III Implications for Scheme of Delegations to Officers</b>	None.
<b>IV Impact on performance and performance Indicators</b>	Completion of the internal audit plan is one of the measures of internal audit performance.
<b>V Relevance to Single Outcome Agreement</b>	Our public services are high quality, continually improving, efficient and responsive to local people's needs.
<b>VI Resources - (Financial, Staffing and Property)</b>	None.
<b>VII Consideration at PDSP</b>	None.
<b>VIII Other consultations</b>	None.

**D. TERMS OF REPORT**

**D.1 Risk Based Audit**

This involves reaching an opinion as to the effectiveness of control over key risks to the council. The following work has been undertaken.

## Completed

Grants to Voluntary Organisations

Fire Safety - Housing (reported to the Audit Committee on 8/10/18)

Care Homes / Care at Home – Risk of Insufficient Supply to meet Service Demands

Exit from the European Union (reported to the Audit Committee on 8/10/18)

System of Internal Control – High Level Review of Policies / Procedures

Welfare Reform (reported to the Audit Committee on 8/10/18)

Accounts Payable (reported to the Audit Committee on 8/10/18)

## Reports in Draft

I.T. Project Management

General Data Protection Regulation (GDPR)

## Work in Progress

Financial Planning / Transformational Change Programme

Information Security

Workforce Planning

Procurement – Business Case Exemptions

Cyber Security

## To Start

Community Asset Transfer

School Medication

Social Policy - Scottish Social Services (SSSC) Registration

External Children's Placements – follow up (see D.5 below)

Corporate Debt Recovery (see D.5 below)

### **D.2 Grant Claims / Statutory Returns**

The annual audit of the Leader (rural development) grant claim has been undertaken and the audit report has been issued.

The review of the 2017/18 Climate Change Declaration (CCD) and the audit of the 2017/18 Carbon Reduction Commitment (CRC) Energy Efficiency Scheme return have been completed. The CRC audit is undertaken to confirm the accuracy of the submitted carbon emissions figures.

### **D.3 Reactive Work**

No material items of reactive work were undertaken during the period.

### **D.4 Other External Bodies**

As set out in the annual internal audit plan, the internal audit team undertakes work for the West Lothian Integration Joint Board, West Lothian Leisure, and the Improvement Service. This work is reported separately to the Audit Committees of these organisations.

### **D.5 Amendments to the 2018/19 Plan**

The following two amendments to the 2018/19 internal audit plan are proposed.

The plan includes a follow up of the Gallagher Bassett review of personal safety in Social Policy. The Gallagher Bassett review has not yet been undertaken, it is scheduled to take place on 30 January. It is therefore proposed to replace this with a follow up of the internal audit report on external children's placements which was submitted to the Audit Committee on 8 October 2018. The follow up of the Gallagher Bassett review of personal safety will be included in the 2019/20 internal audit plan.

The plan includes a review of procurement within Building Services. It is proposed to replace this with a review of corporate debt recovery. Council-wide procurement risks will be given further consideration as part of the scoping of the 2019/20 internal audit plan.

**E. CONCLUSION**

The 2018/19 internal audit plan remains on target to be completed.

**F. BACKGROUND REFERENCES**

Report to the Audit Committee 19 March 2018: Internal Audit Plan 2018/19

Appendices/Attachments: None.

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**Kenneth Ribbons**  
**Audit, Risk and Counter Fraud Manager**

Date of meeting: 14 January 2019





**AUDIT COMMITTEE**

**BREXIT PREPARATIONS**

**REPORT BY HEAD OF PLANNING, ECONOMIC DEVELOPMENT & REGENERATION**

**A. PURPOSE OF REPORT**

The purpose of this report is to update committee on work being carried out by officers to identify Brexit-related risks with specific reference to the Audit Scotland report on Key Audit Issues For The Scottish Public Sector

**B. RECOMMENDATION**

It is recommended that committee:

1. notes that there is an increasing amount of guidance and collaborative working on understanding Brexit issues;
2. notes that the Brexit outcomes are unknown and that there remains a great deal of fluidity and uncertainty on Brexit; and
3. notes that the Corporate Working Group on Brexit is carrying out further work on risks, informed by the Audit Scotland report and other information sources.

**C. SUMMARY OF IMPLICATIONS**

<b>I Council Values</b>	Focusing on our customers' needs; being honest, open and accountable; providing equality of opportunities; making best use of our resources; working in partnership
<b>II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)</b>	The process for leaving the European Union is enshrined in European legislation. The main provision is known as Article 50.  The Corporate Working Group on Brexit is in the process of assessing Brexit related risks to the council.
<b>III Implications for Scheme of Delegations to Officers</b>	None
<b>IV Impact on performance and performance Indicators</b>	The outcome may have impacts on council performance. However, at this stage it is not possible to quantify what these might be. These could be positive as well as negative.
<b>V Relevance to Single Outcome Agreement</b>	The final agreement on Brexit may well have impacts on the LOIP.

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| <b>VI Resources - (Financial, Staffing and Property)</b> | It is likely that Brexit will have financial implications for the council and these could be significant. Potential impacts include loss of European funding and potential cost pressures associated with, for example, the cost of materials and wage rates. However, at this stage it is not possible to quantify these potential costs. |
| <b>VII Consideration at PDSP</b>                         | There have been no specific reports on Brexit to PDSP but Brexit has been a feature of 'Horizon Scanning' reports.<br><br>Brexit is a standing item on the agenda for Corporate Governance and Risk Committee  |
| <b>VIII Other consultations</b>                          | All service areas are represented on the Brexit Working Group. Engagement is also taking place with external partners.   |

**D. TERMS OF REPORT**

**D.1 Background**

Following the Referendum in June 2016, the UK Government has begun the process of leaving the EU. This is scheduled to happen on 29 March 2019, although it is proposed that there will be a 'transition period' which will run until at least 31 December 2020. The UK has the option to extend the 21 month transition period. However, given recent developments which include a delay in the parliamentary vote on the exit arrangements and the EUs most recently stated position that there will be no re-negotiation of the agreement (although there may be clarification) these dates, and indeed the whole Brexit process, may be subject to amendment.

Currently, a Draft Withdrawal Agreement and the Political Statement have been agreed with the EU. The scenarios being considered remain very dynamic and, as set out above, there has been a delay in parliamentary consideration of the Withdrawal Agreement. It is now expected that parliamentary consideration of the draft agreement will be in mid January – only around 11 weeks before the exit date.

If the current draft agreement is approved by the UK Parliament, the expectation is that there won't be many immediate obvious changes to day to day life for most people, public authorities or businesses. At the moment it seems unlikely that the draft agreement will receive parliamentary support. It should be noted that, even if it did receive support, many of the decisions around Brexit that have been considered most politically difficult have been postponed for further consideration during the transition period. That would mean a further lengthy period of uncertainty.

Should the outcome from the UK Parliament's consideration be a rejection of the Draft Withdrawal Agreement the default position will be a 'No Deal' exit. There may be significant implications between that date of that decision and 29 March and, indeed, for a period beyond that. Significant legislation is likely to be required in both UK and Scottish Parliaments, and both Governments' resilience arrangements will be formally activated.

## **D.2 West Lothian Council Brexit Corporate Working Group**

Leaving the EU will have implications for West Lothian Council, its partners and West Lothian as a whole. The council has been undertaking 'Horizon Scanning' exercise for a number of months, and has identified a number of potential Brexit risks, which could impact on council service delivery and operations.

However, the lack of certainty about the position has made it difficult to score these risks as the likelihood and severity will be different for each of the Brexit scenarios. The approach adopted was to await the UK Parliament's decision on the Draft Withdrawal Agreement and to identify the most significant risks based on parliament's consideration. However, that was in anticipation of parliamentary consideration prior to Christmas. Given that this did not happen, and given the closeness of UK Government's revised timescale for consideration of the draft agreement to the date of withdrawal, the process of confirming the Brexit related risks to the council is now being progressed.

## **D.3 Identifying and Managing Risk**

In the period immediately before Christmas there was increasing activity by both the UK and Scottish Governments and other organisations including COSLA and Audit Scotland to identify and categorise Brexit risks.

This has provided some valuable insight into the likely risks for the delivery of local authority functions generally and is a valuable cross check with the risks already identified by the council's corporate working group.

The information and advice from government, agencies and other organisations is helpful in terms of benchmarking the risks identified by services across the council with those identified by others. It also summarises likely arrangements if the Draft Withdrawal Agreement is approved.

This work suggests that there will be no immediate threat to the operation of the council, and the services it delivers, on 30 March 2019, or whatever later withdrawal date is confirmed. However, given the dynamic nature of the issues and emerging guidance, Heads of Service have been asked to confirm that this remains their understanding, informed by the advice described above. Similar sense checks will be carried out as matters are clarified.

Of course, this does not mean that there will not be challenges and risks in the weeks following the UK exiting from the EU. Work continues to understand these issues and to put contingency plans in place for dealing with them.

## **D.4 Audit Scotland**

In October 2018 Audit Scotland published a report which identifies key issues which local authorities should be considering with respect to Brexit. The report poses a number of questions which local authorities should consider. The report is attached as Appendix 1. The questions under the headings of People, Finance and Rules & Regulations are as follow:

### **People**

- How are we communicating with staff about the potential impact of EU withdrawal and preparing to support any employees who may be affected?

- How are we reflecting the implications of EU withdrawal in our long-term workforce planning?
- What are the workforce implications for the third sector and private organisations that provide services in partnership with us or on our behalf?
- Which parts of the workforce (sectors/skills/services/regions) are most at risk from the impact of EU withdrawal?
- How are we reflecting the implications for the local workforce in our economic strategies?

### **Finance**

- What level of funding do we, and our partners, receive from the EU and through which funding streams?
- What financial risks are associated with any changes after the UK has left the EU, during any transition period and beyond?
- How are we reflecting the implications of EU withdrawal in our long-term financial planning?
- How can we capitalise on opportunities to access alternative funds or redesign replacement funding streams?

### **Rules & Regulations**

- What are the potential implications of changes to trade and customs rules to our supply chains and the cost and availability of products and services?
- What EU regulations/legislation are directly relevant to our role (eg, monitoring compliance)?
- What impact would potential changes to regulations/legislation have on how we deliver services and our service users?
- How can we capitalise on opportunities to streamline or improve the regulatory environment?
- How are we planning for the possibility that the UK Government and the EU fail to reach an agreement on arrangements for the UK's exit from the EU?

Broadly, these questions have informed the work of the corporate working group and the response to them have helped inform the conclusion that there will be no immediate threat to the operation of the council on 30 March 2019. However, threats may arise in the period thereafter and risks will continue to be monitored and assessed as information about the Brexit outcome becomes available.

To date the group has not sought to capture a written response to each of the questions posed by Audit Scotland. Doing so will be helpful in assessing the risks already identified and capturing a response will be progressed by the working group.

## **E. CONCLUSION**

The council has established a Brexit Working Group with the aim of understanding and managing the risks associated with Brexit. Potential risks have been identified and assessed. These are currently being assessed and mitigation actions put in place. In many cases addressing the risks will be outwith the council's control.

A range of advice and guidance is now being provided by government and agencies and this will be reflected in the council's Brexit risk management approaches going forward.

**F. BACKGROUND REFERENCES**

None

Appendices: One

Withdrawal From The European Union – Key Audit Issues For The Scottish Public Sector.  
Audit Scotland October 2018

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**Head of Planning, Economic Development and Regeneration**

**14 January 2019**



# Withdrawal from the European Union

Key audit issues for the Scottish public sector



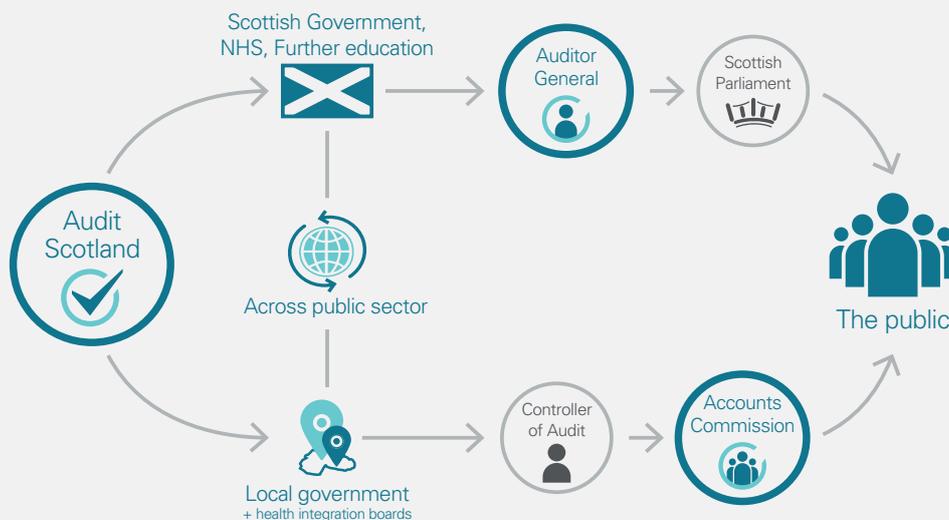
 AUDIT SCOTLAND

Prepared by Audit Scotland  
October 2018

# Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- **Audit Scotland** is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.
- The **Auditor General** is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The **Accounts Commission** is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.



## About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

# Introduction



## Introduction

1. The UK will leave the European Union (EU) on 29 March 2019. If the UK Government and EU agree the terms of the UK's withdrawal before this date, there will be a transition period to the end of 2020. The UK's decision to leave the EU represents a major constitutional change for Scotland. It will affect everyone in Scotland to some degree. What these effects will be remains uncertain, but they will unfold over both the short and the long term.

2. Withdrawal from the EU comes at the same time as:

- a significant expansion of the Scottish Parliament's financial powers (see our [e-hub](#) )
- rising demand for public services, largely driven by demographic changes
- continued pressure on public sector budgets.

3. Audit Scotland, on behalf of the Auditor General for Scotland and the Accounts Commission, assesses the performance and financial management of over 220 public sector organisations in Scotland. This includes councils, NHS boards, further education colleges and central government bodies. Auditors are speaking to public bodies about how they are responding to the UK leaving the EU. This paper:

- presents our view of the key issues that withdrawal from the EU presents to the public bodies we audit, as at October 2018
- suggests questions that all public bodies should be asking themselves in the five months to 29 March 2019
- sets out our current plans to reflect withdrawal from the EU in our audit work.

We set out the key issues under three themes:



**People**  
(page 6)



**Finance**  
(page 10)



**Rules and regulations**  
(page 13)



**4.** The risks and opportunities presented by EU withdrawal will vary markedly between organisations. Some parts of the public sector are already experiencing an impact. We expect all public bodies to be assessing the potential impact of EU withdrawal on their organisation, and identifying any specific risks and how they will respond to them.

**5.** Uncertainty about withdrawal from the EU has created challenges for public bodies in the level of planning that they can do at this stage. Planning for leaving the EU has to be balanced with the management of other risks and uncertainties, existing financial and workforce pressures, and the need to maintain business-as-usual. As the details of the UK's withdrawal from the EU and its effects become clearer, we expect public bodies' preparations and response to intensify. Some public bodies may require additional capacity to allow them to react once arrangements for leaving the EU are agreed.

### **The Scottish Government's role**

**6.** The Scottish Government is coordinating its approach to EU withdrawal through its Constitution and Europe programme. It is made up of eight workstreams, covering areas such as workforce, trade and legislation. It also monitors risks and readiness for EU withdrawal across the Scottish Government. The Scottish Government has identified the most significant challenges as its capacity and capability, financial implications and the ability to influence decisions taken by both the UK Government and the EU.<sup>1</sup>

**7.** Discussions between the Scottish and UK governments are particularly critical in areas where devolved issues (such as the NHS workforce) interact with reserved issues (such as migration policy). The National Audit Office (NAO) is reporting on how the UK Government is organising itself to deliver the UK's exit from the EU. Most recently, it reported on preparations in the Department for Environment, Food and Rural Affairs and the Department for Transport. It found that both departments face considerable challenges and have more contingency planning to do in case the UK and EU do not agree withdrawal arrangements.<sup>2</sup> Any lack of readiness at the UK level for withdrawal from the EU will have an impact in Scotland.

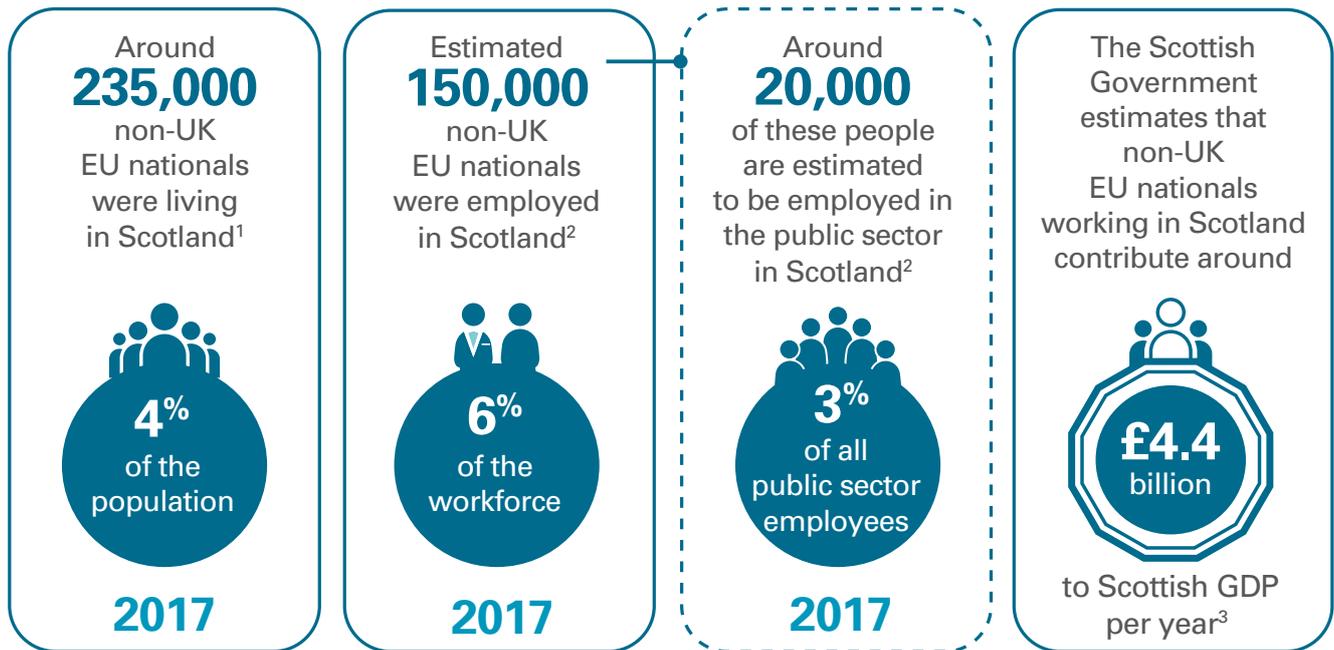
**8.** The Cabinet Secretary for Government Business and Constitutional Relations updated the Scottish Parliament on the progress of the EU negotiations in June 2018. He stated that the Scottish Government was *"intensifying its preparations for all exit possibilities in order to support the Scottish economy and our key sectors in what are and will continue to be very uncertain times"*.<sup>3</sup> In September 2018, the Cabinet Secretary provided a further update to the Parliament, stressing the scale of work required for leaving the EU, even with an agreement between the EU and the UK Government.<sup>4</sup>

**9.** The Scottish Government is working with public bodies to understand how they are preparing for the UK leaving the EU, and to identify and mitigate any potential risks. The UK Government allocated £37.3 million to the Scottish Government for 2018/19 to manage funding pressures resulting from EU withdrawal. This is a one-off payment to help manage short-term pressures. A large proportion of this money has been allocated to fund additional staff to help the Scottish Government and public bodies prepare for EU withdrawal.

**10.** The Permanent Secretary concluded in her latest governance statement that all Directors General are working to ensure that the Scottish Government are "*as prepared as possible*" for EU withdrawal, but added that she was not yet fully assured of readiness given that the "*terms and timings remain subject to significant uncertainty*".<sup>5</sup>

**11.** The most significant issue for the Scottish Government and the wider public sector is the impact of withdrawal from the EU on the Scottish economy. The Scottish Government's medium-term financial strategy, published in May 2018, suggests that withdrawal from the EU will have a greater effect in Scotland than in the rest of the UK.<sup>6</sup> That would have a negative effect on the Scottish budget which now depends directly on Scotland's economic performance relative to the rest of the UK.

# People



## Notes:

1. *Population by Country of Birth and Nationality (2017)*, National Records of Scotland, May 2018.
2. *Non-UK nationals in Scotland's workforce: Statistics from the Annual Population Survey 2017*, Scottish Government, June 2018.
3. *The Contribution of EEA Citizens to Scotland*, Scottish Government, November 2017.

## People

**12.** People coming to Scotland to work make an important contribution to the working-age population and to economic growth. The UK's exit from the EU is likely to result in changes to the rights of non-UK EU nationals to live, work, study and access services in the UK. This may result in people leaving Scotland or choosing not to move here, because they or their family members are non-UK EU nationals. This presents a challenge to the public sector workforce, which is already facing staffing and service pressures that will intensify as the working-age population decreases.

**13.** It has been difficult to assess the scale of the risk, as data on the nationality of employees in individual public bodies is not routinely collected. However, some figures are available, for example:

- The Scottish Government estimates that 4.4 per cent of the total health and social care workforce in Scotland are non-UK EU nationals (around 17,000 people).<sup>7</sup>

- Scottish Care estimates that between six and eight per cent of the workforce in the independent social care nursing sector in Scotland are from a non-UK European Economic Area (EEA) country (which includes all EU member states plus Iceland, Norway and Liechtenstein).<sup>8</sup>
- General Medical Council data shows that almost six per cent of doctors working in Scotland obtained their primary medical qualification in a non-UK EEA country.<sup>9</sup>
- Universities Scotland estimate that 11 per cent of all staff across the 19 higher education institutions it represents are non-UK EU nationals.

**14.** Some organisations are already seeing a reduction in the number of non-UK EU nationals applying to work in the UK and Scotland. This will exacerbate existing recruitment and retention difficulties, including high vacancy rates and skills gaps in specific sectors and geographic locations. For example:

- The Nursing and Midwifery Council reported an 87 per cent decrease in the number of nurses and midwives from non-UK EEA countries registering to work in the UK between 2016/17 and 2017/18.<sup>10</sup>
- A British Medical Association survey of members across the UK in 2018 found that 57 per cent of respondents reported a decline in applications for positions in their departments from non-UK nationals since the 2016 vote to leave the EU.<sup>11</sup>
- The General Teaching Council for Scotland reported that 14 teachers who qualified in non-UK EU countries applied to work in Scotland in the first half of 2018, which is when the bulk of applications are usually received. This compares to a total of 186 applications in 2017.<sup>12</sup>

**15.** Scottish universities attract many students from other EU countries who stay on to work in Scotland after graduation. Almost nine per cent of students enrolled in Scotland for the academic year 2016/17 were non-UK EU nationals.<sup>13</sup> The proportion of non-UK EU students varies between institution, so any decrease in enrolments to study in Scotland will affect each college and university differently. Non-UK EU students in Scotland are more likely to study science, technology, engineering and mathematics than students from the UK. A reduction in the number of non-UK EU nationals studying in Scotland could widen skills gaps in the workforce that will be vital to future economic performance.

**16.** Public bodies are working to understand the immediate and longer-term implications of EU withdrawal on their workforces. The first step for many is understanding how many non-UK EU nationals they employ and in which areas. For example, City of Edinburgh Council has done extensive work on this ([Case study 1, page 8](#)). The Scottish Government and COSLA are working with NHS boards, councils and other public bodies to draw together information on their workforces. This will be used to assess the potential impact of EU withdrawal on the delivery of services.

**17.** Councils, NHS boards and other public bodies are increasingly working in partnership with third sector and private organisations to deliver services, so it is important that they understand the potential impact of EU withdrawal on these organisations and their workforces.

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## Case study 1

### City of Edinburgh Council



There are more than 39,000 people from non-UK EU countries in Edinburgh, more than any other city in Scotland. Since June 2017, City of Edinburgh Council has been working to identify how many non-UK EU nationals it employs directly. The data it has collected to date shows that 5.5 per cent of its current workforce are non-UK EU nationals, just over 1,000 employees.

Around 70 per cent of these people are employed in the communities and families department (including teachers, learning assistants and nursery nurses) and the health and social care department (including social workers and care and support workers). The council is using this information to help inform its long-term workforce planning.

The council is providing support and advice to colleagues who may be directly affected by the decision to leave the EU. This includes sharing up-to-date information on the rights of EU nationals to live and work in the UK after 29 March 2019, and the steps employees may need to take if they wish to continue working in the UK. The council is providing tailored guidance for managers to share with their teams. It is also developing measures to support colleagues whose family members may be affected by EU withdrawal.

COSLA has adopted the approach taken by City of Edinburgh Council to collect workforce data from other councils.

Source: City of Edinburgh Council

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**18.** Councils and public bodies are also concerned about the potential impact on local economies. Sectors such as agriculture, fishing, food, tourism and hospitality are highly dependent on workers from outside Scotland. They fill important roles in local businesses, including providing seasonal work and filling vacancies in remote and rural locations. Some of these sectors are already reporting a decrease in their non-UK EU workforce, which could affect the economic growth of specific regions and Scotland more widely. Councils should be considering the potential impact of EU withdrawal on the local workforce in their planning for economic growth. For example, City of Edinburgh Council's five-year economy strategy highlights the potential economic effects and action the council is taking to maximise opportunities and mitigate risks. It recognises that it will need to regularly review the strategy to ensure that it can respond appropriately as the terms and impacts of EU withdrawal become clearer.

**19.** Highlands and Islands Enterprise undertakes quarterly surveys with businesses, community groups and social enterprises on the region's economy. Since 2016, this has included questions on the impact of the UK leaving the EU. The results show that businesses are concerned about the implications for workforces, skills and the free movement of people. The Scottish Government continues to work with Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland and others to explore ways to attract and retain people with particular skills to work in specific sectors or regions.

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## Key questions for public bodies

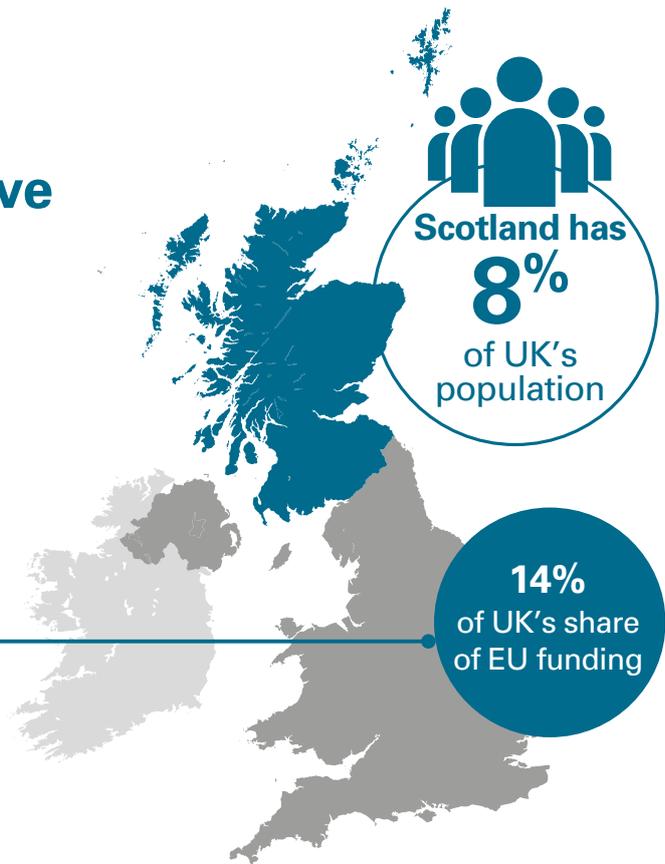
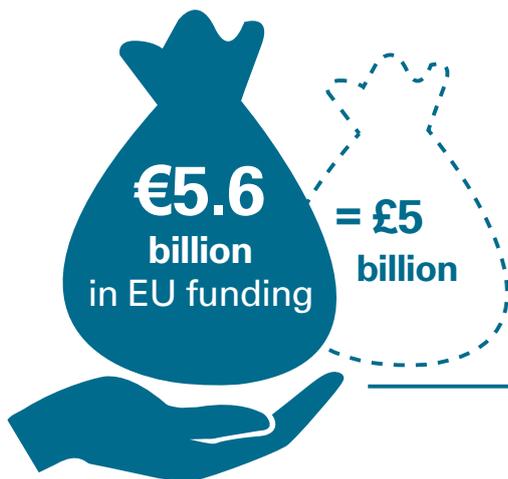


- How are we communicating with staff about the potential impact of EU withdrawal and preparing to support any employees who may be affected?
  - How are we reflecting the implications of EU withdrawal in our long-term workforce planning?
  - What are the workforce implications for the third sector and private organisations that provide services in partnership with us or on our behalf?
  - Which parts of the workforce (sectors/skills/services/regions) are most at risk from the impact of EU withdrawal?
  - How are we reflecting the implications for the local workforce in our economic strategies?
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# Finance



Between 2014 and 2020,  
Scotland expects to receive



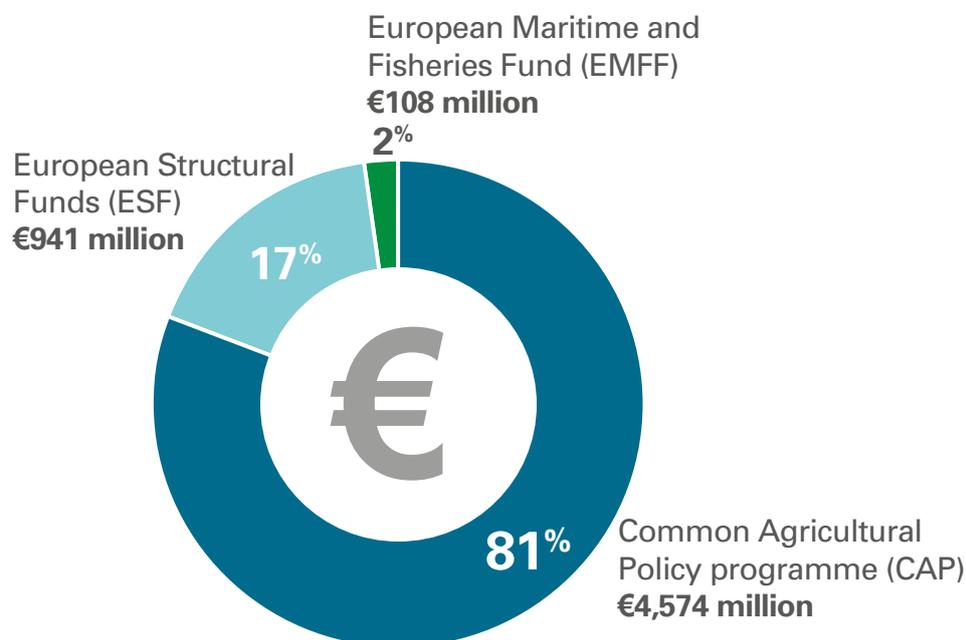
Notes: *European Union Funding in Scotland*, Scottish Parliament Information Centre, September 2018; *European Union Funding in Scotland 2014-2020*, Scottish Parliament Information Centre, November 2016.

## Finance

**20.** EU funding provides direct support for farmers, the fishing industry, forestry, rural development and projects to encourage economic growth and development. Scotland expects to receive €5.6 billion (£5 billion) in EU funding over the seven-year programme period from 2014 to 2020 ([Exhibit 1, page 11](#)).<sup>14</sup> The majority of this is through the Common Agricultural Policy programme (CAP), as well as European Structural Funds (ESF) and the European Maritime and Fisheries Fund (EMFF).

**Exhibit 1**

## EU funding for Scotland 2014–20 (€m)



Source: Scottish Parliament Information Centre

**21.** The CAP programme provides financial support to farmers, crofters and rural businesses. CAP payments are delivered through the Scottish Government, Forestry Commission Scotland and Scottish Natural Heritage. The UK Government has guaranteed that it will provide the same 'cash total in funds for farm support' until the end of the current UK Parliament, expected in 2022.<sup>15</sup> This guarantee applies to the whole of the UK. Both the UK and Scottish governments have set out proposals for how financial support to agriculture might work outside of the EU.<sup>16</sup>

**22.** ESF comprises two funds – the European Regional Development Fund and the European Social Fund. ESF supports a range of economic development activity undertaken and supported by public bodies such as the Scottish Government, councils, the Scottish Funding Council, Skills Development Scotland, Scottish Enterprise and Highlands and Islands Enterprise, Transport Scotland and Visit Scotland. Activities funded through ESF include skills and training, support to businesses, and infrastructure development. In July 2018, the UK Government confirmed that it would guarantee funding until the end of 2020, even if an agreement with the EU is not reached. The UK Government has also set out initial proposals for a Shared Prosperity Fund to replace ESF.

**23.** There is little clarity about what will happen to funding streams in the longer term. Any changes to funding will affect public bodies, their partners and service users. Public bodies should be assessing the potential implications of the loss of any EU funding and reflecting this in their long-term financial planning.

**24.** Scottish organisations can also bid for funding for specific projects, usually with partners from other EU member states. One example of this is Horizon 2020, which supports research and innovation. By July 2018, Scottish organisations were participating in Horizon 2020 projects worth around €533 million (£469 million), nearly three quarters of which (€386 million) was secured by Scottish universities.<sup>17</sup> Universities Scotland estimates that, in the academic year 2014/15, EU research funding represented nearly ten per cent of all funding for research in Scottish universities. There is uncertainty around the future of this funding and also the participation of Scottish institutions in European research programmes, collaborative projects and academic networks.

**25.** EU funding streams are dedicated to specific activities and can be targeted at specific geographic areas. This may not be the case in the future. For example, if any replacement funding is incorporated into the Scottish Government's block grant, it will be for the Scottish Government to decide whether or not to protect funding that is currently ring-fenced for specific activities or areas.

**26.** The existing systems for EU funding for agricultural support and encouraging economic growth have been characterised by applicants as having overly bureaucratic application processes that can discourage applications and require demanding levels of reporting and audit. Developing alternative future systems may provide an opportunity to streamline these systems and tailor them to specific UK and Scottish priorities.

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## Key questions for public bodies



- What level of funding do we, and our partners, receive from the EU and through which funding streams?
  - What financial risks are associated with any changes after the UK has left the EU, during any transition period and beyond?
  - How are we reflecting the implications of EU withdrawal in our long-term financial planning?
  - How can we capitalise on opportunities to access alternative funds or redesign replacement funding streams?
-

# Rules and regulations



## The UK Government has identified:



Note: 1. *Statistics on UK-EU trade*, House of Commons Library, UK Parliament, July 2018.

## Rules and regulations

**27.** EU rules and regulations affect all public bodies. Perhaps the most significant are trade and customs rules, which influence the cost and availability of supplies from EU countries. Any changes to these rules will have implications for public bodies that use products or services sourced from the EU. If the UK Government and the EU do not agree trade arrangements before the end of March 2019, goods entering the UK from the EU will be subject to additional customs checks and trade tariffs. This could lead to slower deliveries and an increase in the price of goods, such as food. Around 30 per cent of food eaten in the UK comes from the EU and the average tariff on non-EU food imports is 22 per cent.<sup>18</sup> Any increase in food prices will affect the budgets of schools, hospitals and prisons.

**28.** Public bodies may see an increase in the cost and availability of other essential goods and services. For example, it could take longer and be more expensive for NHS boards to access medicine or medical equipment. The EU accounts for 25 per cent of global medicine sales. Under EU rules, the NHS can buy medicines from EU countries where they are available at a lower price than in the UK.<sup>19</sup> Changes to these trade arrangements could increase costs for the NHS. Any delays caused by additional customs checks would have a significant impact

on imported products with a limited lifespan, such as radioisotopes that are used to treat cancer. If import regulations for radioactive materials, and other medical supplies, are not agreed by the time the UK leaves the EU, access to essential products could be affected. The extent of the impact on public bodies will depend on the final trade and customs agreement between the UK Government and the EU.

**29.** All public bodies have to comply with EU regulations, such as employment law, health and safety legislation and procurement rules. The EU (Withdrawal) Act 2018 means that from 29 March 2019, EU law will no longer take precedent over UK law. The Act copies most European law into UK law meaning that, in many practical senses, the existing legal framework will continue. Where regulations translate into UK and/or Scottish law, the impact is expected to be minimal. The UK Government intends to retain temporary control of 24 devolved policy areas once the UK has left the EU, until UK-wide frameworks for regulating these areas are developed.<sup>20</sup> These policy areas include agriculture and fisheries, the environment, food safety standards and public procurement.

**30.** The EU (Withdrawal) Act 2018 has immediate implications for bodies that regulate compliance with EU legislation, for example, regulatory bodies such as Food Standards Scotland ([Case study 2, page 15](#)) and the Scottish Environment Protection Agency (SEPA). SEPA estimates that the majority of environmental legislation will continue to apply once the UK leaves the EU, subject to minor amendments, although some areas will require more substantial amendments, such as the emissions trading scheme.

**31.** Recognition of professional qualifications from other EU member states helps to attract EU workers to Scotland, filling skills gaps and vacancies across the public sector. Removing this arrangement could make it more difficult for non-UK EU nationals to get jobs in some sectors, exacerbating existing recruitment and retention issues. BMA Scotland suggests that it could slow down the recruitment process or act as a deterrent to people considering working in the health sector in Scotland.<sup>21</sup> It is also likely to affect academic staff in universities.

**32.** Changes to the UK's membership of data and intelligence sharing organisations may also affect Scottish public bodies. For instance, Police Scotland can share information with law enforcement agencies in other EU countries through Europol. If Police Scotland are unable to continue sharing and accessing vital information, it may hinder criminal investigations.

**33.** In the long term, changes to rules and regulations could provide opportunities to put in place amendments or create legislation that better reflects Scottish needs and approaches. There could also be opportunities to improve standards and regulatory processes.

**34.** If the UK Government and EU fail to agree arrangements for the UK's exit from the EU, there will be no transition period and organisations will need to respond immediately. With only five months until the UK leaves the EU, there is an increasingly urgent need for public bodies to identify the risks associated with this scenario. It is critical that public bodies have contingency plans in place to allow them to manage these risks and respond rapidly in the event of the UK leaving the EU with no transition period.

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## Case study 2



### Food Standards Scotland

Minimum standards for the majority of food law are set at an EU level. Food Standards Scotland (FSS) implements and monitors EU and Scottish regulations in certain food businesses. It also assesses the performance of Scottish councils in regulating other food and animal feed businesses. The UK Government has indicated that UK-wide frameworks may be needed for the devolved areas that FSS leads on, once the UK leaves the EU. FSS is currently working with the other administrations in the UK in this area, under agreed principles. Any impacts on devolved competence could have implications for FSS's role and responsibilities, service delivery and service users in the immediate and longer term.

Given the scale of the potential impact, FSS has established a dedicated programme to coordinate its work on EU withdrawal. It has developed a risk register to consider and assess the implications of EU withdrawal in detail. A key risk identified by FSS is potential disruption to supply chains. Failure to agree a deal with the EU concerning food coming from the EU could affect the supply of food to and from Scotland. FSS is working to mitigate these risks by:

- engaging with stakeholders to understand the requirements for future infrastructure, such as resources, facilities and systems for import and export activity
- commissioning a project with partners to understand trade flows to help inform potential future requirements
- engaging with councils on the practical implications of any future changes to how supply chains may operate, to ensure effective enforcement of food law and regulations.

Source: Food Standards Scotland

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## Key questions for public bodies



- What are the potential implications of changes to trade and customs rules to our supply chains and the cost and availability of products and services?
  - What EU regulations/legislation are directly relevant to our role (eg, monitoring compliance)?
  - What impact would potential changes to regulations/legislation have on how we deliver services and our service users?
  - How can we capitalise on opportunities to streamline or improve the regulatory environment?
  - How are we planning for the possibility that the UK Government and the EU fail to reach an agreement on arrangements for the UK's exit from the EU?
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# Future work

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## Future audit work

**35.** The impact of EU withdrawal on the public sector will feature in audit work for the foreseeable future. In the short term, auditors will assess and report on public bodies' response to withdrawal from the EU as part of the 2018/19 annual audits, which will be completed in 2019.

**36.** Planned performance audits will consider the impact of withdrawal from the EU, where relevant. In 2019, this is likely to include:

- Local government in Scotland: Challenges and performance
- NHS in Scotland
- NHS workforce
- Scotland's colleges
- Higher education finances
- Skills, planning and investment

**37.** Our longer-term work programme, for the five years from 2019/20, will include specific performance audits on arrangements following withdrawal from the EU.

## Contact

**38.** If you would like to find out more about our work on EU withdrawal, please get in touch with your auditor, or contact:

- Mark Roberts: [mroberts@audit-scotland.gov.uk](mailto:mroberts@audit-scotland.gov.uk)
- Kirstin Scott: [kscott@audit-scotland.gov.uk](mailto:kscott@audit-scotland.gov.uk)
- Rebecca Seidel: [rseidel@audit-scotland.gov.uk](mailto:rseidel@audit-scotland.gov.uk)

# Endnotes



- 1 *Scottish Government consolidated accounts 2017/18*, Scottish Government, September 2018.
- 2 *Department for Environment, Food and Rural Affairs: Progress in implementing EU exit*, National Audit Office, September 2018 and *Department for Transport: Implementing the UK's exit from the European Union*, National Audit Office, July 2018.
- 3 *Official Report*, Scottish Parliament, 19 June 2018, column 16.
- 4 *Official Report*, Scottish Parliament, 11 September 2018, column 17.
- 5 *Scottish Government consolidated accounts 2017/18*, Scottish Government, September 2018.
- 6 *Scotland's Fiscal Outlook: The Scottish Government's Five Year Financial Strategy*, Scottish Government, May 2018.
- 7 *Non-UK nationals in Scotland's workforce: Statistics from the Annual Population Survey 2017*, Scottish Government, June 2018.
- 8 *Leaving the European Union (Impact on Health and Social Care)*, Scottish Care evidence to the Scottish Parliament's Health and Sport Committee, March 2018.
- 9 *General Medical Council submission to Health and Sport Committee inquiry into the impact of leaving the EU on health and social care in Scotland*, General Medical Council, January 2018.
- 10 *The Nursing and Midwifery Council register*, Nursing and Midwifery Council, March 2018.
- 11 *BMA quarterly survey, current views from across the medical association*, Quarter 2: 2018, British Medical Association, July 2018.
- 12 *Qualified Outside of Scotland Registrations (EU Only): GTC Scotland Statistics*, General Teaching Council for Scotland, July 2018.
- 13 *Higher Education student enrolments by domicile (2012/13-2016/17)*, Higher Education Statistics Authority, 2018.
- 14 Euro to sterling conversion as at 25 September 2018.
- 15 *Brexit: Future UK agriculture policy*, House of Commons Library, UK Parliament, January 2018.
- 16 *Brexit: Future UK agriculture policy*, House of Commons Library, UK Parliament, January 2018; *Stability and simplicity: proposals for a rural funding transition period*, Scottish Government, June 2018.
- 17 *European Union Funding in Scotland*, Scottish Parliament Information Centre, September 2018.
- 18 *Brexit: food prices and availability*, European Union Committee, House of Lords, May 2018.
- 19 *Leaving the EU: Implications for health and social care*, Scottish Parliament Information Centre, January 2018.
- 20 *Frameworks analysis: breakdown of areas of EU law that intersect with devolved competence in Scotland, Wales and Northern Ireland*, UK Government, March 2018.
- 21 *BMA Scotland submission to Health and Sport Committee inquiry into the impact of leaving the EU on health and social care in Scotland*, BMA Scotland, 2018.

# Withdrawal from the European Union

## Key audit issues for the Scottish public sector

This report is available in PDF and RTF formats, along with a podcast summary at:

[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) 

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## **AUDIT COMMITTEE**

### **RISK ACTIONS ARISING FROM AUDIT AND INSPECTION REPORTS**

#### **REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER**

##### **A. PURPOSE OF REPORT**

To advise the Audit Committee of progress in implementing agreed actions arising from audit and inspection reports.

##### **B. RECOMMENDATION**

It is recommended that the Audit Committee considers progress in relation to the outstanding risk actions.

##### **C. SUMMARY OF IMPLICATIONS**

<b>I Council Values</b>	Being honest, open and accountable, making best use of our resources.
<b>II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)</b>	None.
<b>III Implications for Scheme of Delegations to Officers</b>	None.
<b>IV Impact on performance and performance Indicators</b>	Failure to effectively mitigate risks may have an adverse impact on performance.
<b>V Relevance to Single Outcome Agreement</b>	Our public services are high quality, continually improving, efficient and responsive to local people's needs.
<b>VI Resources - (Financial, Staffing and Property)</b>	None.
<b>VII Consideration at PDSP</b>	None.
<b>VIII Other consultations</b>	Heads of Service.

##### **D. TERMS OF REPORT**

In November 2011 the Risk Management Board endorsed the recommendation that the following be entered into Pentana as risk actions:

- all external audit findings which are the subject of an agreed action plan;
- agreed actions arising from internal audit findings ranked as being of "high" importance;
- actions arising from findings / recommendations from other external inspectors / agencies which are considered to be significant.

A report was submitted to the Audit Committee on 25 June 2018 setting out those findings which had been entered into Pentana as risk actions in accordance with the agreed protocol, which were due to be completed by 31 March 2018, and which were still outstanding. At the time of the June report there were five outstanding actions. This report and appendix constitutes an update on the outstanding actions.

In relation to the attached appendix:

- each action has a code and title;
- the “assigned to” field identifies the responsible officer for the action;
- the “progress bar” field identifies the service’s current estimate of percentage completion;
- the “original due date” field is the date for completion, where relevant this will be as per the original agreed action plan;
- the “revised due date” field is a revised completion date set by the service;
- the “finding” and “agreed action” field set out the finding and agreed action respectively;
- the “latest note” field contains the latest update by the service on progress.

There are now three outstanding risk actions, all of which relate to internal audit.

## **E. CONCLUSION**

It is important that risk actions are implemented timeously as failure to do so may impact adversely on compliance with council objectives. Oversight of outstanding risk actions by the Audit Committee will facilitate their completion.

## **F. BACKGROUND REFERENCES**

Report to the Audit Committee 25 June 2018: Risk Actions arising from Audit and Inspection Reports

Appendices/Attachments: Outstanding Audit and Inspection Recommendations due by 31 March 2018

Contact Person: Kenneth Ribbons [Kenneth.Ribbons@westlothian.gov.uk](mailto:Kenneth.Ribbons@westlothian.gov.uk) tel. 01506 281573

**Kenneth Ribbons**  
**Audit, Risk and Counter Fraud Manager**

Date of meeting: 14 January 2019

## Outstanding Audit and Inspection Recommendations due by 31 March 2018

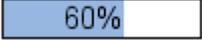
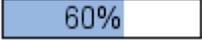
**Report Type:** Actions Report

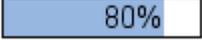
**Report Author:** Kenneth Ribbons

**Generated on:** 07 January 2019 10:53

**Report Layout:** .A-25 Actions grouped by Scrutiny Body - with assigned to and due date#

Rows are sorted by Original Due Date

Internal Audit							
Action Code & Title	Assigned To	Progress Bar	Original Due Date	Revised Due Date	Finding	Agreed Action	Latest Note
PTS15101_Ari Update Trapeze so that an audit trail of the user approving an invoice batch is available	Nicola Gill		30-Oct-2015	31-Jan-2019	The majority of orders and invoice batches are approved in Trapeze by either the Public Transport Manager or the Senior Public Transport Officer. However, the system will also allow both Super Users to authorise purchase orders and invoice batches. Due to staff absence, there has been a need for the Super Users to authorise purchase orders and invoice batches in the past.	Amend Trapeze user rights so that no user can approve their own invoice batches and create report or screen to show which user approves an invoice and which user exports a batch.	Nicola Gill 03-Jan-2019 Trapeze have now provided West Lothian Council with the necessary costings to complete the system changes required. This work has been approved and is scheduled in the January work plan to be completed by the end of January 2019. User Acceptance testing will commence directly after to sign off the changes in liaison with Internal Audit. This will complete and close this audit action.
PTS15102_Ari Update Trapeze so that Super Users cannot approve their own batch invoices	Nicola Gill		30-Oct-2015	31-Jan-2019	The Super Users have permissions to raise orders, approve orders, input invoices and approve invoice batches and it was confirmed that these functions are all currently undertaken by them. These arrangements should be reviewed to ensure appropriate approval roles and effective segregation of duties are in place.	A request was raised with Trapeze on 10 April 2015 to change user rights so that Super Users cannot approve their own invoice batches. The request also included a request for visibility of the user who approves an invoice and who exports a batch invoice history screen	Nicola Gill 03-Jan-2019 Trapeze have now provided West Lothian Council with the necessary costings to complete the system changes required. This work has been approved and is scheduled in the January work plan to be completed by the end of January 2019. User Acceptance testing will commence directly after to sign off the changes in liaison with Internal Audit. This will complete and close this audit action.

Action Code & Title	Assigned To	Progress Bar	Original Due Date	Revised Due Date	Finding	Agreed Action	Latest Note
OPSHQ16101_Ari Replacement of Fleet and Stores management systems	David Goodenough; Andy Johnston	 80%	29-Sep-2017	30-Jun-2019	A new electronic fleet management system that will include an integrated stores management module will be procured to manage all fleet assets, vehicle servicing and fleet stock and will ensure that all non-stock items are managed and procured in compliance with Standing Orders.	New electronic Fleet Management System including the replacement of current Stores Management system.	Andy Johnston 07-Jan-2019 Tender documents and the specification for the new electronic Fleet and Stores Management systems has been substantially completed. Work is ongoing with Procurement Services to finalise documents for advert and tender. As an interim solution for stores, the Stores Team Leader has procured a stores management module for the Axim Accounting System. This will be used to manage all stores stock until the new system is procured.



## AUDIT COMMITTEE

### AUDIT SCOTLAND REPORT: HOUSING BENEFIT PERFORMANCE AUDIT – ANNUAL UPDATE 2018

#### REPORT BY HEAD OF FINANCE AND PROPERTY SERVICES

##### **A. PURPOSE OF REPORT**

To inform the Audit Committee of Audit Scotland's report on the Housing Benefit performance audit's carried out during 2017/18.

##### **B. RECOMMENDATION**

It is recommended that the Audit Committee notes the content of Audit Scotland's annual update report.

##### **C. SUMMARY OF IMPLICATIONS**

<b>I Council Values</b>	Focusing on our customers' needs; being honest, open and accountable; making best use of our resources.
<b>II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)</b>	The council has a statutory duty to consider Audit Scotland reports.
<b>III Implications for Scheme of Delegations to Officers</b>	None.
<b>IV Impact on performance and performance Indicators</b>	None.
<b>V Relevance to Single Outcome Agreement</b>	Our public services are high quality, continually improving, efficient and responsive to local people's needs.
<b>VI Resources - (Financial, Staffing and Property)</b>	None.
<b>VII Consideration at PDSP</b>	None.
<b>VIII Other consultations</b>	None.

## **D. TERMS OF REPORT**

### **D1 Background**

The main objective of the benefit performance audit is to help councils improve their benefits service, however, it also holds councils to account for any failing services. The audit has two phases;

- A risk assessment phase that identifies risks to continuous improvement.
- A focused audit phase that examines the service, or parts of it in more detail if a council is unable, or unwilling to address key risks identified in phase one.

Audit Scotland issued reports to five councils as part of the risk assessment programme for 2017/18. No focused audits were carried out as no significant concerns were identified from the initial risk assessments.

Audit Scotland risk assess all councils every autumn, reviewing a range of factors including each council's current published speed of processing performance statistics. Where councils are not performing well, or where their performance has significantly declined, they will be prioritised for an audit. West Lothian was last visited for an audit during November 2014.

### **D.2 Key Findings from visits**

Audit Scotland's report details the outcome of their performance audit work in 2017/18. A total of 24 risks to continuous improvement were identified in the five risk assessment visits completed, all of which were fully accepted by councils, with 78% of risks identified during previous years either fully or partially addressed.

Further updates were requested from four of the council's visited in respect of their speed of processing performance and the updates subsequently submitted satisfied Audit Scotland on the improvements made in each council.

The visits identified weaknesses in the following key areas;

- Business planning and performance reporting in some council's.
- Quality checking is not always routinely analysed to help identify trends and patterns of error.
- Intervention outcomes did not contain sufficient detail to determine the effectiveness of each campaign.

Analysis of the improvement actions received from the five councils visited showed that 26% of agreed risks from previous risk assessments were carried forward, up from 20% in 2016/17. The outstanding risks related to;

- Accuracy
- Interventions
- Overpayments

Councils have advised that all their agreed actions had not been implemented for various reasons including the ongoing roll-out of Universal Credit (UC), which continues to have an impact on their services as they re-structure their benefit services, and the reduction in housing benefit caseloads and budget pressures which are leading to fewer full-time benefit service employees.

Audit Scotland report that in all the five councils visited, the level of resources might not be sufficient to maintain or improve on previous claims processing performance levels.

### **D.3 Universal Credit**

The roll out of UC remains the most significant change to the social security landscape. A report by the National Audit Office, published in June 2018, concluded that there are a number of ongoing issues with the continuing roll out as follows;

- UC is not delivering value for money.
- Ongoing delays to the roll out schedule.
- No evidence that UC is helping to increase employment.
- Delays in payments of UC being made to claimants.
- The digital application process is challenging for some claimants.
- Increased costs for councils as a result of additional work, increased rent arrears and additional demands for support.

From October 2017, the Scottish Government introduced two flexibilities to how UC claimants in Scotland can choose to receive their payments, allowing them to request twice monthly payments instead of monthly, and also to have the housing element of their UC paid directly to their landlord.

### **D.4 Other changes**

Audit Scotland also commented on a number of ongoing developments which have the potential to impact on council's housing benefit performance levels going forward;

- Two new services introduced by the Department for Work and Pensions should help improve processing performance and debt recovery. Councils can now verify earnings and pensions information for claimants from Her Majesty's Revenue and Customs, through the Verify Earning and Pensions service. This should help to improve housing benefit processing times and reduce overpayments. The Department for Work and Pensions, Housing Benefit Recovery Project, now allows councils to match housing benefit debtors to employment and pension data. This should lead to improved collection and recovery performance. It should however be noted that the recovery of housing benefit debt will become more difficult once claimants have moved on to UC.
- The new Scottish social security agency became operational in September 2018, however, significant decisions are still to be made about the local presence of the agency across Scotland.

### **D.5 Position in West Lothian**

Our performance statistics for the speed of processing housing benefit new claims and changes have improved significantly since 2014/15, when we received our last audit. The Chartered Institute of Public Finance and Accountancy statistics for 2017/18 rank West Lothian as 2<sup>nd</sup> in Scotland for housing benefit new claims processing, at an average of 13 days, and 7<sup>th</sup> for the processing of housing benefit changes, at an average of 4 days. Performance during 2018/19 remains consistent with the cumulative processing times, as at 31 December 2018, recorded at 11 days for new claims and 5 days for changes.

## **E. CONCLUSION**

Audit Scotland has recognised the improvements that the councils visited have made and have also acknowledged the ongoing pressures that council's face due to the further roll out of UC and additional welfare reforms.

The council will continue to work on improving the service, and will pro-actively address challenges that Welfare Reform will bring in the future. Officers will continue to assess the effects of these challenges in order to develop and shape work going forward.

The current housing benefit performance statistics for West Lothian remain excellent and do not anticipate that Audit Scotland will request a further visit at this stage as a result of concerns over performance.

## **F. BACKGROUND REFERENCES**

Housing Benefit Performance Audit Annual Update 2018, report by Audit Scotland –

[http://www.audit-scotland.gov.uk/uploads/docs/report/2018/hb\\_performance\\_2018.pdf](http://www.audit-scotland.gov.uk/uploads/docs/report/2018/hb_performance_2018.pdf)

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**Donald Forrest**  
**Head of Finance and Property Services**  
**14 January 2019**



**AUDIT COMMITTEE**

**LOCAL GOVERNMENT IN SCOTLAND FINANCIAL OVERVIEW 2017/18**

**REPORT BY HEAD OF FINANCE AND PROPERTY SERVICES**

**A. PURPOSE OF REPORT**

To provide the Audit Committee with a summary of the report *Local Government in Scotland Financial Overview 2017/18* published by the Accounts Commission on 29 November 2018 and to outline officer responses to the points included in the scrutiny tool for councillors.

**B. RECOMMENDATION**

It is recommended that the Audit Committee:

1. Notes the key messages included in the report;
2. Notes officer responses to the points raised within the councillors scrutiny tool which can be used by elected members to help them better understand the council's financial position and to scrutinise financial performance.

**C. SUMMARY OF IMPLICATIONS**

<b>I Council Values</b>	Being honest, open and accountable, making the best use of our resources, working in partnership.
<b>II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)</b>	The council has a statutory duty to consider Accounts Commission reports.
<b>III Implications for Scheme of Delegations to Officers</b>	None.
<b>IV Impact on performance and performance Indicators</b>	The recommendations within this report could facilitate the maintenance of performance in activities that support delivery of the council's agreed priorities.
<b>V Relevance to Single Outcome Agreement</b>	The Accounts Commission overview reports are intended to assist councils in delivering services that achieve local single outcome agreements.
<b>VI Resources - (Financial, Staffing and Property)</b>	Based on budget assumptions, the council faces a significant revenue budget gap of £65.3 million over the five year period 2018/19 – 2022/23. West Lothian Council agreed budget savings of £60.1 million, leaving a balance to be found of £5.2 million.
<b>VII Consideration at PDSP</b>	None.

**D. TERMS OF REPORT****D.1 Introduction**

The Accounts Commission financial overview of local government provides a high level, independent view of councils' financial performance and position in 2017/18. The reports draw upon recent audit work completed by Audit Scotland including audits of 2017/18 financial statements, it provides a summary of their views on how councils are managed and perform, including the progress councils are making in managing their finances and achieving Best Value.

The report provides a high level view of the challenges facing councils, how well councils are addressing these challenges and what more councils can do to maintain or improve services for the public within reduced resources. The Accounts Commission expects councillors and senior council officers to use this report as a source of information to support their complex and demanding role, along with the scrutiny tool, to better understand their council's financial position and to scrutinise financial performance.

**D.2 Key Messages**

The overview report includes a number of key messages for councillors. It is acknowledged that councils are facing an increasingly complex range of challenges and continuing pressure on finances which require a flexible approach that balances immediate needs, sound long term financial planning and limited financial resources. It is important that stakeholders understand the individual context faced by each council in terms of demand for services and available resources, but consideration also has to be given to a rapidly changing public sector landscape with various external complex changes such as EU withdrawal.

The most significant issues for councils continue to be funding and savings becoming increasingly difficult to identify and deliver. In 2017/18 funding from the Scottish Government again reduced in real terms, this reduction has been partially offset by increases in council tax and councils fee income, with most councils applying the maximum three percent increase to council tax. The forecast trend is for further reductions from Scottish Government in the medium term, therefore effective leadership and financial management is becoming increasingly critical and councils can only achieve financial resilience and sustainability if they have medium term financial strategies and well developed savings programmes.

In summary, the key messages are:

- Councils depend on Scottish Government funding for a significant part of their income. Scottish Government revenue funding to councils reduced in 2017/18, in cash terms by 0.6 per cent and in real terms, by 2.3 per cent. Council tax increases and increased fees and charges were used by councils to increase overall budgets.
- Councils are under pressure to find different ways to fund and deliver services. In 2017/18, 24 councils increased council tax, whereas in 2018/19, all councils increased council tax.
- Overall increases in spending in Education and Social Work were offset by reductions in other services.

- Eighteen councils ended 2017/18 with lower levels of usable reserves than they had at the start of the year.
- Funding to the Integration Joint Boards (IJBs) increased in 2017/18 by three per cent in cash terms, including additional funding from the NHS. The majority of IJBs have underlying financial sustainability issues, with 20 incurring deficits or dependent on additional funding from the NHS or councils.
- The financial outlook is for reductions in Scottish Government revenue funding to councils. This will mean continued and increasing financial pressures on council services, especially those areas that are not protected.
- The impact of EU withdrawal is not yet clear, but councils need to identify the risks and develop contingency plans to manage these risks.

### **D.3 Part 1 – Councils Budgets and Spending for 2017/18**

This section of the Accounts Commission report focuses on local authority budgets and spending in 2017/18. Key messages in this section of the report include:

- Real terms reduction in revenue funding from the Scottish Government  
Councils received a significant reduction in revenue funding for 2017/18 with Scottish Government revenue funding falling by 2.3% in real terms and 0.6 per cent in cash terms. This reduction has been countered by increases in charges and grants to services, dwelling rents and council tax. Council tax is an important source of income for councils, in 2017/18 13 per cent of council funding came from council tax. Similarly 32 per cent of councils income was generated from fees, charges, rents and grants.
- Funding decreasing from the Scottish Government to Local Government  
Between 2013/14 and 2017/18, funding from the Scottish Government to local government decreased at a faster rate, than the Scottish Government revenue budget. This demonstrates a significantly higher impact on total local government funding compared to the total Scottish Government revenue budget.
- Distribution of Funding from the Scottish Government  
The Scottish Government and COSLA's mechanism for distributing funding to councils is the main determinant of a council's share of overall funding. Distribution is based mainly on population but could be more transparent to ensure clarity about how funding distribution reflects factors that drive demand and costs in councils. Other factors are far less significant influences on total funding, for example the relationship between how much funding a council receives and its population size and deprivation levels. The former is a very strong determinant of overall funding and the latter is only a moderate to weak factor. Given Scotland's demographic changes and the Scottish Government's commitment to tackling social and economic inequality, there is a risk that the weightings no longer sufficiently represent need.
- Savings and planned use of reserves managed funding gaps  
In 2017/18, councils managed funding gaps of four per cent in their net expenditure budgets of £12 billion, mainly through savings and planned use of reserves. Councils managed to present balanced budgets through planned budget savings including management and staff reduction and restructuring, service redesign, procurement and planned use of unearmarked reserves. Due to uncertainty presented by the local government elections in May 2017, reserves were used as a short-term contingency to manage funding gaps in 2017/18 by some councils until wider transformational plans could be agreed with new administrations.
- Increased spend in Education and Social Work  
Social Work expenditure increased by 2.4 per cent, this included funding the living

wage and demand pressures. Education expenditure increased by 3.2 per cent, this reflects several national priorities including raising attainment. Overall increases in spending in Education and Social Work were offset by reductions in other services.

#### **D.4 Part 2 – Councils Financial Position**

This section of the Accounts Commission report focuses on local authority financial position.

Key messages in this section of the report include:

- Eighteen councils ended 2017/18 with lower levels of usable reserves than they had at the start of the year, in 2016/17 20 councils were in this position.
- Some councils have relatively higher levels of debt for their size. Higher levels of debt lead to higher annual costs of servicing this debt and councils need to ensure this is affordable.
- Local policies vary on whether cash and investments are held to support reserves. Thirteen councils have significant cash or investments that can be used to support the reserves position. However other councils have used their cash or investments to fund capital spending rather than take on further borrowing.
- In real terms capital expenditure decreased in 2017/18 by five per cent. The majority of investment is in social housing and schools estate. Despite this the number of social houses provided by councils continues to fall.
- Twenty councils increased their net debt in 2017/18, with another eleven councils reducing their net debt.
- There were delays with the valuation of pensions liabilities in councils across Scotland in 2017/18, but the net pension liability has reduced substantially in 2017/18.
- Management commentaries in councils' accounts should do more to explain financial outturn against budget. There were improvements in this area in 2017/18, however there are still circumstances where basic expectations of transparency are not met.

#### **D.5 Part 3 – Integration Joint Boards' overview 2017/18**

This section of the Accounts Commission report focuses on the Integration Joint Boards. Key messages in this section of the report include:

- In cash terms funding to the IJB increased by 3% in 2017/18. Most of this additional funding came from the NHS and includes additional Scottish Government funding to the NHS for IJB's of £107 million. These partnerships between the NHS Boards and councils are responsible for the delivery of adult health and social care.
- Eleven out of thirty IJBs have underlying financial sustainability issues. A further eight would have incurred deficits without additional funding from the NHS and councils. Auditors report that prescribing costs and adult social care costs appear to be the main reason for overspends.
- Reserve positions vary enormously between IJBs. IJBs hold reserves for two main purposes; to earmark funds which are to be used for specific purposes in the future and to provide a contingency fund to cushion the impact of unexpected events.
- Further improvements to financial management should be introduced as only a third

of IJBs have a medium-term financial plan, and there is no evidence of long term-financial planning.

## **D.6 Part 4 – Councils’ Financial Outlook**

This section of the Accounts Commission report focuses on the financial outlook facing councils. Key messages in this section of the report include:

### Scottish Government revenue funding

In 2018/19 overall Scottish Government revenue funding to local government increased by 0.2 per cent after two years of real-terms reductions. In cash term terms it increased by 1.7 per cent. It should be noted that significant elements of this funding are ring-fenced for specific purpose, and that core revenue funding for council has reduced.

### Scottish Government five-year financial strategy

In May 2018 the Scottish Government published a five-year financial strategy. The report identifies an expectation that the next UK Spending Review (in 2019) will provide the Scottish Government with the opportunity to develop a multi-year approach to the development of its budgets. As the Scottish Government moves towards being funded by a combination of devolved taxes and the block grant, the number of variables which will affect its longer-term funding outlook will increase. Three key determinants are identified as changes in UK Government spending, UK Government fiscal policy and Scottish tax revenue relative to the rest of the UK.

### Transformational Change

Over half of councils are in the early stages of delivering transformational change. The majority of work within transformational or change programmes is focused on service review and improvement work. With funding expected to reduce further in the medium term, councils will need to consider more significant redesigns of how they operate and deliver services. The Accounts Commission recognises that with the financial pressures, councillors need to make difficult decisions.

### Medium-term financial planning

Almost all councils have adopted medium-term financial planning with 30 councils now having a medium-term financial plan. However councils’ long-term financial planning is not as well developed, sixteen councils do not yet demonstrate any long-term financial planning, and only five councils have long-term financial plans that cover ten years or more.

### Funding gaps

Councils expect to manage smaller funding gaps in 2018/19 of £0.3 billion (two per cent), with all 32 councils raising council tax rates by three per cent in 2018/19, providing budgeted income of £2.5 billion. Funding gaps are to be managed by planned savings, temporary use of reserves and additional fees and charges. Funding gaps vary by council; there are no councils where the budgeted use of reserves is a critical issue over the next three years.

### European Union

The UK will leave the European Union (EU) on 29 March 2019. The impact of EU withdrawal is not yet clear, but councils need to identify the risks and develop contingency plans to manage these risks, as far as possible. If the UK Government and EU agree the terms of the UK’s withdrawal before this date, there will be a transition period to the end of 2020. However If the UK Government and EU fail to agree arrangements for the UK’s exit from the EU, there will be no transition period and organisations will need to respond immediately.

## D.7 Implications for West Lothian Council

On 13 February 2018, West Lothian Council agreed a long term financial plan for five years and detailed revenue budgets for the three years 2018/19 to 2020/21. This allows the council to comply with best practice which states that public bodies should focus on their medium to long term sustainability, through having a financial strategy covering a minimum of five years, supported by detailed plans covering a minimum of three years. The 2017/18 annual audit report from EY, the council's external auditors, commented favourably on the process followed and the decisions made by the council.

In addition to detailed revenue budgets being agreed to 2020/21, Council agreed budget savings of £60.1 million over the five year period to 2022/23. Based on budget assumptions included within the financial plan, the five year budget gap was £65.3 million leaving a balance of £5.227 million. This gap has subsequently increased to £5.347 million following the decision of the Council Executive on 13 November 2018 to remove the festive lighting saving of £120,000.

The Partnership and Resources PDSP noted a report on 1 June 2018 which outlined the proposed approach to identifying additional saving measures to address the remaining budget gap. A follow up report was presented to PDSP on 5 October 2018 where, based on the feedback received at the meeting, officers agreed that no further work would be undertaken on the following potential options – means testing of Special Schools meals, breakfast club provision, school crossing patrols and funding for gala days.

A review of elected member involvement in financial planning was undertaken in Spring 2018 with the following recommendations agreed by Council Executive on 12 June 2018:

- Principles for future financial planning including continuing to have a five year strategy, aligned with political administrations, and three year detailed budgets.
- Additional savings measures should be considered by the relevant PDSP before being reported for approval, apart from in exceptional circumstances.
- Officers should review the content of the annual revenue budget report.
- A detailed three year budget for 2020/21 to 2022/23 should be reported to Council for approval in early 2020.

This is consistent with the recommendations of the Accounts Commission, Audit Scotland and the Chartered Institute of Public Finance and Accountancy (CIPFA) who emphasise the need for public bodies to focus on their medium to long term financial sustainability. They have advised that public bodies should develop strategies that are based on defined priorities, providing a clear road map for service delivery. Constrained financial resources are not a short term problem, therefore a strategic approach is essential to meet the medium to long term challenges arising from the fundamental structural changes to public sector funding.

The council's approach to financial and corporate planning agreed by Council in February 2018 is beneficial as it:

- Provides a medium term view which is essential when implementing effective service and workforce planning, allowing workforce changes to be made in a proactive manner;
- Provides officers with sufficient time to implement what, in many cases, will be fundamental changes to service delivery which require a significant lead in time;
- Helps officers and elected members to consider the long term implications of policy decisions and changes to service delivery;
- Creates greater certainty surrounding detailed financial plans for the first three

years of the five year financial strategy;

- Provides services and customers with advance notice of changes;
- Helps to integrate services and planning with Community Planning Partners, especially where outcomes are longer term (e.g. preventative spend).

The report includes a range of important issues and action points for elected members to consider. Officers have reviewed the points raised in the self-assessment tool for councillors and provided comments and responses to assist elected members in reviewing the council's progress in implementing the recommendations within the report. The action points for councillors and the self-assessment tool along with assessment of West Lothian Council's current position is included in Appendix 1.

## **E. CONCLUSION**

The Accounts Commission's *Local Government in Scotland Financial Overview 2017/18* report outlines the major financial challenges facing local government. The report highlights that councils are increasingly showing signs of financial stress as while funding has reduced, costs and demands have increased. Councils need to have effective long term financial plans to ensure a good understanding of finances and future pressures.

## **F. BACKGROUND REFERENCES**

Local Government in Scotland Financial Overview 2017/18

[http://www.audit-scotland.gov.uk/uploads/docs/report/2018/nr\\_181129\\_local\\_government\\_finance.pdf](http://www.audit-scotland.gov.uk/uploads/docs/report/2018/nr_181129_local_government_finance.pdf)

### Appendices/Attachments:

Appendix 1 – Local Government Financial Overview 2017/18 Scrutiny Tool for Councillors

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**Donald Forrest**

**Head of Finance and Property Services**

14 January 2019

## **Appendix 1 – Local Government Financial Overview 2017/18 Scrutiny Tool for Councillors**

This scrutiny tool captures a number of potential questions for councillors. It is designed to provide councillors with examples of questions they may wish to consider to help them better understand their council's financial position and to scrutinise financial performance.

### **Financial planning and budget**

<b>Questions for Councillors to Consider</b>	<b>Officer Comments and Additional Information</b>
Does your council have a long-term financial strategy (ten years or more) that reflects the anticipated changes in demographics and demands on services?	<p>On 13 February 2018, West Lothian Council agreed a long term financial plan for five years and detailed revenue budgets for the three years 2018/19 to 2020/21. This allows the council to comply with Audit Scotland, CIPFA and the Accounts Commission best practice which states that public bodies should focus on their medium to long term financial sustainability through having a financial strategy covering a minimum of five years, supported by detailed plans covering a minimum of three years.</p> <p>The approval of the five year financial plan and three year detailed revenue budgets means West Lothian Council has a solid base to address the challenges faced in delivering key priorities. This is reinforced by the external auditor's report on the 2017/18 financial accounts where Ernst and Young LLP concluded that the council recognises the future challenges and has a comprehensive performance improvement framework. The external auditor also acknowledged that the council recognises the significant demographic pressures that will be faced in respect of an ageing population and, although the council will have significant cost pressures associated with demographic change, it has a good basis to address this through having an established process for aligning the financial strategy to priorities.</p>

<b>Questions for Councillors to Consider</b>	<b>Officer Comments and Additional Information</b>
<p>Do medium and long-term financial plans include a range of potential funding and financial scenarios?</p>	<p>In January 2013, the council implemented a new approach to corporate and financial strategy incorporating eight priorities and an integrated approach to corporate and financial planning. Priorities were used to underpin the strategies, helping to ensure that constrained resources were allocated to achieve desired outcomes and value for money. This assisted in the prioritisation and allocation of resources to activities that have the greatest impact on outcomes for the five years 2018/19 to 2022/23. It has also allowed the council to generate savings whilst aiming to minimise the impact on direct services.</p> <p>Audit Scotland and the Chartered Institute of Public Finance and Accountancy (CIPFA) have both identified the need for public bodies to focus on their medium to long term financial sustainability. They have advised that public bodies should develop strategies that are based on defined priorities, providing a clear road map for service delivery within constrained budgets.</p> <p>On 13 February 2018, West Lothian Council agreed a long term financial plan for five years and detailed revenue budgets for the three years 2018/19 to 2020/21, allowing the council to comply with best practice through having a financial strategy covering a minimum of five years, supported by detailed plans covering a minimum of three years.</p>

Questions for Councillors to Consider	Officer Comments and Additional Information
<p>What is your council's financial position? What particular challenges does the council face?</p>	<p>Scottish Government grant funding is not sufficient to meet increasing costs and demand for services. Based on agreed budget assumptions, the council faces a revenue budget gap of £65.3 million over the five year period 2018/19 – 2022/23. West Lothian Council agreed budget savings of £60.1 million, leaving a balance to be found of £5.2 million. There is an ongoing process in place to identify options for savings to meet the estimated budget gap to ensure the council continues to have a balanced budget over the five years.</p> <p>With the publication of the local government finance settlement on 17 December, the council will receive confirmation of grant funding for 2019/20. At this stage the council's assumption of a core grant reduction of £7 million is retained, phased as a £4 million reduction in 2019/20 and a £1 million reduction in each of the three years 2020/21 to 2022/23. It may be that this core reduction is less than anticipated, however this will be subject to the overall resources quantum available to the Scottish Government and whether they choose to allocate any increased resources to earmarked initiatives.</p> <p>In addition to uncertainties associated with the council's revenue budget strategy for the five years, including general risks such as the level of Scottish Government funding and national policy changes, more specific risks to West Lothian particularly around the increase in costs associated with demand led services such as adult and elderly social care and school demographics. Any combination of these risks could increase the estimated budget gap facing the council over the next five years, and require additional savings measures to be identified.</p> <p>The council's approved Transforming Your Council savings programme means that the Modernisation Fund will be required over the period to 2022/23 to help support transformational change and employee exit packages. The council's approved five year revenue financial plan means that there is currently no intention to use one off reserves to support ongoing service delivery.</p> <p>A number of recurring service budget pressures has been identified by officers. Heads of Service are taking steps to address these pressures, as agreed by Council Executive in September 2018, although there remains a risk that some of the pressures will not be sufficiently addressed resulting in further budget pressures in 2019/20 and beyond. It has been noted that even with officer interventions, budgetary pressures are likely to remain for waste disposal gate fees, transport and homelessness and that some additional budget provision is likely to be required.</p> <p style="text-align: center;">10</p>

Questions for Councillors to Consider	Officer Comments and Additional Information
<p>What new financial pressures are there for 2018/19 and 2019/20 and how much will these cost?</p>	<p>Work is currently underway to review and update the budget model in advance of the 2019/20 annual revenue budget setting process. This exercise is focused on re-evaluating the assumptions underlying the approved model, especially where additional information or updated forecasts could impact on the original financial values. In summary the main high risk areas currently being reviewed are:</p> <p><b><u>Pay Award</u></b>  The approved 2018/19 budget included pay assumptions based on the original offer to employees. Following discussions with the Scottish Government regarding teachers' pay award, COSLA increased this offer to 3.5% for all non-teaching staff. Although discussions are ongoing, with no agreement on the pay award for 2018/19, this increase in the offer will result in a budgetary pressure for the council. The ongoing trends in relation to pay negotiations, means that future year assumptions will have to be reviewed, which will potentially increase the council's forecast budget gap.</p> <p><b><u>Teachers Pensions</u></b>  The Autumn Budget confirmed a reduction in the discount rate for calculating employer contributions in unfunded public sector pension schemes resulting in additional pension costs to employers. This change will impact on the cost of the teachers' pension scheme resulting in a substantial additional cost to the council. At this stage the Scottish Government has not confirmed that they will provide additional funding to offset this cost, although COSLA are pressing hard for this to be the case.</p> <p><b><u>School Demographics</u></b>  Following the implementation of a new pupil forecasting system, and recognition that recent house building has not met forecast completions, school demographic assumptions need to be reviewed. The figures within the budget model were based on pupil forecasts from 2015, with 900 forecast completions. Although initial work has been undertaken further work is required to finalise the forecasts. The Head of Planning, Economic Development and Regeneration is working on updated school projections, based on the most recent census and a meeting to discuss these projections will take place in December.</p> <p><b><u>Revenue Consequences of Capital Programme</u></b>  The five year financial plan included provision for property revenue consequences arising from the draft ten year capital investment strategy which was approved at the same Council meeting in February 2018. Following approval of these strategies, there have been ongoing discussions and developments, especially in relation to new schools in the Winchburgh area and additional support needs investment. Work is ongoing to quantify the potential resources required to address additional staffing and property costs.</p>

Questions for Councillors to Consider	Officer Comments and Additional Information
	<p data-bbox="857 233 1346 260"><b><u>Recurring Service Budget Pressures</u></b></p> <p data-bbox="857 264 2051 488">As previously reported, officers have identified a number of recurring service budget pressures. Heads of Service are taking steps to address these pressures, as agreed by Council Executive in September 2018, although there remains a risk that some of the pressures will not be sufficiently addressed resulting in further budget pressures in 2019/20 and beyond. It has been noted that even with officer interventions, budgetary pressures are likely to remain for waste disposal gate fees and homelessness and that some additional budget provision is likely to be required.</p> <p data-bbox="857 523 1173 550"><b><u>Inflation and Indexation</u></b></p> <p data-bbox="857 555 2051 746">Although the potential for inflation to be greater than forecast remains a risk, the forecast level of inflation is broadly in line with the assumptions included in the approved model. The only potential deviation is energy costs for 2019/20, where information provided by Scotland Excel and the Scottish Government shows that the unit cost of energy which has already been procured is higher than anticipated. Changes from the carbon commitment to the climate change levy may offset some of this additional energy cost.</p> <p data-bbox="857 782 1126 809"><b><u>Council Tax Income</u></b></p> <p data-bbox="857 813 2051 941">As required by law the council tax income budget for 2019/20 will be updated to reflect the August Band D council tax return to the Scottish Government. In addition, the budget assumptions for future years will be updated to incorporate the reduced house building assumptions of 700 houses per annum.</p> <p data-bbox="857 976 1370 1003"><b><u>Local Government Finance Settlement</u></b></p> <p data-bbox="857 1008 2051 1232">With the publication of the local government finance settlement on 17 December 2018, the council will receive confirmation of grant funding for 2019/20. At this stage the council's assumption of a core grant reduction of £7 million is retained, phased as a £4 million reduction in 2019/20 and a £1 million reduction in each of the three years 2020/21 to 2022/23. It may be that this core reduction is less than anticipated, however this will be subject to the overall resources quantum available to the Scottish Government and whether they choose to allocate any increased resources to earmarked initiatives.</p> <p data-bbox="857 1267 2051 1458">In addition, the council's base Scottish Government grant position includes funding for probationer teachers which has been reducing over the last few years. Previously the council received an additional allocation once the funding was provided for known probationers, however due to the increasing number of probationers the value of this additional allocation has been reducing. Consideration may need to be given to removing the additional element from the council's base grant assumptions, however this would result in an additional pressure.</p>

Questions for Councillors to Consider	Officer Comments and Additional Information
<p>How do you engage with the budget setting process and ensure you have the opportunity to influence the development and content of a strategic budget?</p>	<p>The Transforming Your Council (TYC) consultation included a number of officer budget proposals which included reductions and changes in services that would allow the council to balance the budget over the five years, whilst also delivering outcomes that support the council's priorities. The feedback received on these proposals was considered by PDSPs in December 2017. Reports on the proposed approach to developing a five year financial strategy were also presented to Partnership and Resources PDSP and Council Executive in January and February 2018. The Council Executive agreed that, following feedback received through the TYC consultation on officers' original budget saving proposals, some measures should be removed from the proposals in this report and, in some cases, alternative measures should be identified.</p> <p>As part of the Annual External Audit Report for 2016/17, the audit report recommended that, with significant challenges facing the council over the coming years, it would be important that members took an early lead in shaping the direction of future priorities and service delivery. Council, in February 2017, agreed objectives, a process and a timetable for corporate and financial planning. In accordance with the agreed process and timetable a consultation was held to provide all stakeholders in West Lothian with the opportunity to comment on proposed priorities, officer savings proposals and future council tax levels. Reports on all responses to the consultation were presented to PDSPs in December 2017 to provide the opportunity for elected members to shape the direction of future priorities and service delivery.</p> <p>As well as reports to PDSPs throughout December 2017 on the results of the consultation process, further information on the content of the revenue and capital budget reports was presented to the Partnership and Resources PDSP on 19 January 2018 and the Council Executive on 6 February 2018. This allowed further consideration and feedback from elected members on the council's priorities and the proposed officer budget savings proposals prior to the final budget reports being prepared.</p> <p>A review of elected member involvement in financial planning was undertaken in Spring 2018 with the following recommendations agreed by Council Executive on 12 June 2018:</p> <ul style="list-style-type: none"> <li>• Principles for future financial planning including continuing to have a five year strategy, aligned with political administrations, and three year detailed budgets.</li> <li>• Additional savings measures should be considered by the relevant PDSP before being reported for approval, apart from in exceptional circumstances.</li> <li>• Officers should review the content of the annual revenue budget report.</li> <li>• A detailed three year budget for 2020/21 to 2022/23 should be reported to Council for approval in early 2020.</li> </ul>

Questions for Councillors to Consider	Officer Comments and Additional Information
<p>How does annual budget setting link to medium and long-term financial planning in your council?</p>	<p>West Lothian Council agreed a long term financial plan for five years and detailed revenue budgets for the three years 2018/19 to 2020/21. Based on agreed budget assumptions, the council faces a revenue budget gap of £65.3 million over the five year period 2018/19 – 2022/23. West Lothian Council agreed budget savings of £60.1 million, leaving a balance to be found of £5.2 million. The Transforming Your Council (TYC) consultation will assist in the prioritisation and allocation of resources to activities that have the greatest impact, whilst ensuring balanced budgets for the five year period to 2022/23. The consultation also provided suggestions that will be reviewed to seek ideas for further options to bridge the outstanding budget gap.</p>

### Savings and transformation plans

Questions for Councillors to Consider	Officer Comments and Additional Information
<p>Does your council have a savings plan? What are the options to close future funding gaps? How well are you kept informed about progress in delivering those savings?</p>	<p>On 13 February 2018, West Lothian Council agreed a long term financial plan for five years and detailed revenue budgets for the three years 2018/19 to 2020/21. Based on agreed budget assumptions, the council faces a revenue budget gap of £65.3 million over the five year period 2018/19 – 2022/23. West Lothian Council agreed budget savings of £60.1 million, leaving a balance to be found of £5.2 million. There is an ongoing process in place to identify options for savings to meet the estimated budget gap to ensure the council continues to have a balanced budget over the five years.</p> <p>The five year revenue budget plan 2018/19 to 2022/23 will enable the council to plan effectively and direct constrained resources to deliver the council's Corporate Plan outcomes. It will also help to manage demand for council services, especially within areas such as social care, in line with available resources. The Corporate Plan is directly influenced by the priorities included within the TYC consultation. The council believes that delivery of these priorities will help the community to grow and succeed, whilst also helping to focus council resources towards key areas over the next five years. The TYC consultation confirmed that the existing priorities should be retained but there was some change to the order of importance with the greatest movement seen in the minimising</p>

Questions for Councillors to Consider	Officer Comments and Additional Information
	<p>poverty and employment priorities.</p> <p>As part of the councils risk based approach to budget monitoring elected members are given quarterly updates through reports to council executive on the status of the delivery of approved budget saving measures. In addition where it was agreed that further reports and information would be brought back to elected members in the five year financial plan approved on the 13 February 2018, officers have been presenting reports and updated to policy development scrutiny panels and council executive during the course of 2018.</p>
<p>Which service areas are under the most pressure to make savings? What impact will savings have on the delivery of services and outcomes for service users, the wider community and the local economy? What are the potential risks?</p>	<p>All service areas will be required to deliver significant savings over 2018/19 to 2022/23.</p> <p>Given the extent of the financial challenge, the next five years will be a period of major change with fewer staff operating from fewer buildings and providing fewer direct services, however remaining services will be delivered in a more joined up and cost effective way. The council will continue to prioritise and deliver those services that meet the needs of the most vulnerable in the community, such as children, older people, vulnerable adults and families living in poverty.</p> <p>The Revenue Budget Report set out a number of risks and uncertainties associated with the council's revenue budget strategy for the five years, including general risks such as the level of Scottish Government funding and national policy changes, and more specific risks to West Lothian particularly around the increase in costs associated with demand led services such as adult and elderly social care and school demographics. Any combination of these risks could increase the estimated budget gap facing the council over the next five years, and require additional savings measures to be identified.</p>
<p>Does your council have a transformation plan? Does it clearly set out the aims and objectives and how and when these will be achieved?</p>	<p>The council's revenue budget plans for 2018/19 to 2022/23 have been developed following the Transforming Your Council consultation. The council's Corporate Plan is also directly influenced by the priorities included within the TYC consultation. Together, the Revenue Budget Strategy and Corporate Plan ensure an integrated approach is taken to delivering transformation over the next five years.</p> <p>This approach is beneficial for the following reasons. It:</p>

Questions for Councillors to Consider	Officer Comments and Additional Information
	<ul style="list-style-type: none"> <li>• Provides a medium term view which is essential when implementing effective service and workforce planning, allowing workforce changes to be made in a proactive manner;</li> <li>• Provides officers with sufficient time to implement what, in many cases, will be fundamental changes to service delivery which require a significant lead in time;</li> <li>• Helps officers and elected members to consider the long term implications of policy decisions and changes to service delivery;</li> <li>• Creates greater certainty surrounding detailed financial plans for the first three years of the five year financial strategy;</li> <li>• Provides services and customers with advance notice of changes;</li> <li>• Helps to integrate services and planning with Community Planning Partners, especially where outcomes are longer term (e.g. preventative spend).</li> <li>• In addition, the long lead in time required to deliver a number of the proposed budget savings measures, many of which require fundamental and significant changes to service delivery, means that if the five year strategy was not approved, the council could not deliver the proposed saving measures in sufficient time or in a cohesive and coordinated manner.</li> </ul>
<p>Does the transformation programme of work aim to make positive change to improve outcomes for communities? Is it about seeking opportunities to do things differently to maintain or improve performance or is the focus only on making savings?</p>	<p>The council's five year revenue budget plan 2018/19 to 2022/23 will enable the council to plan effectively and direct constrained resources to deliver the council's Corporate Plan outcomes. It will also help to manage demand for council services, especially within areas such as social care, in line with available resources.</p> <p>The Corporate Plan is directly influenced by the priorities included within the TYC consultation. The council believes that delivery of these priorities will help the community to grow and succeed, whilst also helping to focus council resources towards key areas over the next five years.</p>
<p>Are projects within the transformation programme achieving their aims in terms of service quality, performance and cost?</p>	<p>The council has an established framework for reporting on financial performance and service delivery performance. The delivery of agreed financial savings is reported through the Head of Finance and Property Services budget monitoring reporting.</p> <p>In line with the council's agreed budgetary control framework and procedures, a review of</p>

Questions for Councillors to Consider	Officer Comments and Additional Information
	<p>the delivery of budget reductions for the period 2018/19 to 2020/21 was completed by Heads of Service and has demonstrated that satisfactory progress is being made. It was reported to Council Executive on 11 September 2018, that based on an exercise carried out for the three year period to 2020/21, £18.895 million (46%) of agreed budget reductions are categorised as green which indicates that Heads of Service consider that the saving is achieved or achievable. The remaining £22.386 million (54%) of reductions are categorised as amber.</p> <p>Service performance is monitored through Pentana, the council's corporate system used to record and manage performance information. The West Lothian Assessment Model (WLAM) is the council's self-assessment framework that helps services to ensure that they provide good quality and improving services to all customers and service users. WLAM underpins the council's approach to improvement; ensuring services have a structured framework for assessing their performance and identifying areas for improvement.</p>
<p>How effectively are you engaged and informed about the council's transformation programme and kept informed about progress?</p>	<p>As part of the councils risk based approach to budget monitoring elected members are given quarterly updates through reports to council executive on the status of the delivery of approved budget saving measures. In addition where it was agreed that further reports and information would be brought back to elected members in the five year financial plan approved on the 13 February 2018, officers have been presenting reports and updated to policy development scrutiny panels and council executive during the course of 2018.</p>
<p>Are detailed options appraisals or business cases set out for changes to services planned within transformation activity?</p>	<p>Yes, all budget savings measures are subject to detailed business cases being established which highlight a rationale for delivering savings, timescales, risks and mitigating factors. Planning and delivery of budget savings are managed using project management methodology and are co-ordinated through the council's Corporate Transformation Team.</p>

## Reserves

Questions for Councillors to Consider	Officer Comments and Additional Information
<p>What is the council's reserves policy?</p>	<p>The principle focus, in considering future financial strategy and a reserves policy, is to ensure that sufficient funds are held in reserve to deal with the financial consequences of uncertain future events, and to provide a reasonable sum to address the potential impact of</p>

Questions for Councillors to Consider	Officer Comments and Additional Information										
	<p>the range of risks and uncertainties. The council's current minimum uncommitted General Fund Balance is £2 million in 2018/19, which is equivalent to approximately 0.5% of annual baseline revenue expenditure. The council's reserves at 31 March 2018 were (replace with the table I provided in the previous email):</p> <table data-bbox="869 400 1491 568"> <thead> <tr> <th></th> <th style="text-align: right;">£'m</th> </tr> </thead> <tbody> <tr> <td>General Fund Balance</td> <td style="text-align: right;">23.9</td> </tr> <tr> <td>Housing Revenue Account</td> <td style="text-align: right;">0.9</td> </tr> <tr> <td>Insurance Fund</td> <td style="text-align: right;">10.1</td> </tr> <tr> <td>Capital Fund</td> <td style="text-align: right;">59.0</td> </tr> </tbody> </table> <p>The audit of the annual accounts noted that the council's uncommitted general fund balance is one of the lowest uncommitted general fund balances held by all Scottish local authorities. This was identified as a risk that the uncommitted balance may not meet unforeseen circumstances. Officers considered if the level of uncommitted reserves remained appropriate and, taking account of clear financial planning arrangements, sound financial management and the level of other reserves, the Head of Finance and Property Services believes the level of uncommitted reserves remains appropriate.</p> <p>The level of uncommitted reserves is reviewed on a regular basis and as part of the revenue budget setting process. It is subject to a specific recommendation in the annual revenue budget report.</p>		£'m	General Fund Balance	23.9	Housing Revenue Account	0.9	Insurance Fund	10.1	Capital Fund	59.0
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<p>What have reserves been used for in recent years? Supporting services and bridging the funding gap or transforming services?</p>	<p>Earmarked general fund reserves have broadly been maintained at the same level over the past few years and provide the council with the ability to deliver key initiatives such as employability, holiday clubs etc. The main movement in total reserves in 2017/18 was utilisation of the Capital Fund to support the capital programme and investment in the council's assets.</p>										
<p>What are the different types of reserves your council holds? Do you know what these can be spent on?</p>	<p><b>General Fund Balance</b> - to ensure that sufficient funds are held in reserve to deal with the financial consequences of uncertain future events the council has agreed that the uncommitted General Fund Balance will be a minimum of £2 million.</p>										

Questions for Councillors to Consider	Officer Comments and Additional Information
	<p><b>HRA Fund Balance</b> - to ensure that sufficient funds are held in reserve to deal with the financial consequences of uncertain future events the council has agreed that the uncommitted HRA Fund Balance will be a minimum of £0.926 million.</p> <p><b>Insurance Fund</b> - this is the funding mechanism for the control of insurable risk and includes premiums and self-funded insurance costs. The fund balance is to cover all known insurance liabilities and is independently valued on a triennial basis to ensure its value is sufficient to meet potential liabilities.</p> <p><b>Capital Fund</b> - established to ensure that borrowing decisions and capital programme management are based on best value considerations. The Fund forms the basis of the funding package for the council's capital programme in future years.</p>
<p>What is the likely use of unearmarked reserves for 2018/19? How does the remaining unearmarked reserve compare to forecast funding gaps?</p>	<p>The approved revenue budget for 2018/19 does not include any use of unearmarked reserves. Currently a net overspend of £300,000 is forecast for 2018/19, however it is anticipated that the position can be brought back within budget by the end of the financial year after management actions are implemented to contain the potential overspend within approved budgets. If the overspend cannot be reduced, some of the council's general fund balance would be required in 2018/19. Should this occur, the council would have to take action to identify funding to bring the general fund balance back to the approved level of £2 million.</p> <p>It is projected that the devolved school management reserve will reduce in 2018/19, with the level of reduction to be finalised as part of the year end process in March 2019.</p>
<p>What are the plans for using the different reserve funds in 2019/20 and beyond? Are these plans appropriate and reasonable?</p> <p>Is it clear that the reserves are needed for the purposes they are assigned? Are the reserves sufficient for those purposes? Could the reserves be better used for something else?</p>	<p>Use of earmarked reserves is clearly planned for future years. In particular, the capital fund will be utilised to support capital investment in council assets over the ten year period to 2027/28. Details on use of the capital fund was included in the ten year capital investment and asset management report considered and agreed by Council on 13 February 2018. Officers regularly review the use of reserves to support council priorities and provide updates in the annual revenue and capital budget reports. The insurance fund is subject to regular actuarial review and where changes can be made, this is reported to elected members for decision as part of the annual budget process. The council's approved</p>

Questions for Councillors to Consider	Officer Comments and Additional Information
	<p>Transforming Your Council savings programme means that the Modernisation Fund will be required over the period to 2022/23 to help support transformational change and employee exit packages. The council's approved five year revenue financial plan means that there is currently no intention to use one off reserves to support ongoing service delivery.</p> <p>The council holds the following reserves:</p> <p><b>General Fund Balance</b> - to ensure that sufficient funds are held in reserve to deal with the financial consequences of uncertain future events the council has agreed that the uncommitted General Fund Balance will be a minimum of £2 million.</p> <p><b>HRA Fund Balance</b> - to ensure that sufficient funds are held in reserve to deal with the financial consequences of uncertain future events the council has agreed that the uncommitted HRA Fund Balance will be a minimum of £0.926 million.</p> <p><b>Insurance Fund</b> - this is the funding mechanism for the control of insurable risk and includes premiums and self-funded insurance costs. The fund balance is to cover all known insurance liabilities and is independently valued on a triennial basis to ensure its value is sufficient to meet potential liabilities.</p> <p><b>Capital Fund</b> - established to ensure that borrowing decisions and capital programme management are based on best value considerations. The Fund forms the basis of the funding package for the council's capital programme in future years.</p> <p>The principle focus, in considering future financial strategy and a reserves policy, is to ensure that sufficient funds are held in reserve to deal with the financial consequences of uncertain future events, and to provide a reasonable sum to address the potential impact of the range of risks and uncertainties. The council's current minimum uncommitted General Fund Balance is £2 million in 2018/19, which is equivalent to approximately 0.5% of annual baseline revenue expenditure. All of the council's reserves, apart from the HRA reserve, reduced during 2017/18 as earmarked reserves were used for approved initiatives and programmes and the insurance fund was revised to reflect current actuarial valuations. The council's reserves at 31 March 2018 were:</p>

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### Levels of Debt and Affordability

Questions for Councillors to Consider	Officer Comments and Additional Information
<p>What is the council's current debt position? Do you have clear information about the potential need for future borrowing when agreeing authorised borrowing limits?</p>	<p>The CIPFA Prudential Code helps councils demonstrate good capital investment decisions. The treasury management strategy reflects how these decisions impact on treasury management activity. West Lothian Council is required to approve prudential indicators as part of the annual revenue budget process, which are based on the approved capital programmes for the same period. The level of borrowing included in the resource package required to fund the capital programme is assessed to ensure it is prudent, affordable and sustainable within the parameters of the council's treasury management plans and the Prudential Code for Capital Finance. The prudential indicators set out the current level of external debt and the authorised limit for external debt – the current indicators are as follows:</p>

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	<p>ACTUAL EXTERNAL DEBT</p> <table border="1"> <thead> <tr> <th></th> <th>31 March 2016 £'000</th> <th>31 March 2017 £'000</th> <th>31 March 2018 £'000</th> </tr> </thead> <tbody> <tr> <td>Actual External Borrowing</td> <td>531,118</td> <td>601,341</td> <td>585,889</td> </tr> <tr> <td>Actual Other Long Term Liabilities</td> <td>69,031</td> <td>66,743</td> <td>64,241</td> </tr> <tr> <td>Actual External Debt</td> <td><u>600,149</u></td> <td><u>668,084</u></td> <td><u>650,130</u></td> </tr> </tbody> </table> <p>AUTHORISED LIMIT FOR EXTERNAL DEBT</p> <table border="1"> <thead> <tr> <th></th> <th>2017/18 £'000 Actual</th> <th>2018/19 £'000 Estimate</th> </tr> </thead> <tbody> <tr> <td>Gross External Borrowing</td> <td>585,889</td> <td>671,640</td> </tr> <tr> <td>Other Long Term Liabilities</td> <td>64,241</td> <td>62,687</td> </tr> <tr> <td>External Debt</td> <td><u>650,130</u></td> <td><u>734,327</u></td> </tr> </tbody> </table>		31 March 2016 £'000	31 March 2017 £'000	31 March 2018 £'000	Actual External Borrowing	531,118	601,341	585,889	Actual Other Long Term Liabilities	69,031	66,743	64,241	Actual External Debt	<u>600,149</u>	<u>668,084</u>	<u>650,130</u>		2017/18 £'000 Actual	2018/19 £'000 Estimate	Gross External Borrowing	585,889	671,640	Other Long Term Liabilities	64,241	62,687	External Debt	<u>650,130</u>	<u>734,327</u>
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Other Long Term Liabilities	64,241	62,687																											
External Debt	<u>650,130</u>	<u>734,327</u>																											
<p>What share of the council's budget is taken up with interest payments and debt repayment?</p>	<p>West Lothian Council is required to approve prudential indicators as part of the annual revenue budget process. This includes the key affordability indicator of financing costs to the net revenue stream for General Services and HRA. This indicator clearly demonstrates the proportion of the annual revenue budget committed to repaying borrowing. When considering alternative options, detailed long term forecasting is undertaken, including consideration of the impact on key prudential indicators, reserves and revenue, capital and treasury strategies. To assist councillors in their scrutiny of prudential indicators, officers provide current year performance and information on key implications, along with detailed treasury management reports provided three times a year.</p> <p>The indicators for 2017/18 and 2018/19 are as follows:</p>																												

Questions for Councillors to Consider	Officer Comments and Additional Information										
		<table border="0"> <thead> <tr> <th></th> <th style="text-align: center;">2017/18 Actual</th> <th style="text-align: center;">2018/19 Estimate</th> </tr> </thead> <tbody> <tr> <td>General Fund</td> <td style="text-align: center;"><u>7.0%</u></td> <td style="text-align: center;"><u>7.0%</u></td> </tr> <tr> <td>Housing</td> <td style="text-align: center;"><u>27.6%</u></td> <td style="text-align: center;"><u>28.8%</u></td> </tr> </tbody> </table> <p>As these indicators demonstrate, the council's capital plans are assessed to be prudent, affordable and sustainable.</p>		2017/18 Actual	2018/19 Estimate	General Fund	<u>7.0%</u>	<u>7.0%</u>	Housing	<u>27.6%</u>	<u>28.8%</u>
	2017/18 Actual	2018/19 Estimate									
General Fund	<u>7.0%</u>	<u>7.0%</u>									
Housing	<u>27.6%</u>	<u>28.8%</u>									
<p>What proportion of the council's debt is linked to inflation or at fixed rates? What does this mean for longer-term affordability?</p>	<p>All of the council's current debt has been secured at fixed rates, therefore it is not linked to inflation. As set out in the Annual Treasury Management Plan, council officers, in conjunction with our treasury advisors, continually monitor prevailing interest rates and market forecasts to identify the most opportune time for borrowing during the year. This allows for a higher degree of certainty and more accurate forecasting of longer term affordability.</p>										

### Budget Outturn Reports and Management Commentaries

Questions for Councillors to Consider	Officer Comments and Additional Information	
<p>Do budget monitoring reports clearly explain financial performance against plans and any changes to plans, including the reasons for change?</p>	<p>In-year budget monitoring reports are provided to Council Executive on a regular basis, which includes a forecast outturn and a final out-turn position at the year end. During 2017/18, where there were movements in the outturn projections, full explanations were given with any management action required. Actions to address service pressures are included in monitoring reports, enabling members to have appropriate oversight of the financial position. This demonstrates good financial control and an understanding of the budget and in-year management of financial pressures. Monitoring reports also include in-year analysis against approved budget reduction measures on a red, amber and green assessment of their achievement and any action required to ensure deliverability.</p>	

	<p>Additional reports have been provided to elected members on the financial performance of portfolio areas. The reports summarise key performance measures with the financial forecast and out-turn for service areas and thus allowing appropriate scrutiny of service and financial performance by elected members.</p>
<p>Does the management commentary clearly explain the council's financial performance and the changes to plans and reasons for those changes?</p>	<p>The management commentary is a narrative report that relates to the financial statements and provides explanations of the amounts presented, specifically the council's financial position, financial performance and cash flows. It also provides commentary on future risks and other information not presented in the financial statements. The management commentary serves as a basis for understanding management's objectives and its strategies for achieving those objectives.</p> <p>The management commentary covers all aspects of the council's performance and is presented in a clear, concise and straightforward manner. It focuses on the most important information in a manner intended to inform the reader.</p>

## Financial Scrutiny

Questions for Councillors to Consider	Officer Comments and Additional Information
<p>What additional training would you like to receive to develop your knowledge and skills in financial scrutiny?</p>	<p>Elected members' training needs are addressed through completion of personal development plans and implementation of training plans based on a combination of individual and political group requests. There is also a section on the council's intranet which contains source documentation for councillors in addition to an elected member section within My Toolkit. In 2017/18 members had the benefit of an extensive post-election induction programme which, in relation to financial scrutiny, focused on the role of councillors and officers, councillors rights to information and scrutiny mechanisms. Further related training sessions are planned for 2019 including an Improvement Service workshop on the purpose of scrutiny, what effective scrutiny looks like and what power scrutiny has. Members' involvement in setting priorities and the budgetary process was improved in 2017/18 through implementation of actions arising from the BVAR in January 2018 and the external audit report for 2016/17. Financial performance reporting was improved, including the link between service and budgetary performance. Members may now without formal approval opt to attend training provided by statutory partners such as the Improvement Service where there is no cost to the council. Four member training days were set aside in the calendar of council meetings with members able to request training in areas chosen by them. The two main scrutiny committees (Audit Committee and Governance &amp; Risk Committee) each carried out a self-assessment exercise in 2017/18 which included the identification of any training needs for their members. The Performance Committee reviewed its scrutiny practices too. FMU officers are assigned to each of the political groups and the independent councillor to assist in their preparations for budget-setting in February.</p>

## Charging for Services

Questions for Councillors to Consider	Officer Comments and Additional Information
<p>Does your council have a charging policy? Is this in line with corporate plans and objectives? When was this last reviewed?</p>	<p>Yes. The council's approach to setting fees, charges and concessions was set out in a report agreed by Council Executive in December 2013 which agreed that for future fees, charges and concessions for discretionary charging services that the council would adopt the following principles as best practice:</p> <ul style="list-style-type: none"> <li data-bbox="853 1321 2051 1342">• A corporate approach to setting charges should continue to be taken into account as</li> </ul>

Questions for Councillors to Consider	Officer Comments and Additional Information
	<p>part of the</p> <ul style="list-style-type: none"> <li>• council's revenue budget planning;</li> <li>• The council should continue to consider comparative information from other councils, arm's length bodies and other service providers when setting charges;</li> <li>• Charging options should continue to be subject to an Equality Impact Assessment;</li> <li>• The council should develop its use of cost, uptake, usage and capacity information, as a way of assisting to design charges, provided the information required to be gathered is proportionate to the level of resources required;</li> <li>• In line with the Corporate Plan, the council will continue to develop a clear and fair pricing strategy and concessions scheme to ensure that charges generate income to support council services, in a way that is consistent with the council's Anti-Poverty Strategy;</li> <li>• Alternatives to charging should be considered as part of future charging options.</li> </ul> <p>Adopting this approach, the council's Transforming Your Council (TYC) consultation set out a proposal that the council would review all opportunities for discretionary charging and would investigate opportunities for additional sources of income. In addition, it was proposed that a contributions policy for non-residential care services would be introduced, subject to the financial assessment of affordability.</p> <p>Subsequently, on 13 February 2018, West Lothian Council agreed a long term financial plan for five years and detailed revenue budgets for the three years 2018/19 to 2020/21. In this report it was stated that income and contributions measures totalling £5.2 million over the next five years had been identified, which would raise additional income to offset the council's forecast budget gap.</p> <p>The Transforming Your Council (TYC) consultation set out a proposal that the council would review all opportunities for discretionary charging and would investigate opportunities for additional sources of income. In addition, it was proposed that a contributions policy for non-residential care services would be introduced, subject to the financial assessment of affordability.</p>

<b>Questions for Councillors to Consider</b>	<b>Officer Comments and Additional Information</b>
Do you receive sufficient information about the potential impact on the service and the wider community when making decisions about changing fees and charges?	Decisions about charging take account of a range of factors, as set out in the principles for discretionary charging services set out above. The council's approach to charging is designed to ensure a clear and fair pricing strategy and concessions scheme is in place, which is consistent with the council's Anti-Poverty Strategy. Charging options are subject to an Equality Impact Assessment.
What information do you need to be able to explain increases in fees and charges to your constituents?	The rationale for setting charges for 2018/19 to 2020/21 is set out in detail in the council's Revenue Budget Report 201/819 to 2022/23 which was approved by Council on 13 February 2018. This information explains for example whether a charge has been set based on benchmarking information, on a full cost recovery basis or has been subject to an inflationary increase.

### Integration joint board

<b>Questions for Councillors to Consider</b>	<b>Officer Comments and Additional Information</b>
What is the IJB's financial position? Is it financially sustainable?	West Lothian IJB is currently forecasting an overspend of £859,000. This fully relates to the impact of pressures within health functions delegated to the IJB. In terms of financial sustainability, work is currently being progressed on the WL IJB budget for 2019/20 and on the IJB's medium term financial plan.
What are the levels of reserves held by the IJB? Are these in line with the IJB's reserve policy?	WL IJB holds no reserves. The IJB's reserves policy proposes that the target level of general reserves should represent approximately 2% of net IJB expenditure. To date, given pressures in the IJB, there has been no opportunity to build up reserves.
What does the IJB's financial position mean for the council and for the delivery of services?	The IJB's financial position on delegated social care services reflects the position within the council for the same services. Consistency of reporting the position on council delegated services ensures there is a common understanding and partnership approach on service delivery across the IJB and council.

## EU withdrawal

Questions for Councillors to Consider	Officer Comments and Additional Information
<p>What planning and measures has your council undertaken in preparation for EU withdrawal?</p>	<p>The council has established a cross service Brexit working group which is focused on identifying service delivery risks in each service area of the council. The fluid nature of Brexit negotiations make understanding of the risks to service delivery difficult to establish with any degree of certainty. The council continues to work with other organisations including COSLA to understand the risks and how these can be managed or mitigated.</p> <p>A Horizon Scan report is presented quarterly to Partnership and Resources PDSP, which contains an update on the EU withdrawal position.</p>
<p>What are the risks and potential impacts of EU withdrawal for the function of your council and for the communities of your council area, In terms of workforce, regulation and funding?</p>	<p>The council has started to build an understanding of these issues but the dynamic nature of the terms of withdrawal make a full understanding difficult to establish. A number of work streams are reliant on European funding and these will be at risk if no alternative equivalent funding streams are in place. A number of regulatory changes will result and food regulation has been identified as a particular risk. The council does not anticipate any significant direct workforce issues but recognises that displacement may create challenges in the post Brexit period. expect direct.</p>



## **AUDIT COMMITTEE**

### **AUDIT SCOTLAND REPORT: HEALTH AND SOCIAL CARE INTEGRATION: UPDATE ON PROGRESS**

#### **REPORT BY DEPUTE CHIEF EXECUTIVE**

##### **A. PURPOSE OF REPORT**

To inform the Audit Committee of Audit Scotland's progress report on health and social care integration.

##### **B. RECOMMENDATION**

It is recommended that the Audit Committee:

1. notes Audit Scotland's findings in relation to progress against integration;
2. notes the recommendations set out by Audit Scotland as requiring to be addressed to further integration and make a meaningful difference to people in Scotland.

##### **C. SUMMARY OF IMPLICATIONS**

<b>I Council Values</b>	Focusing on our customers' needs; being honest, open and accountable; making best use of our resources; working in partnership.
<b>II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)</b>	None.
<b>III Implications for Scheme of Delegations to Officers</b>	None.
<b>IV Impact on performance and performance Indicators</b>	The report highlights the importance of furthering integration to contribute to health and wellbeing outcomes.
<b>V Relevance to Single Outcome Agreement</b>	Our public services are high quality, continually improving, efficient and responsive to local people's needs.
<b>VI Resources - (Financial, Staffing and Property)</b>	None.
<b>VII Consideration at PDSP</b>	None.
<b>VIII Other consultations</b>	None.

## **D. TERMS OF REPORT**

### **D.1 Background**

Integration Authorities are collectively responsible for almost £9 billion of health and social care spending. The context for integration is increasingly challenging, with rising demand for services and increasing financial pressures on councils and NHS Boards.

The report forms part of a five-year programme of work for Audit Scotland on Integration and is the final of three performance reports Audit Scotland have carried out to better understand and to be able to assess progress with health and social care integration. The first audit report was published in December 2015. Both previous reports are listed in the reference section to this report.

The aim of this audit was to examine the impact public bodies are having as they integrate health and social care services; it does not focus in detail on local processes or arrangements.

### **D.2 Summary of Findings**

The report found that financial planning is not integrated, long term or focused on providing the best outcomes for people who need support. It raises the concern that this limits the ability of Integration Authorities (IAs) to improve the health and social care system. Furthermore, the report found that, in most areas, the legislation that allows IAs to control some services provided by acute hospitals and their related budgets, has not been enacted.

Strategic planning needs to improve and significant barriers to this were highlighted, including: a lack of collaborative leadership and strategic capacity; a high turnover in IA leadership teams; disagreement over governance arrangements; and an inability or unwillingness to safely share data with staff and the public. Local areas that are effectively tackling these issues are making better progress.

The report also highlighted the need for appropriate leadership capacity being in place and all partners being signed up to, and engaged with, the reforms if change is to happen. There needs to be more sharing of best practice and there should be meaningful engagement with staff, communities and politicians. At both a national and local level, all partners need to work together to be more honest and open about the changes required to sustain health and care services.

Part 2 of the report includes examples of where Integration is working well.

### **D.3 Recommendations**

The report sets out six areas which need to be addressed if integration is to make a meaningful difference to the people of Scotland. The recommendations are as follows:

#### **1. Commitment to collaborative leadership and building relationships**

The Scottish Government and COSLA should ensure that there is appropriate leadership capacity in place to support integration and increase opportunities for joint leadership development across the health and care system to help leaders to work more collaboratively.

#### **2. Effective strategic planning for improvement**

Integration Authorities, councils and NHS boards should work together to ensure operational plans, including workforce, IT and organisational change plans across the system, are clearly aligned to the strategic priorities of the IA, and monitor and report on Best Value in line with the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014.

The Scottish Government should ensure that there is a consistent commitment to integration across government departments and in policy affecting health and social care integration.

### 3. Integrated finances and financial planning

The Scottish Government should commit to continued additional pump-priming funds to facilitate local priorities and new ways of working which progress integration.

The Scottish Government and COSLA should urgently resolve difficulties with the 'set-aside' aspect of the Act.

The Scottish Government, COSLA, councils, NHS boards and Integration Authorities should work together to 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.

Integration Authorities, councils and NHS boards should work together to view their finances as a collective resource for health and social care to provide the best possible outcomes for people who need support.

### 4. Agreed governance and accountability arrangements

The Scottish Government and COSLA should support councillors and NHS board members who are also Integration Joint Board members to understand, manage and reduce potential conflicts with other roles.

The Scottish Government, COSLA, councils, NHS boards and Integration Authorities should work together to 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.

Scenarios 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.

### 5. Ability and willingness to share information

The Scottish Government and COSLA should monitor how effectively resources provided are being used and share data and performance information widely to promote new ways of working across Scotland.

The Scottish Government, COSLA, councils, NHS boards and Integration Authorities should work together to share learning from successful integration approaches across Scotland; address data and information sharing issues, recognising that in some cases national solutions may be needed; and 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.

### 6. Meaningful and sustained engagement

Integration Authorities, councils and NHS boards should work together to 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.

## **E. CONCLUSION**

Audit Scotland state in the report that the findings evidence that integration can work and that the Act can be used for system change. There is evidence that integration is enabling joined up and collaborative working, leading to improvements in performance, such as a reduction in unplanned hospital activity and delays in hospital discharges. However, the report acknowledges the challenging environment IAs are operating in and finds that the remaining challenges are significant. It finds that success will depend on long term integrated financial planning and stable and effective leadership.

**F. BACKGROUND REFERENCES**

[Audit Scotland Report: Health and Social Care Integration dated 3 December 2015](#)

[Audit Scotland Report: What is Integration? dated 12 April 2018](#)

Appendices/Attachments: Audit Scotland report: Health and Social Care Integration: Update on Progress

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**Jim Forrest**  
**Depute Chief Executive**

Date of meeting: 14 January 2019

Health and social care series

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# Health and social care integration

Update on progress



ACCOUNTS COMMISSION 

AUDITOR GENERAL 

Prepared by Audit Scotland  
November 2018

## The Accounts Commission

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance and financial stewardship, and value for money in how they use their resources and provide their services.

Our work includes:

- securing and acting upon the external audit of Scotland's councils and various joint boards and committees
- assessing the performance of councils in relation to Best Value and community planning
- carrying out national performance audits to help councils improve their services
- requiring councils to publish information to help the public assess their performance.

You can find out more about the work of the Accounts Commission on our website: [www.audit-scotland.gov.uk/about-us/accounts-commission](http://www.audit-scotland.gov.uk/about-us/accounts-commission) 

## Auditor General for Scotland

The Auditor General's role is to:

- appoint auditors to Scotland's central government and NHS bodies
- examine how public bodies spend public money
- help them to manage their finances to the highest standards
- check whether they achieve value for money.

The Auditor General is independent and reports to the Scottish Parliament on the performance of:

- directorates of the Scottish Government
- government agencies, eg the Scottish Prison Service, Historic Environment Scotland
- NHS bodies
- further education colleges
- Scottish Water
- NDPBs and others, eg Scottish Police Authority, Scottish Fire and Rescue Service.

You can find out more about the work of the Auditor General on our website: [www.audit-scotland.gov.uk/about-us/auditor-general](http://www.audit-scotland.gov.uk/about-us/auditor-general) 

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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## Audit team

The core audit team consisted of Leigh Johnston, Neil Cartlidge, Christopher Lewis and Lucy Jones, under the direction of Claire Sweeney.

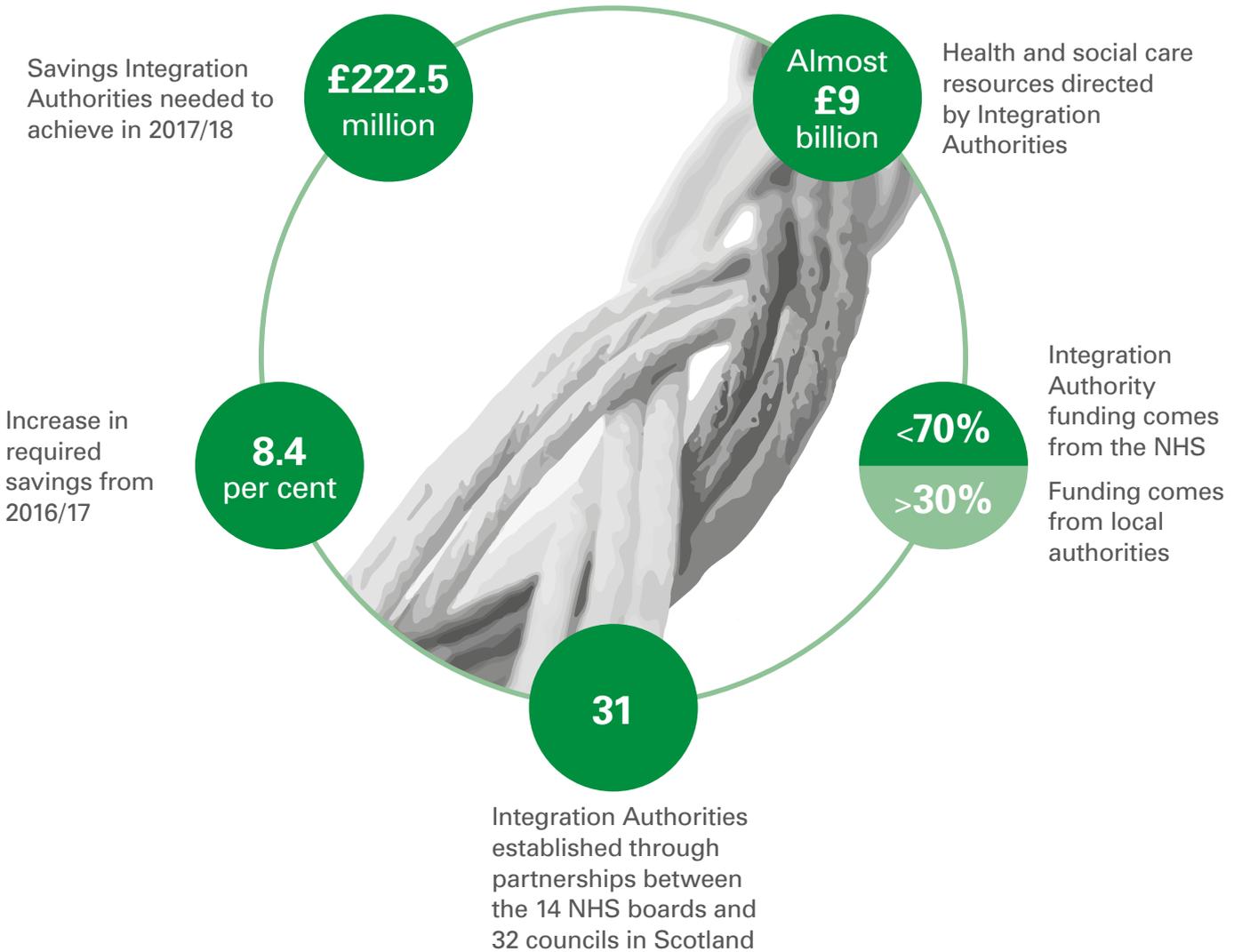
## Links

-  PDF download
-  Web link

## Exhibit data

When viewing this report online, you can access background data by clicking on the graph icon. The data file will open in a new window.

# Key facts



# Summary



## Key messages

- 1 Integration Authorities (IAs) have started to introduce more collaborative ways of delivering services and have made improvements in several areas, including reducing unplanned hospital activity and delays in discharging people from hospital. People at the end of their lives are also spending more time at home or in a homely setting, rather than in hospital. These improvements are welcome and show that integration can work within the current legislative framework, but IAs are operating in an extremely challenging environment and there is much more to be done.
- 2 Financial planning is not integrated, long term or focused on providing the best outcomes for people who need support. This is a fundamental issue which will limit the ability of IAs to improve the health and social care system. Financial pressures across health and care services make it difficult for IAs to achieve meaningful change. IAs were designed to control some services provided by acute hospitals and their related budgets. This key part of the legislation has not been enacted in most areas.
- 3 Strategic planning needs to improve and several significant barriers must be overcome to speed up change. These include: a lack of collaborative leadership and strategic capacity; a high turnover in IA leadership teams; disagreement over governance arrangements; and an inability or unwillingness to safely share data with staff and the public. Local areas that are effectively tackling these issues are making better progress.
- 4 Significant changes are required in the way that health and care services are delivered. Appropriate leadership capacity must be in place and all partners need to be signed up to, and engaged with, the reforms. Partners also need to improve how they share learning from successful integration approaches across Scotland. Change cannot happen without meaningful engagement with staff, communities and politicians. At both a national and local level, all partners need to work together to be more honest and open about the changes that are needed to sustain health and care services in Scotland.

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**several significant barriers must be overcome to speed up change**

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## Recommendations

It is not possible for one organisation to address all the issues raised in this report. If integration is to make a meaningful difference to the people of Scotland, IAs, councils, NHS boards, the Scottish Government and COSLA need to work together to address six areas outlined below.

### Commitment to collaborative leadership and building relationships

The Scottish Government and COSLA should:

- ensure that there is appropriate leadership capacity in place to support integration
- increase opportunities for joint leadership development across the health and care system to help leaders to work more collaboratively.

### Effective strategic planning for improvement

Integration Authorities, councils and NHS boards should work together to:

- 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 Best Value in line with the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014.

The Scottish Government should:

- ensure that there is a consistent commitment to integration across government departments and in policy affecting health and social care integration.

### Integrated finances and financial planning

The Scottish Government should:

- commit to continued additional pump-priming funds to facilitate local priorities and new ways of working which progress integration.

The Scottish Government and COSLA should:

- urgently resolve difficulties with the 'set-aside' aspect of the Act.

The Scottish Government, COSLA, councils, NHS boards and Integration Authorities should work together to:

- 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.

Integration Authorities, councils and NHS boards should work together to:

- view their finances as a collective resource for health and social care to provide the best possible outcomes for people who need support.

## Agreed governance and accountability arrangements

The Scottish Government and COSLA should:

- support councillors and NHS board members who are also Integration Joint Board members to understand, manage and reduce potential conflicts with other roles.

The Scottish Government, COSLA, councils, NHS boards and Integration Authorities should work together to:

- 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. Scenarios 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.

## Ability and willingness to share information

The Scottish Government and COSLA should:

- monitor how effectively resources provided are being used and share data and performance information widely to promote new ways of working across Scotland.

The Scottish Government, COSLA, councils, NHS boards and Integration Authorities should work together to:

- 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.

## Meaningful and sustained engagement

Integration Authorities, councils and NHS boards should work together to:

- 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.

# Introduction

## Policy background

**1.** The Public Bodies (Joint Working) (Scotland) Act, 2014 (the Act) is intended to ensure that health and social care services are well integrated, so that people receive the care they need at the right time and in the right setting, with a focus on community-based, preventative care. The reforms affect everyone who receives, delivers and plans health and care services in Scotland. The Act requires councils and NHS boards to work together to form new partnerships, known as Integration Authorities (IAs). There are 31 IAs, established through partnerships between the 14 NHS boards and 32 councils in Scotland.

**2.** As part of the Act, new bodies were created – Integration Joint Boards (IJBs) ([Exhibit 1, page 9](#)). The IJB is a separate legal entity, responsible for the strategic planning and commissioning of the wide range of health and social care services across a partnership area. Of the 31 IAs in Scotland, 30 are IJBs and one area, Highland, continues with a Lead Agency model which has operated for several years. In Highland, the NHS board and council each lead integrated services. Clackmannanshire and Stirling councils have created a single IA with NHS Forth Valley. You can find more information about integration arrangements in our [short guide](#) .

**3.** Each IA differs in terms of the services they are responsible for and local needs and pressures. At a minimum, IAs need to include governance, planning and resourcing of social care, primary and community healthcare and unscheduled hospital care for adults. In some areas, partners have also integrated children's services and social work criminal justice services. Highland Lead Agency, Dumfries and Galloway IJB, and Argyll and Bute IJB have also integrated planned acute health services. IAs became operational at different times but were all established by April 2016. The policy context for IAs is continually changing, and many policies have an impact on IAs, such as the new GP contract and changes to payments for social care services.

## About this audit

**4.** This is the second of three national performance audits of health and social care integration following the introduction of the Act. The aim of this audit is to examine the impact public bodies are having as they integrate health and social care services. The report sets out six areas which need to be addressed if integration is to make a meaningful difference to the people of Scotland. This audit does not focus in detail on local processes or arrangements and it complements the programme of strategic inspections by the Care Inspectorate and Healthcare Improvement Scotland.<sup>1</sup> [Appendix 1 \(page 41\)](#) has more details about our audit approach and [Appendix 2 \(page 42\)](#) lists the members of our advisory group who provided help and advice throughout the audit.

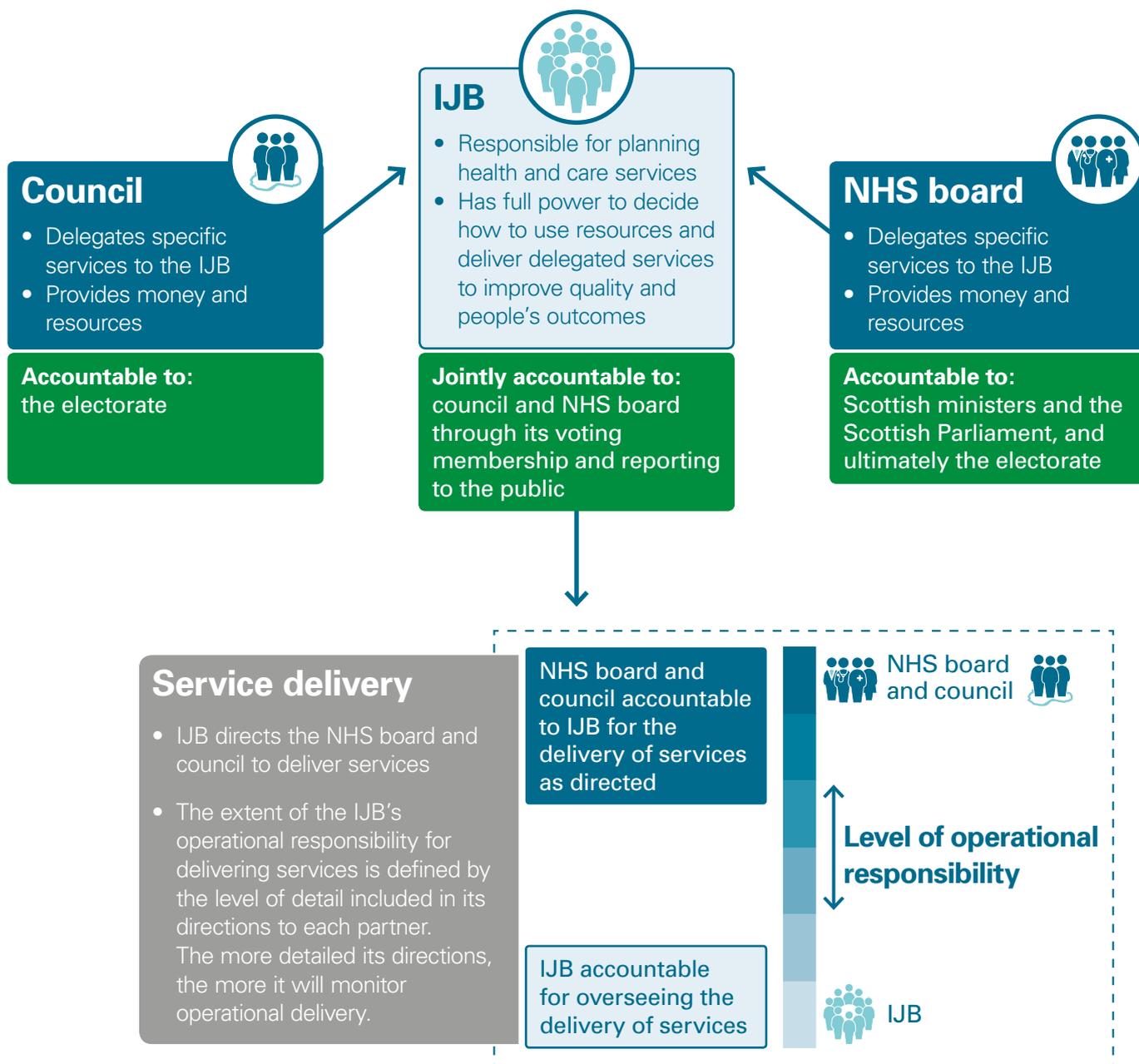


**the reforms  
affect  
everyone  
who receives,  
delivers and  
plans health  
and social  
care services  
in Scotland**

5. Appendix 3 (page 43) summarises progress against the recommendations in our first audit, which looked at transitional arrangements and highlighted several risks that needed to be addressed.<sup>2</sup> We will carry out a third audit in this series later in our work programme, which will report on the impact that integration has had and how health and social care resources are used.

## Exhibit 1 Integration Joint Boards

There are 30 Integration Joint Boards across Scotland.



Source: Audit Scotland

# Part 1

## The current position



### Integration Authorities oversee almost £9 billion of health and social care resources

**6.** Our findings show that integration can work and that the Act can be used to advance change. Although some initiatives to integrate services pre-date the Act, there is evidence that integration is enabling joined up and collaborative working. This is leading to improvements in performance, such as a reduction in unplanned hospital activity and delays in hospital discharges. But there is much more to be done.

**7.** IAs are responsible for directing almost £9 billion of health and social care resources, money which was previously separately managed by NHS boards and councils ([Exhibit 2, page 11](#)). Over 70 per cent of this comes from the NHS, with the remainder coming from councils. As with councils and NHS boards, IAs are required to find efficiency savings from their annual budgets to maintain financial balance. Demands on services combined with financial pressures have led to many IJBs struggling to achieve this balance, with many needing additional financial contributions from partner organisations.

**8.** Each IA is underpinned by an integration scheme. This is the agreement between the council and the NHS board which shows how the IA will operate. For example, the scheme sets out arrangements for dealing with any budget overspends, which usually involves implementing a recovery plan. As local government bodies, IJBs can hold reserves if permitted by their integration schemes, although not all schemes allow this. Reserves are amounts of money that are built up from unspent budgets for use in future years. Generally, reserves are used for one of three purposes:

- as a working balance to help prevent the impact of uneven cash flows
- as a contingency to cushion the impact of unexpected events or emergencies
- held to fund known or predicted future requirements – often referred to as ‘earmarked reserves’.<sup>3</sup>

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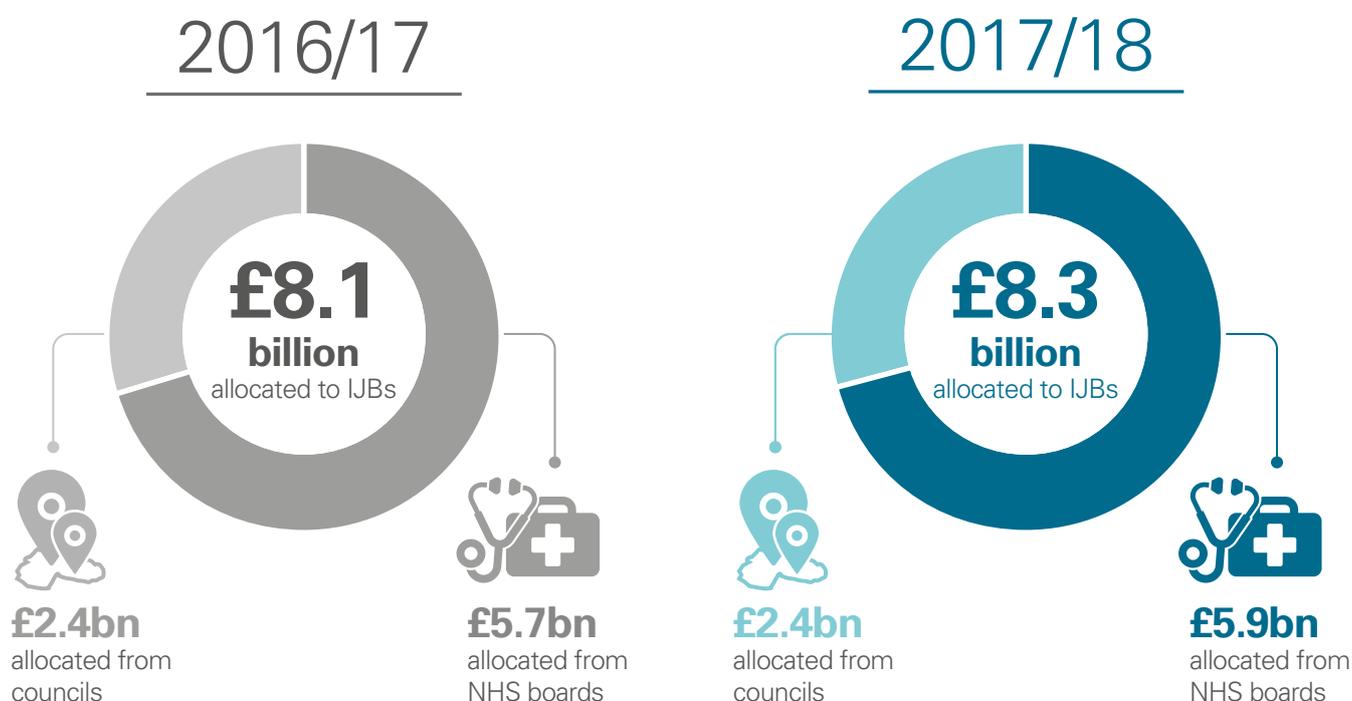
there is evidence that integration is enabling joined up and collaborative working

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## Exhibit 2

### Resources for integration

IAs are responsible for directing significant health and social care resources.



**Lead Agency – the allocation for Highland Health and Social Care Services was:**  
**£595 million in 2016/17 | £619 million in 2017/18**

Note: Council allocations in 2016/17 and 2017/18 include criminal justice social work contribution.

Source: Audit Scotland, 2018



### Financial pressures make it difficult for IAs to make sustainable changes to the way services are delivered

9. The Act was intended to help shift resources away from the acute hospital system towards preventative and community-based services. However, there is still a lack of agreement about whether this is achievable in practice – or whether rising demand for hospital care means that more resource is needed across the system. We have seen some examples of small-scale changes in the balance of care, which are explored further in [Part 2 \(page 23\)](#). These examples show that change can be achieved, but IAs now need to take the next steps to achieve wider-scale impact on outcomes over the coming years.

10. IAs needed to achieve savings of £222.5 million in 2017/18. This is an increase of 8.4 per cent on the previous year and is 2.5 per cent of the total allocation to IAs from NHS boards and councils. The level of savings, as a percentage of IA income, varied from 0.5 per cent in Moray, Orkney, Renfrewshire and South Lanarkshire, to 5.3 per cent in Shetland and 6.4 per cent in Highland Lead Agency. In several instances, budgets were agreed at the start of the financial year based on achieving savings which had yet to be identified.

## Financial position

**11.** It is not easy to set out the overall financial position of IAs. This is due to several factors, including the use of additional money from partner organisations, planned and unplanned use of reserves, late allocations of money and delays in planned expenditure. This makes it difficult for the public and those working in the system to understand the underlying financial position.

**12.** In 2017/18, IJBs reported an overall underspend of £39.3 million. This represented 0.4 per cent of their total income allocation for the year.<sup>4</sup> However, this masks a much more complex picture of IJB finances. [Appendix 4 \(page 47\)](#) sets out more details about the financial position of IJBs in 2017/18. Many IAs have struggled to achieve financial balance at the year-end. The reasons for this vary but include rising demand for services, financial pressures and the quality of financial planning. In 2017/18, this resulted in several IJBs needing additional, unplanned allocations from their partners and adding to, or drawing on, reserves as follows:

- 17 needed additional money from NHS boards amounting to £33.3 million
- 11 needed additional money from councils amounting to £19.1 million
- eight drew on reserves amounting to £9.1 million
- 14 put money into reserves, amounting to £41.9 million.

**13.** Twenty-two IJBs are required by their integration schemes to produce a recovery plan if they forecast an overspend on their annual budget. Several IAs have had to produce recovery plans and are finding it harder to achieve the actions contained within them:

- In 2016/17, 11 IJBs needed to draw up a recovery plan. Of these, four IJBs achieved the actions set out in their recovery plans, but the remaining seven needed additional allocations from either their council or NHS board.
- In 2017/18, 12 IJBs needed to produce a recovery plan but only two achieved their recovery plans in full. In some cases, where additional allocations are required, the integration scheme allowed the NHS board or council to reduce the following year's allocation to the IJB by the same amount. In these circumstances there is a risk that IJBs will not have sufficient resources to deliver the services needed in future years.

**14.** An IA's integration scheme states how the IA will manage any year-end overspend and the responsibilities of the NHS board and council. For example, Fife IJB's integration scheme states that any overspend will be funded by partner bodies based on the proportion of their current year contributions to the IJB. In 2017/18, this meant that NHS Fife and Fife Council agreed to make additional contributions of 72 per cent and 28 per cent respectively.

**15.** The Highland Lead Agency model is also facing financial pressures. In 2017/18, NHS Highland overspent on adult social care services by £6 million. This was largely due to pressures on Highland Lead Agency adult social care services. This contributed to NHS Highland needing a loan of £15 million from the Scottish Government in 2017/18. Due to the way the Lead Agency model was established and the underlying agency agreement, the risks all rest with NHS Highland. Any increases in costs must be met by the NHS board.

16. Fourteen IJBs reported underspends in 2017/18 and these have arisen for a variety of reasons, for example: achieving savings earlier than expected; contingencies not being required; slippages in spending plans and projects; and staff vacancies.

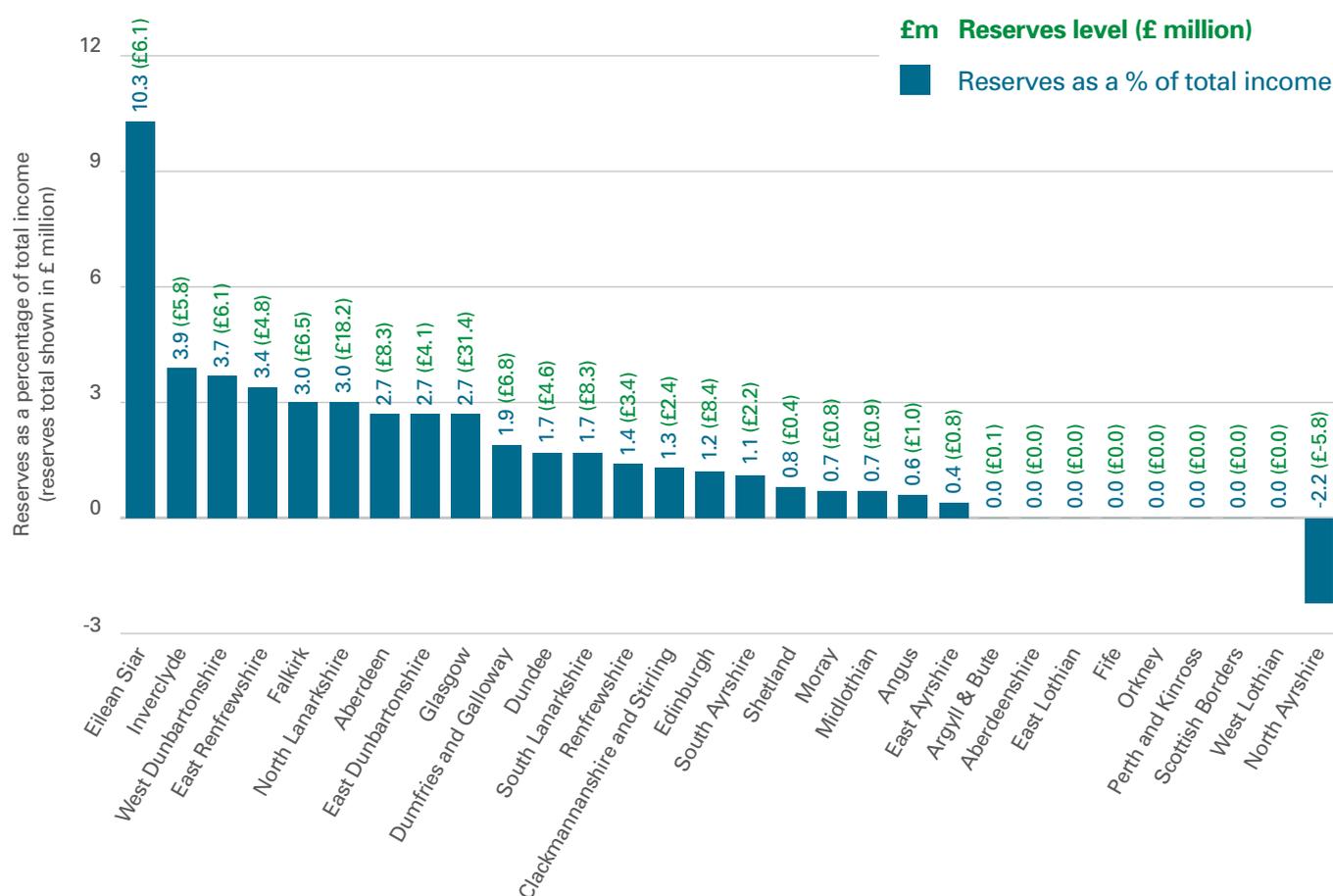
### Reserves

17. The level of reserves held varies across IJBs, and not all integration schemes allow IJBs to hold reserves (**Exhibit 3**). In 2017/18, IJBs had built up reserves of £125.5 million, 1.5 per cent of their total income. This is not always a planned approach, and in some areas, reserves have arisen for several reasons including: the IJB receiving a late allocation of money; unspent strategic funding; staff vacancies; or year-end timing differences where money is received and allocated but unspent. Eilean Siar held the highest level of reserves as a percentage of its income at 10.3 per cent. The pressures on IJB budgets and the savings they need to achieve are significant, therefore the level of reserves in 2017/18 is not forecast to continue in future.

## Exhibit 3

### Reserves held by IJBs in 2017/18

There are significant differences in the levels of reserves held by IJBs.



Source: Integration Authority annual accounts, 2017/18



## Hospital services have not been delegated to IAs in most areas

**18.** A key part of the reforms is that IJBs would direct some services provided directly within acute hospitals, to move care closer to people's homes and provide more joined-up care. Integration schemes, as approved by ministers, state that hospital services will be delegated to the IJB, as required under the Act. However, in practice, in most areas, the services have not been delegated. This has been a major source of debate and disagreement at a national and local level and is a fundamental issue which will hinder IJBs' ability to change the system.

**19.** The money for functions that are provided by large hospitals but are delegated to IJBs, such as unplanned care, is referred to as a 'set-aside' budget. Instead of paying this money to the IJBs along with payment for other delegated services, it is identified as a budget which should be directed by the IJB. The complexities around accurately preparing set-aside budgets has presented challenges to fulfilling this element of the Act. To date, the set-aside aspect of the Act is not being implemented. In line with Scottish Government guidance, NHS boards continue to manage the set-aside as part of their own resources.

**20.** In 2017/18, £809.3 million was included within IJBs' budgets for set-aside (where they were able to include a set-aside figure). This is 9.0 per cent of IJBs' income and is therefore a significant element of the health and social care budget that is not being directed by the IJBs. If IJBs are to use resources more strategically to prioritise prevention and care in a community setting, this issue needs to be resolved.

**21.** There are several reasons why all partners have struggled with this aspect of the Act, including fundamental issues in the data available to analyse set-aside-related activities. However, these technical issues do not appear to be the main issue. The main problem is a lack of common understanding and agreement on how to identify the set-aside budget and shared agreement on how to implement this aspect of the legislation.

## Monitoring and public reporting on the impact of integration needs to improve

**22.** The context for integration is challenging, with many public bodies trying to work in partnership to achieve major changes while at the same time managing rising demand for services, financial pressures and continuing to deliver services and treat people. As we reported in [NHS in Scotland 2018](#) , the number of patients on waiting lists for treatment continues to rise while performance against targets is declining and an increasing number of NHS boards are struggling to deliver with the resources they have.<sup>5</sup> We have also reported that local government operates in an increasingly complex and changing environment with increasing levels of uncertainty.<sup>6</sup>

**23.** A significant number of measures are being used to monitor national and local progress which means IAs are reporting against a range of different measures to demonstrate progress ([Exhibit 4, page 16](#)). For the public to understand how the changes are working at a Scotland-wide level, these indicators need to be presented in a clear and transparent way.

**24.** It is important that the Scottish Government can demonstrate that resources provided have led to improvements in outcomes, in line with its national health and wellbeing outcomes. These outcomes are the Scottish Government's high-level statements of what health and social care partners are attempting to achieve through integration. These national outcomes are not being routinely reported at a national level, although IAs refer to them as part of their annual performance reports.

**25.** The Scottish Government introduced the National Performance Framework (NPF) in 2007 and launched a new framework in 2018. The NPF is made up of 11 national outcomes, each with indicators and aligned to the United Nations' sustainable development goals. There is a clear alignment between the aims of integration and several of the outcomes and indicators.<sup>7</sup>

**26.** The Ministerial Strategic Group for Health and Community Care brings together representatives from the Scottish Government, NHS, local government and IAs to monitor a set of six national indicators. These are used as indicators of the impact of IAs ([Exhibit 5, page 18](#)). These measures focus on the aim of integration helping to care for more people in the community or their own homes and reducing unnecessary stays in hospital. While these measures focus on health, performance can only improve with input from health and social care services. One of the six national indicators is supported by two measures: A&E attendances and achievement of the four-hour A&E waiting time target ([3a and 3b at Exhibit 5, page 18](#)).

**27.** Four of the indicators show improved performance, but there is significant local variation in performance between IAs. The performance measures do not themselves provide a direct indication of whether people's outcomes have improved, although they do represent key aspects of care which should ultimately improve people's lives.

## Exhibit 4

### Health and wellbeing outcomes and indicators

A significant number of measures are being used to monitor local and national progress.

## National Performance Framework



### Purpose

To focus on creating a more successful country, with opportunities for all of Scotland to flourish, through sustainable and inclusive economic growth

### Values

We are a society which treats all our people with kindness, dignity and compassion, respects the rule of law, and acts in an open and transparent way

### 11 outcomes and 81 national indicators, for example:

- ✔ **Outcome:** We are healthy and active
- ✔ **Indicators:** Healthy life expectancy, mental wellbeing, healthy weight, health risk behaviours, physical activity, journeys by active travel, quality of care experience, work-related ill health, premature mortality
- ✔ **Sustainable development goals:** gender equality, reduced inequalities, responsible consumption and production, good health and wellbeing



## 9 national health and wellbeing outcomes

- ✔ People are able to look after and improve their own health and wellbeing and live in good health for longer
- ✔ 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
- ✔ People who use health and social care services have positive experiences of those services, and have their dignity respected
- ✔ Health and social care services are centred on helping to maintain or improve the quality of life of people who use those services
- ✔ Health and social care services contribute to reducing health inequalities
- ✔ People who provide unpaid care are supported to look after their own health and wellbeing, including to reduce any negative impact of their caring role on their own health and wellbeing
- ✔ People using health and social care services are safe from harm
- ✔ 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
- ✔ Resources are used effectively and efficiently in the provision of health and social care services

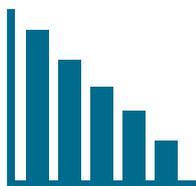
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## Exhibit 4 (continued)



### 12 principles within the Act

- ✓ Be integrated from the point of view of the people who use services
- ✓ Take account of the particular needs of service users in different parts of the area in which the service is being provided
- ✓ Respect rights of service users
- ✓ Protect and improve the safety of service users
- ✓ Improve the quality of the service
- ✓ Best anticipate needs and prevent them arising
- ✓ Take account of the particular needs of different service users
- ✓ Take account of the particular characteristics and circumstances of different service users
- ✓ Take account of the dignity of service users
- ✓ Take account of the participation by service users in the community in which service users live
- ✓ Is planned and led locally in a way which is engaged with the community
- ✓ Make best use of the available facilities, people and other resources



### 6 national indicators

- ✓ Acute unplanned bed days
- ✓ Emergency admissions
- ✓ A&E performance (including four-hour A&E waiting time and A&E attendances)
- ✓ Delayed discharge bed days
- ✓ End of life spent at home or in the community
- ✓ Proportion of over-75s who are living in a community setting



### Various local priorities, performance indicators and outcomes

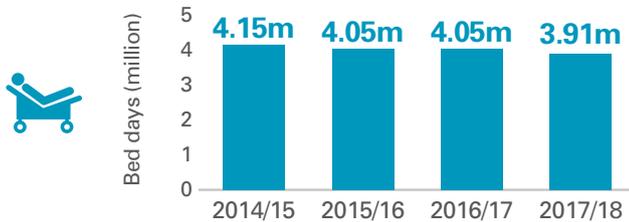
Source: Audit Scotland

## Exhibit 5

### National performance against six priority areas

National performance shows signs of improvement in some of the six key national indicators.

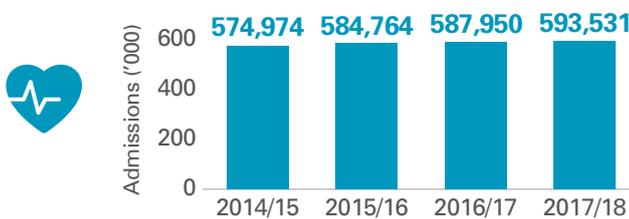
#### 1. Acute unplanned bed days



#### Integration aims to reduce unplanned hospital activity

The number of acute unplanned bed days has reduced since 2014/15

#### 2. Emergency admissions

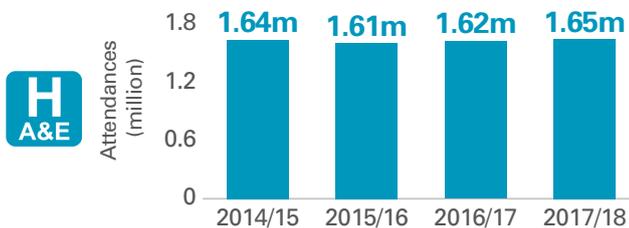


#### Integration aims to ensure that people's health and care needs are anticipated and planned appropriately, reducing unplanned hospital activity

The number of emergency admissions has risen each year since 2014/15

In 2017/18, local performance varied from 0.08 emergency admissions per head of population in NHS Orkney to 0.15 in NHS Ayrshire and Arran

#### 3a. A&E attendances

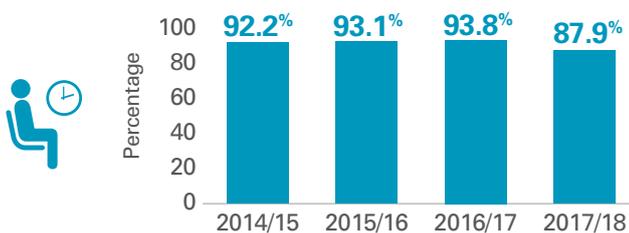


#### A&E attendances can be an indication of the degree to which community services are helping people receive care in the right place at the right time.

The number of A&E attendances has marginally increased since 2014/15

In 2017/18, local performance varied from 0.2 A&E attendances per head of population in NHS Grampian to 0.4 in NHS Greater Glasgow and Clyde

#### 3b. Achievement of the four-hour A&E waiting time target



The achievement of the four-hour waiting time target has declined since 2014/15

Local performance varied in 2017/18 from 98.0% NHS Tayside to 75.4% NHS Lothian

#### 4. Delayed discharge bed days (for population aged 18+)



Reducing delays in discharging people from hospital has been a long-standing aim for health and care services. With rising demand, some areas have struggled with this. Due to changes in data collection, comparable data is only available for two years.

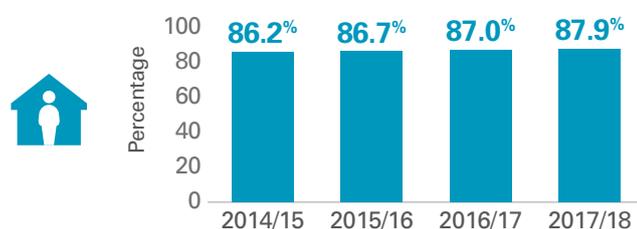
Delayed discharge rates have fallen since 2016/17

In 2017/18, local performance varied from 2.5% in Inverclyde to 26.5% in Eilean Siar delayed discharge bed days as a percentage of their population (18+)

Cont.

## Exhibit 5 (continued)

### 5. End of life spent at home or in the community



**Integration aims to support people with health and care needs in their own home or in a community setting, especially at the end of life.**

A gradual increase in the percentage of people's time spent at home or in a homely setting at the end of their life

In 2017/18, local performance varied from 95.1% of people's time spent at home or in a homely setting at the end of their life in Shetland to 85.2% in East Renfrewshire

### 6. Percentage of 75+ population in a community or institutional setting



**Integration aims to shift the balance of care from an institutional setting to a community setting.**

There has been a slight increase in the percentage of individuals aged over 75 who are living in a community setting. This is in line with the intentions of the Act.

#### Notes:

##### Indicator 1

- These statistics are derived from data collected on discharges from non-obstetric and non-psychiatric hospitals in Scotland. Only patients treated as inpatients or day cases are included. The speciality of geriatric long stay is excluded.
- Bed days for each year have been calculated based on the year in which the bed days were occupied. This differs from other analysis where length of stay or occupied bed days are reported by the year of discharge.
- Unscheduled bed days relate to all occupied bed days within a continuous hospital stay following an emergency or urgent admission.
- The Scotland total presented is the sum of all those resident in IA areas and excludes non-Scottish residents.
- Approximately a quarter of IAs returned figures for people aged over 18 only. Where this is the case, bed days from 2016/17 for people aged under 18 in those partnerships have been applied to 2017/18 figures.
- Based on data submitted to ISD in August 2018.

##### Indicator 2

- ISD published data as at September 2018.

##### Indicator 3a

- ISD published data as at August 2018.

##### Indicator 3b

- ISD published data as at June 2018.
- Performance for the month ending March for each year.

##### Indicator 4

- ISD published data as at September 2018.
- 2016/17 figures adjusted to reflect revised definitions across the whole year.

##### Indicator 5

- ISD published data as at October 2018.

##### Indicator 6

- Percentage of 75+ population in a community or institutional setting:
  - Community includes the following:
    - Home (unsupported) – refers to the percentage of the population not thought to be in any other setting, or receiving any home care, on average throughout the year.
    - Home (supported) – refers to the percentage of the population estimated as receiving any level of home care. Estimated from social care census carried out at the end of the reporting year (eg, Census carried out in March 2014 used to estimate home (supported) population during 2013/14).
    - Resident in a care home – based on care home census at the end of the reporting year (eg, Census at 31 March 2014 used to estimate 2013/14 care home population). The care home data is based on long-stay residents only. The proportion of incomplete long-stay residents aged 75+ cannot be calculated. Therefore, a scaling factor, based on the 65+ proportions, has been employed for the 75+ data. This assumes that there is the same degree of incompleteness in the census data returned for adults in each of the age bands.
  - Institutional includes the following:
    - Average population in hospital/hospice/palliative care unit throughout the year.
    - Hospital includes both community and large/acute hospitals.
    - Hospice activity is based on SMR records and will be incomplete as not all hospices submit this information.
- Figures provided by ISD.

##### General

- Population figures used taken from the National Records of Scotland mid-2017 estimates published in 2018.
- Figures relate to all ages unless otherwise stated.



## Integration Authorities' performance reports show local improvement

28. IAs are required to publish annual performance reports which contain information on local priorities and a range of local initiatives ([Exhibit 6](#)). These reports are an important way for IAs to inform the public about how well they have been performing against their stated priorities. The improvements that are set out in the performance reports are welcome and current pressures across the system have made them difficult to achieve. However, core indicators of performance are not improving in all areas of Scotland and nationally it is clear that there is much more to be done.

### Exhibit 6

#### Examples of impact from integration

IAs have set out a number of local improvements in their performance reports.



#### Prevention and early intervention

##### Dumfries and Galloway

The D&G Handyvan provides information, advice and practical assistance with adaptations to people's homes. This is available to disabled people of any age and older people aged 60 and over. People are also supported to access financial assistance for major adaptations. This service helps people to feel more confident about continuing to live independently in their own home and to feel safe and secure in their home. People are less likely to have a fall, have improved health and wellbeing, and have a better quality of life. Often adaptations support people to be better connected with their friends and family and their wider community. 1,626 referrals were received during 2017/18. These resulted in 2,149 tasks being carried out by the service. 808 people were referred to prevent a fall, 577 people for home security, 16 people for minor adaptations and 225 people for small repairs.

##### Dundee

Social prescribing 'Sources of Support' (SOS) is one means of supporting people to better manage their health conditions. Link workers, working within designated GP practices, take referrals for people with poor mental health and wellbeing affected by their social circumstances and support them to access a wide range of non-medical services and activities that can help. In 2017/18, 256 patients were referred to three link workers and 220 people were supported. An external evaluation demonstrated that the service had a positive impact on both clients and on GPs themselves. 65 per cent of patient goals were met and 84 per cent had some positive outcome, including decreased social isolation, improved or new housing, financial and benefits issues being addressed, and increased confidence, awareness and self-esteem.

Outcomes from a GP perspective include reduced patient contact with medical services, providing more options for patients, raising awareness of non-clinical services, and increased GP productivity. 2017/18 saw a major scale-up of the SOS scheme through the Scottish Government Community Link Worker programme, extending the service from four GP practices to 16.



#### Delays in people leaving hospital

##### East Ayrshire

The Red Cross Home from Hospital Service supported about 1,700 people in 2017/18. The service is delivered across Ayrshire and Arran from University Hospitals Crosshouse and Ayr and supports people to be discharged as early as possible, reducing their length of stay and re-settling them in their home. Once home, the service helps to prevent falls and reduce social isolation, supporting people to regain their confidence, skills for living independently and organises telecare to support families to continue to care. A total of 1,730 bed days have been saved, equivalent to £302,750. 73 admissions to hospital have been avoided, and 625 bed days saved, equivalent to £109,375.

##### Perth and Kinross

There have been increases in staffing within social care discharge teams, Perth Royal Infirmary liaison services, and care home nursing. This, alongside improved funding procedures for care home placements, has supported speedier discharge to a care home setting or repatriation to such. There has been a reduction of 2,391 (12.5 per cent) delayed discharge bed days between 2016/17 and 2017/18 to 16,785.

Cont.

## Exhibit 6 (continued)



### Preventing admission to hospital

#### East Dunbartonshire

Rapid Response Service has established a different referral route for patients between A&E and the Community Rehabilitation Team to provide next-day response. During 2017/18, the service prevented approximately 33 per cent of people referred being admitted to hospital.

#### South Ayrshire

The Intermediate Care Team provide rapid multidisciplinary team support to people to support them to return home from acute hospital and to remain at home through GP referral. In particular, they have worked closely to establish pathways with the Combined Assessment Unit to prevent admission. The service provided by the Intermediate Care Team resulted in 674 hospital admissions being avoided and 301 early supported discharges during 2017/18. It is estimated locally that each avoided hospital admission saves five hospital bed days and each supported discharge saves three hospital bed days. Overall, it is estimated that the intervention provided by the Intermediate Care Team saved 3,370 bed days due to avoided admissions and 903 bed days due to early supported discharges.

#### Aberdeenshire

Set up in 2016, Aberdeenshire's Virtual Community Ward (VCW) aims to avoid unnecessary hospital admissions through bringing together multidisciplinary health and social care teams who provide care for patients who need regular or urgent attention. This GP-led approach involves the teams working closely together, generally meeting daily under a huddle structure. They identify and discuss vulnerable/at risk patients and clients, and coordinate, organise and deliver services required to support them. The VCW identifies individuals who need health and social care services at an earlier stage, which can improve patient outcomes and experience. Based on an evaluation carried out by the VCW team, 1,219 hospital admissions have been avoided because of the VCWs.



### Referral/ care pathways

#### Aberdeenshire

During 2017/18 a test of change was carried out in one GP practice to trial people's first appointment with a physiotherapist rather than a GP. Ongoing evaluation suggests that this has been successful and has proved popular with patients who now have immediate access to a physiotherapist for assessment and advice. If follow up is required, this can be booked at the time. 221 people have been directed to the physiotherapist first; only 58 per cent required a face-to-face appointment and 26 per cent were discharged following telephone advice.

#### Renfrewshire

Over the past three years, the Primary Care Mental Health Team (Doing Well) has introduced a self-referral route to the service. This has led to a decrease in clients attending a GP to be referred to the mental health team. The number of self-referrals to the service has increased from 207 in 2013/14 to 1,237 in 2017/18. This self-referral route has successfully redirected work away from GP surgeries.

#### Midlothian

An advanced practitioner physiotherapist for Chronic Obstructive Pulmonary Disease (COPD) was appointed to support people attending hospital frequently because of their COPD to help them manage their symptoms at home and avoid admission to hospital. In the first year the service has worked with 65 patients and successfully avoided 30 hospital admissions. This delivered a potential reduction of 520 days spent in hospital by Midlothian residents and a much better patient experience. It was also a more cost-effective approach to delivering services for the partnership.

Cont.

## Exhibit 6 (continued)



### Reablement

#### Falkirk

A Reablement Project Team (RPT) was developed in Social Work Adult Services Assessment and Planning service in January 2017 to test out various reablement approaches and processes. The team consists of occupational therapists (with community care worker background) and social care officers. The reablement team support service users for up to six weeks. Individuals are reviewed on a weekly basis and care packages are adjusted as the person becomes more independent. Fewer people required intensive packages at the end of six weeks, which has freed up staff time and has reduced the use of external providers. Early indications suggest this work has led to a £200,000 reduction in purchasing care from external homecare providers.

#### Scottish Borders

The Transitional Care Facility based within Waverley Care Home is a 16-bed unit which allows older people to regain their confidence and independence so that they can return to their own homes following a stay in hospital. The facility is run by a multidisciplinary team of support workers, allied health professionals and social workers. 81 per cent of individuals discharged from Transitional Care return to their own homes and the hospital readmission rate for these individuals is six per cent.



### Pharmacy

#### South Lanarkshire

The pharmacy plus homecare initiative has created an opportunity to amend consultant and GP prescribing practices. A reduction in prescribing can lead to less homecare visits. The IA estimates that savings could be in the region of £1,800 per patient (within the trial).

#### Angus

The Angus IA has improved how care homes manage medication. A new process developed by a Locality Care Home Improvement Group with GPs and pharmacy has led to zero medication waste in care homes.

Source: Audit Scotland review of Integration Authorities' Performance Reports, 2018

# Part 2

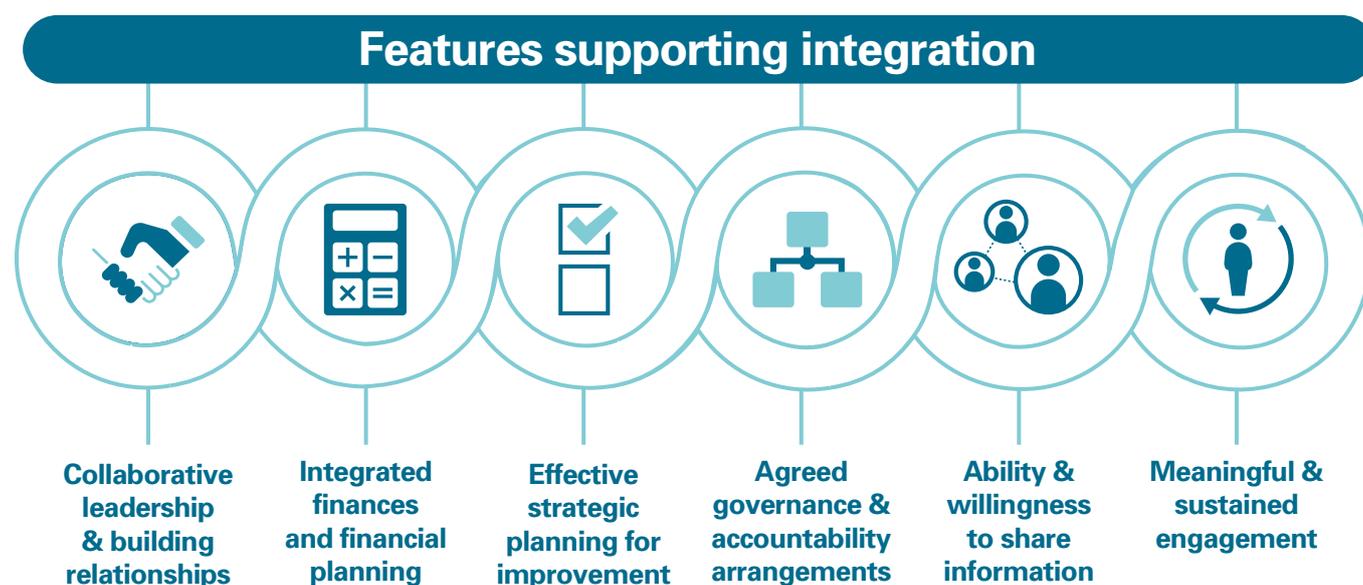
## Making integration a success

29. IAs are addressing some significant, long-standing, complex and inter-connected issues in health and social care. Our work has identified six key areas that, if addressed, should lead to broader improvements and help IAs to take positive steps toward making a systematic impact on health and care outcomes across their communities ([Exhibit 7](#)).

### Exhibit 7

#### Features central to the success of integration

Six areas must be addressed if integration is to make a meaningful difference to the people of Scotland.



Source: Audit Scotland

### A lack of collaborative leadership and cultural differences are affecting the pace of change

30. High-quality leadership is a critical part of the success of an organisation or programme of reform. Given the complexity of health and social care integration, it is important that leaders are highly competent, have capacity to deliver and are well supported. For transformation to succeed, the right leadership and strategic capacity need to be in place. Without this, the reforms will not succeed. We identified several risks in this area which need to be addressed:

- A significant number of IAs have had leadership changes with 57 per cent having had changes in their senior management team. As at October 2017, seven IJBs have a different Chief Officer (CO) in post than two years previously.
- There is significant variation in the role and remuneration of COs and Chief Financial Officers (CFO). Many have dual roles with positions held in partner organisations and there is a mix of full and part-time CFOs. This is a significant challenge, given the scale of the task facing IAs and the strategic role COs and CFOs have in directing change. In 2017/18, £3 million was spent on IJBs' CO remuneration and there are differences in salary levels, in part reflecting differences in roles and responsibilities.
- There is evidence of a lack of support services for IAs, in relation to HR, finances, legal advice, improvement, and strategic commissioning. This will limit the progress that they are able to make. It is important that the partner bodies support the IJB, including support services.

**31.** Top-down leadership which focuses on the goals of a single organisation does not work in the context of integration. NHS Education Scotland has described 'systems leaders' as having an ability to 'have a perspective from the wider system. They recognise that it is necessary to distribute leadership responsibilities to bring about change in a complex interdependent environment...They change the mind-set from competition to cooperation. They foster dialogue... which can result in new thinking... When leadership involves such a collective endeavour, the way people see their accountability matters.'<sup>8</sup> A lack of collaborative systems leadership and difficulties in overcoming cultural differences are proving to be significant barriers to change.

**32.** Leaders from all partners are operating in a complex and continually changing landscape and, without appropriate support in place, cannot fulfil their role effectively. Leaders need support if they are to deliver public services to improve wider outcomes and work collaboratively across organisational boundaries. This is hard to achieve, especially where there have been changes in key staff and local politicians, and in the context of the current financial and performance pressures. Accountability arrangements are important to encourage and incentivise the right kinds of leadership characteristics.

**33.** Cultural differences between partner organisations are proving to be a barrier to achieving collaborative working. Partner organisations work in very different ways and this can result in a lack of trust and lack of understanding of each other's working practices and business pressures. In better performing areas, partners can identify and manage differences and work constructively towards achieving the objectives of the IA. Overcoming cultural differences and improving understanding of each other's businesses will help partner organisations progress towards integration, particularly regarding integrated finances. Joint leadership development for people working in NHS boards, councils and IJBs can help with this. [Exhibit 8 \(page 25\)](#) provides an overview of the common leadership traits which are important in integrating health and social care services.

## Exhibit 8

### Traits of effective collaborative leaders

There are a number of leadership traits which are important in integrating health and social care services.



#### Influential leadership

- Clear and consistent message
- Presents a positive public image
- Ability to contribute towards local and national policy
- Shows an understanding of the value of services



#### Ability to empower others

- Encourages innovation from staff at all levels
- Non-hierarchical and open to working alongside others
- Respectful of other people's views and opinions
- Inspiring to others
- Creates trust
- Willing to work with others to overcome risks and challenges



#### Promotes awareness of IA's goals

- Confidence and belief in new technology to facilitate progress
- Facilitates planning of sustainable services
- Recruitment of staff to fit and contribute to a new culture
- Sets clear objectives and priorities for all
- Develops widespread belief in the aim of the integrated approach to health and social care



#### Engagement of service users

- People who use services feel able to contribute to change
- Ability to facilitate wide and meaningful engagement
- Open to and appreciative of ideas and innovation
- Ensures voices are heard at every level
- Transparent and inclusive



#### Continual development

- Encourage learning and development, including learning from mistakes
- Belief in training and understanding of who could benefit from it
- Encourage innovation, debate and discussion
- Driven to push for the highest quality possible

Source: Audit Scotland, 2018; from various publications by The Kings Fund; Our Voice; Scottish Government; Health and Sport Committee and the Scottish Social Services Council.

**34.** We have seen examples of good collaborative and whole-system leadership, including in Aberdeen City, where relationships have been built across the partnership. Although differences of opinion still exist and there is healthy debate, Aberdeen City is now better placed to implement widespread changes to improve outcomes. We saw:

- the promotion of a clear and consistent message across the partnership
- a willingness to work with others to overcome differences
- recruitment of staff to fit and contribute to a new culture
- development of openness and appreciation of ideas
- encouragement of innovation, learning and development, including learning from mistakes.

**35.** The Scottish Government and COSLA are co-chairing a group involving leaders from across councils and NHS boards. The aim of the group is to identify and overcome barriers to integration. The group has produced a joint statement on integration, confirming the shared responsibility of the Scottish Government, NHS Scotland and COSLA for ensuring the successful integration of Scotland's health and social care services. The statement acknowledges that the pace of integration needs to improve, and that the group needs to work together to achieve integration and to overcome challenges to better meet people's health and social care needs. The group is developing further support and training to support leadership for integration. The Scottish Government and COSLA are also co-chairing an Integration Review Reference Group. This group is reviewing progress on integration and will report its findings to the Ministerial Strategic Group for Health and Community Care. The group will conclude its work in January 2019. We will continue to monitor any actions resulting from the work of the group.

### **Integration Authorities have limited capacity to make change happen in some areas**

**36.** IJBs are very small organisations, all of which have a CO and a CFO. Not all IJBs have the support they need, for example only half of IJBs have a full-time CFO and there have been difficulties in filling those posts in some areas. Each IJB has a chair and vice chair, but we have been told that many IJBs rely on its members working much more than contracted hours, and chairs and vice chairs have told us that they struggle to attend to IJB business during contracted time. Each IJB is made up of voting and non-voting members.

**37.** Typically, an IJB meets about six times a year. The IJB also has one or more Strategic Planning Group, which are consulted and give feedback on strategic plans and significant changes to integrated functions. For this structure to work, the IJB needs to draw on, and be supported by, skills and capacity from its partner NHS board and council. This can lead to a reliance on information and advice being provided by the statutory partner organisations which influences the decisions made by the IJB. In areas where information is being shared across the partnership, we can see that more progress is being made with integration. We saw this happening in Aberdeen City IJB, where senior officer and finance officer groups bring together staff from across partner organisations to share information and skills which are essential for joint decision-making. If this does not happen, the IJB has less capacity to make change and address challenges.



**What is integration?**  
A short guide to the integration of health and social care services in Scotland



**IJB membership**  
(page 10)

**38.** We saw several barriers affecting the way that IJBs are operating, and more action is needed to increase knowledge and understanding of those involved in the decision-making process:

- Topics for discussion at IJB and committee meetings are affected by problems with both the lack of time available and with people's knowledge.
- IJB papers are often lengthy and issued to members within timescales that do not allow for proper consideration.
- Papers are often technical and contain complicated financial information that lay representatives and representatives from voluntary sector bodies may struggle to understand.
- Officers are limited in the time available to provide IJBs with information. Many officers of the IJB fulfil their role alongside roles held within statutory partner bodies.
- High turnover of people in key positions in IJBs has affected the skills available and has led to a lack of continuity and extra time being spent in building trust and relationships.

### **Good strategic planning is key to integrating and improving health and social care services**

**39.** In the past, health and social care services have not linked the resources they have to their strategic priorities or longer-term plans. IAs still have work to do to ensure that priorities are linked to available resources, and to demonstrate that new ways of working will be sustainable over the longer term. IAs can only achieve this change with the support and commitment of NHS boards and councils.

**40.** IJBs, with the support of council and NHS board partner bodies, should be clear about **how** and **when** they intend to achieve their priorities and outcomes, in line with their available resources; and ultimately how they intend to progress to sustainable, preventative and community-based services. This includes working with NHS boards and councils to: agree which services will be stopped or decommissioned to prioritise spend; plan effective exit strategies from current ways of delivering services; and being clear how they will measure improvements in outcomes. Exit strategies are an important element in the ability to move from one service provision to another.

**41.** Scenario planning will help IAs build a picture of what they will need in the future. This involves looking at current trends, such as the effects of an ageing population, current lifestyles and future advances in health and social care. IAs should then use this analysis to anticipate potential changes in future demand for services and any related shortfalls in available finances. Strategic planning groups of the IJB have a role to play in ensuring the needs of the community are central to service decisions ([Case study 1, page 28](#)).

## Case study 1



### Shetland Scenario Planning

As part of its Strategic Commissioning Plan, the Shetland IA identified a growing gap between service demand and resources. To support strategic planning, NHS Shetland hosted a session with health and social care staff, IJB representatives, NHS board representatives, councillors, community planning partners, third-sector organisations and representatives of people using services. It considered several high-level scenarios:

1. the lowest level of local healthcare provision that it could ever safely and realistically imagine being delivered on Shetland 5-10 years from now
2. a lower level of local healthcare provision in 5-10 years than it has now on Shetland – a 'step down' from where it is now in terms of local service delivery
3. a higher level of local healthcare provision in 5-10 years than it has now on Shetland – a 'step up' from where it is now in terms of local service delivery
4. a future that describes the highest level of local healthcare provision that it could ever realistically imagine being delivered on Shetland 5-10 years from now.

The group then concentrated on scenarios 2 and 3 and explored them in more detail.

This systematic approach towards strategic planning, involving a wide variety of stakeholders, allowed them to build consensus on the main priorities of the IJB. The key outputs from the scenario planning exercise involved clear actions that were linked to a wide range of plans and policies. The key messages from the scenario planning formed discussion points within the IJB meetings. Actions identified were then incorporated into the business programme and an action tracker is a standing agenda item.

Source: Shetland IJB, 2018

**42.** Although strategic planning is the statutory responsibility of the IAs, councils and NHS boards should fully support the IJB and provide the resources needed to allow capacity for strategic thinking. In addition, the Scottish Government has an important role to play in leading and enabling change to take place. There must be a consistent message and understanding of integration, but this is not always the case. For example, the current move towards some aspects of health planning taking place at a regional level is causing uncertainty for IAs. Many IAs are unclear as to how this fits with the need for local strategic planning and decision-making. For IAs to think long term, they must have confidence that Scottish Government policy will support integrated thinking.

**43.** Strategic planning also helps to encourage and promote joined-up working and a commitment to scaling up new ways of working. Angus IJB has shown a strong long-term commitment to its enhanced community support model. This has now been implemented in three of its four locality areas and therefore has the potential for long-term impact on people's outcomes ([Case study 2, page 29](#)).

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## Case study 2



### Angus – Enhanced community support model

Angus IJB's Enhanced Community Support (ECS) workstream involves several multi-professional teams working together, including the third-sector. The teams provide care and support in people's own homes so that, where possible, hospital admission is avoided. As a result, staff can be more proactive, coordinate care and make referrals for additional support more quickly. The teams also hold weekly meetings to review the care that is being provided in a more coordinated way.

ECS has increased community and primary care capacity leading to an average of 37 empty hospital beds across Angus per day in 2017. This helped the IJB to close 21 of its 126 community hospital inpatient beds which are no longer needed. ECS has improved hospital readmission rates. It has also improved prevention and early intervention activity through an increase in the number of anticipatory care plans.

ECS has led to a more joined-up approach between the professional disciplines which has improved referral times and access to support. This has allowed people to be more independent, access local services and be supported to stay in their homes or a homely setting for longer.

The success of this approach has allowed the IJB to roll ECS out to three of its four localities, with plans to roll out to the final locality during 2018/19. The localities that have adopted this approach for the longest have seen improvements in the average length of stay and a reduction in the number of hospital admissions for people aged over 75.

Source: Angus IJB, 2018

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**44.** A small number of IAs do not have detailed implementation/commissioning plans to inform their strategic plan. Of those which do, about half of these provide a link to resources. More needs to be done to show how the shift from the current ways of working to new models of care will happen and when positive changes to people's lives will be achieved.

**45.** Workforce pressures are a clear barrier to the implementation of integration plans and workforce planning is a particularly important element of strategic planning. Workforce planning remains the formal responsibility of councils and NHS boards. However, IJBs need to work closely with their partners to ensure that their plans for service redesign and improvement link with and influence workforce plans. IAs must be able to demonstrate what skills are required to ensure they can deliver services in the right place at the right time. IAs identify not being able to recruit and retain the workforce they need as a risk. The contribution of the third and independent sector should be part of workforce planning.

**46.** All three parts of the Health and Social Care National Workforce Plan have now been published, with the final part on the primary care workforce published in April 2018.<sup>9</sup> In our 2017 report, [NHS workforce planning](#) , we recommended that there is a need to better understand future demand and to provide a breakdown of the cost of meeting this demand.<sup>10</sup> We will publish a further report on workforce planning and primary care in 2019.

### Housing needs to have a more central role in integration

**47.** Not enough links are being made between housing and health and social care which will improve outcomes and wellbeing. Housing services are an integral part of person-centred approaches and the wider delivery of health and social care integration. All IAs are required to include a housing contribution statement in their strategic plans and housing representation is mandatory on Strategic Planning Groups. **Case study 3** illustrates strategic thinking within Glasgow City IJB which has used housing as a central aspect of health and social care. Three-quarters of IJBs reported some involvement of housing services in the planning of integrated health and social care services, although we found that the extent of this involvement varied greatly between partnerships.

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## Case study 3



### The Glasgow Housing Options for Older People (HOOP) approach

The HOOP approach involves a small team working closely with social work, health and Registered Social Landlords (RSLs). The approach aims to: ensure a smooth transition for people from hospital to a homely setting; work closely with RSLs to prioritise people who are experiencing a delay in being discharged from hospital; develop knowledge of housing stock availability; and provide reciprocal information about RSLs tenants in hospital.

The team has worked on about 1,200 cases with surgeries in 19 sites across seven hospitals, six social work offices and six intermediate care units. The outcomes of the approach include helping:

- older people make informed choices along with their families, irrespective of tenure issues
- older people to return home or to community settings supported by a care package
- to reduce delayed discharge where there are housing issues
- prevent hospital admission and readmission, supporting older people with housing issues remain in the community
- secure appropriate accommodation for older people across the city suitable for their medical needs
- to increase knowledge of Glasgow's complex housing landscape among social workers and health professionals
- housing colleagues increase their knowledge about social work and health assistance to support older people returning home from hospital
- to future proof the city's new build investment by sharing information on customer needs and demand.

Source: Glasgow City IJB, 2018

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## Longer-term, integrated financial planning is needed to deliver sustainable service reform

**48.** Partners are finding it very difficult to balance the need for medium- to long-term planning, typically three to five years and five years plus, alongside annual settlements, current commitments and service pressures. We have called for longer-term financial planning in the health sector and local government for many years. While all IAs have short-term financial plans, only a third have medium-term plans and there were no longer-term plans in place at the time of our fieldwork. This is a critical gap as the changes under integration are only likely to be achieved in the longer term.

**49.** The Accounts Commission has previously reported that the 'Evidence from councils' annual audit reports generally demonstrates good medium-term (three to five years) financial planning, with some councils using scenario planning to provide a range of options'.<sup>11</sup> IAs should draw on the experience from councils to inform development of longer-term financial plans.

**50.** There is little evidence that councils and NHS boards are treating IJBs' finances as a shared resource for health and social care. This is despite the requirement to do this in the legislation, and budget processes set out in integration schemes describing budget-setting based on need. Partners must work with the IJBs to establish an approach to financial planning that considers the priorities of health and social care in the local community. Councils and NHS boards can be unwilling to give up financial control of budgets and IJBs can struggle to exert their own influence on the budget-setting process.

**51.** National data on the balance of spending between institutional care and care in the community is only available up to 2015/16. While this does not reflect any impact from IAs, it shows that the balance of spending changed little between 2012/13 to 2015/16 ([Exhibit 9, page 32](#)). Although this data is still collated, it is no longer published. This data should be publicly available and is a helpful indicator of whether IAs are influencing the shift of resources.

**52.** In October 2018, the Scottish Government published its *Medium Term Health and Social Care Financial Framework*.<sup>12</sup> The Framework is intended to help partners to improve strategic planning. It covers the period 2016/17 to 2023/24, and sets out trends in expenditure and activity, future demand and the future shape of health and social care expenditure.

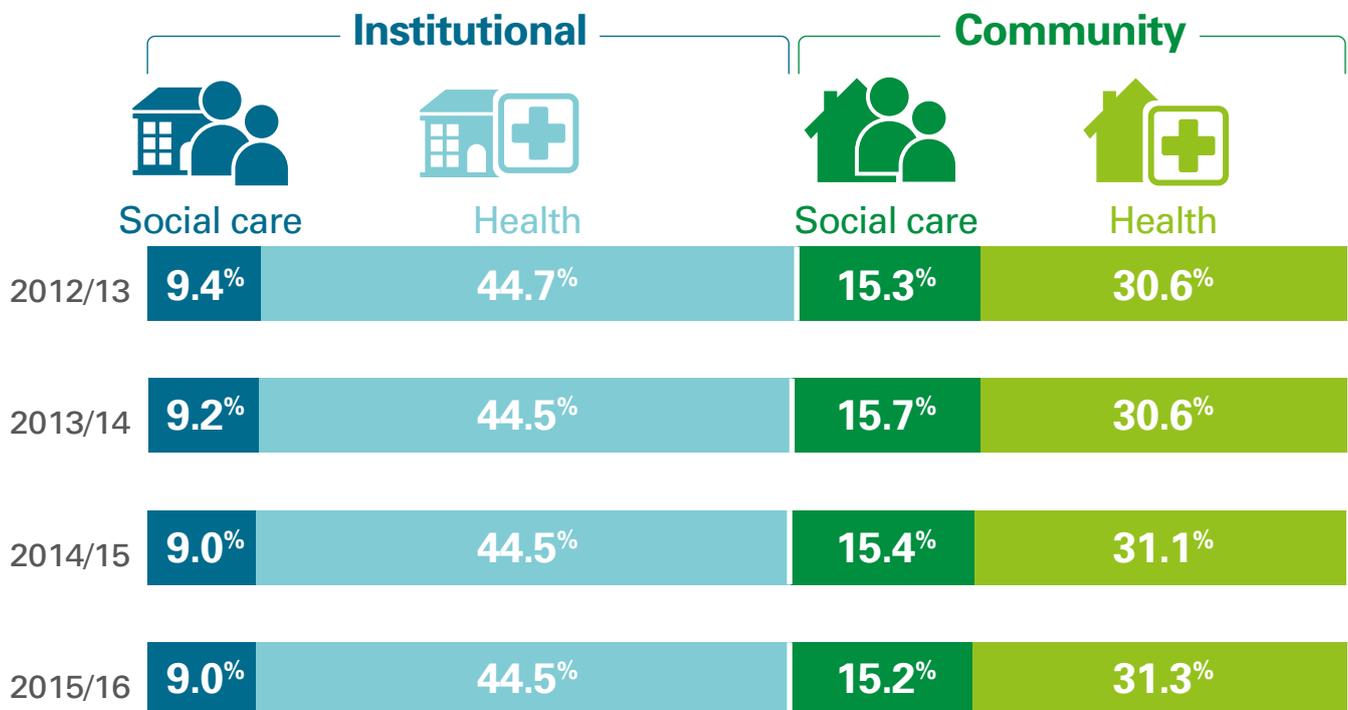
**53.** Attempts at integrating health and social care go back several years and it is not possible to identify the full cost of the reforms. This, in part, is due to the scale of the reforms and the interconnectedness with the rest of the health and social care system.

**54.** Due to ongoing financial pressures, most new service initiatives have been funded using additional financial support from the Scottish Government, rather than through the re-distribution of health and social care resources. Therefore, there should be an ongoing commitment from the Scottish Government to provide continued additional funding over coming years. This will provide financial stability to IAs while they implement new ways of working and plan how to redirect funding from current services.

## Exhibit 9

### The percentage of expenditure on institutional and community-based care

The percentage of expenditure on institutional and community-based care remained static between 2012/13 – 2015/16.



Source: Information Services Division, 2018



**55.** Major reforms have benefited from a degree of ‘pump priming’ money to help with change. In 2017/18, IAs total income included national funding which has been directed through NHS budgets, of:

- £100 million from the Integrated Care Fund to help shift the balance of care
- £30 million to help tackle delayed discharges
- £250 million to support payment of the living wage and help establish integration in its first year. This increased by £107 million in 2017/18.

**56.** The ring-fencing of funding intended to support delegated functions has not helped IAs’ efforts to redirect resources, reducing their ability to use their resources flexibly. There are examples of small-scale transfers of resources and we appreciate that more time is needed for IAs to achieve this change ([Case study 4, page 33](#)). IAs need to demonstrate how they will sustain any improvements if specific dedicated funding is no longer available.

## Case study 4



### South Lanarkshire redirecting resources to provide more community-based care

In 2017, South Lanarkshire IJB decided to close 30 care of the elderly beds within Udston Hospital and invest in alternative community-based models of care. An assessment of need found that two-thirds of individuals on the ward could have been better cared for within a community setting. Recurring funding of about £1 million per annum was released as a result. The IJB planned for £702,000 of this to be redirected to community-based services, such as homecare and district nursing to build the area's capacity to support more people at home. To achieve this:

- engagement plans were developed to ensure people using care and their families, staff and elected members of the Udston area were involved in the changes
- financial modelling was undertaken to understand the profile of people on the ward and reallocate resources to more appropriate, alternative health and social services
- the IA worked in partnership with NHS Lanarkshire to ensure good governance.

The £702,000 provided a degree of financial flexibility to further develop intermediate care services and increase community-based rehabilitation services. The IJB plans to redesignate the Udston beds for use by step-down intermediate care patients to support a reduced reliance on the hospital and residential care.

Source: Bed Modelling in South Lanarkshire, IJB board paper, 30 October 2017

### Agreeing budgets is still problematic

**57.** Fifteen IAs failed to agree a budget for the start of the 2017/18 financial year with their partners. This is partly down to differences in the timing of budget settlements between councils and NHS boards. It can also be due to a lack of understanding between councils and NHS boards of each other's financial reporting, accounting arrangements and the financial pressures faced by each. This lack of understanding can cause a lack of trust and reluctance to commit funds to an integrated health and social care budget.

**58.** There are difficulties with short-term and late budget settlements, but this should not preclude longer-term financial planning. IAs will only be able to plan and implement sustainable services if they are able to identify longer-term costs and funding shortfalls. This will also help to plan effective exit strategies from current services and larger-scale transfers of resources to community-based and preventative services.

## **It is critical that governance and accountability arrangements are made to work locally**

**59.** Integrating services is a significant challenge, particularly when partners are dealing with current demand and constrained resources, while trying to better understand how services need to change. The Act should be a basis for all local partners to come together to implement changes. A perceived lack of clarity in the Act is adding to local disagreements and is delaying integration. This lack of clarity and misunderstanding is evident even among people working at senior levels and can impede good relationships.

**60.** Having a clear governance structure where all partners agree responsibility and accountability is vital. Disagreements can be particularly apparent when it is perceived that accountability for a decision rests with individuals who no longer have responsibility for taking them. Chief executives of councils and NHS boards are concerned that they will be held accountable for failures in how services are delivered when they are no longer responsible for directing those services. In practice, partners need to set out how local accountability arrangements will work. Integration was introduced to shift from a focus on what worked for organisations to what works for the person who needs a health and social care service. Applying this approach should help partners to implement the Act. In some areas partners are working through governance challenges as they implement the Act, and more should be done to share this experience.

**61.** Our first report on the integration of health and social care recommended that integration partners 'need to set out clearly how governance arrangements will work in practice...This is because there are potentially confusing lines of accountability...People may also be unclear who is ultimately responsible for the quality of care.' Clarity is still needed for local areas over who is ultimately responsible for service performance and the quality of care. In some instances, this uncertainty is hampering decision-making and redesign of services provision. Not enough has been done locally to address this.

**62.** IJBs have a commissioning role but most IJB COs also have delegated operational responsibility for those functions and services that are delegated to the IJB, with the exception of acute care. There are difficulties in understanding how the 'operational responsibility' aspect works in practice. Auditors report that members of IA leadership teams have differing views about governance, especially clinical governance, and roles and responsibilities. In some areas, councils and NHS boards are putting in place additional layers of reporting as if each were accountable for the actions of the IJB. The IJB approach was introduced in part to simplify arrangements, not to add complexity. There are also significant concerns about the impact of integration on the rest of the acute hospital system.

**63.** It is the IJB's role, through the CO, to issue directions to its partner council and NHS board about service delivery and allocation of resources. This can be made more difficult by disagreements about governance arrangements. It is complicated further by the reporting lines of the CO, who directly reports to both chief executives of the council and NHS board. COs have reported that it can be difficult to direct those who are effectively their line managers. This reinforces the need for strong relationship building and the establishment of a collective agreement over policy direction, funding arrangements and vision for integration.

### Decision-making is not localised or transparent in some areas

**64.** The Act envisaged that decision-making would be devolved as locally as possible. In some areas, IAs, councils and NHS boards have not yet devolved decision-making in the spirit of the Act and locality plans and management structures are still in development. Officers, staff and local service providers have reported that this is because of a risk-averse response to integration that sees NHS boards and councils retain central control over decision-making. Decision-making by IAs is often influenced by statutory partners' priorities. Often, IJB members rely on their statutory partners for information, advice and policy formulation rather than taking the lead on planning and implementing new ways of providing services.

**65.** There are examples of IAs working hard to establish decision-making arrangements in their partnership. Aberdeen City has put in place governance systems to encourage and enable innovation, community engagement and participation, and joint working. This should leave it well placed for progressing integration and implementing new services in its community ([Case study 5](#)). We have also seen how IAs such as South Lanarkshire and Dundee City are beginning to develop locality-based approaches to service delivery ([Case study 6, page 36](#)).

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## Case study 5



### Governance arrangements in Aberdeen City IA

Aberdeen City IJB worked with the Good Governance Institute to develop its risk appetite statement and risk appetite approach. The IJB wanted to consider which decisions and risks should, and importantly those which should not, be considered by the IJB. The idea was to ensure there was capacity for decisions to be made locally, so that staff could influence the outcomes of individuals by ensuring that care was tailored to individual needs. Staff and managers say they now feel trusted to make decisions and implement new ideas to benefit individuals in their communities.

The IJB considers that it has demonstrated an aspiration to develop and encourage innovation in local service provision, and local managers and staff understand that decision-making within localities and input of ideas is welcomed and encouraged within agreed risk parameters. Aberdeen City has worked hard to build relationships and trust throughout the partnership. It accepts that achieving its priorities will involve balancing different types of risk and that there will be a need to balance the relationship between different risks and opportunities. There is also an acceptance and tolerance that new ideas will not always be successful.

Source: Aberdeen City IJB, 2018

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## Case study 6



### Locality approach in South Lanarkshire

In 2017, South Lanarkshire IJB realigned its management structure around its four localities. Each locality has a manager responsible for a range of multidisciplinary teams and a health and social care budget. Moving the management of services to a locality level has empowered local teams to review the models of care in their area to see what fits best for the local community. A public forum in each locality gives the local community a voice in shaping local services. Each locality has produced a local strategic needs assessment setting out local needs and priorities and directing attention towards more locally specific outcomes. A 'community first' model of care places the emphasis on developing more community capacity and support.

Staff report that multidisciplinary working and, where possible, co-location, has improved communication and learning across disciplines. They have better knowledge of skills within the wider integrated team, allowing the most appropriate professional to see people at the right time. Working with separate IT systems is a source of frustration and requires less efficient work arounds. Another challenge is balancing trying to change at pace with a need to maintain day-to-day workload. Teams have taken an incremental approach to change, starting with a small number of staff and people using the health and social care services, and, if the new model goes well, gradually increasing this until the change becomes normal practice.

Source: North Lanarkshire IJB, 2018

### Best value arrangements are not well developed

**66.** As IJBs are local authority bodies, the statutory duty of Best Value applies to them. This means that IJBs, from the outset, must clearly demonstrate their approaches to delivering continuous improvement. In July 2017, IJBs submitted their first annual performance reports in accordance with statutory requirements. One of the reporting requirements is that they demonstrate Best Value in the delivery of services.

**67.** We found that some aspects of Best Value are widely covered within IJBs' annual performance reports and annual accounts, including financial planning, governance and use of resources. About half of all IJBs had a section in their annual performance reports setting out how they intended to demonstrate the delivery of Best Value. Overall the coverage varies between IJBs and is often not in enough detail to allow the public to judge the IJB's activity on continuous improvement.

### IAs are using data to varying degrees to help plan and implement changes to services but there are still gaps in key areas

**68.** Information Services Division (ISD) is part of NHS National Services Scotland, a special NHS board. ISD provides Local Intelligence Support Team (LIST) analysts to each IA area, along with social care information known as SOURCE. Using a LIST analyst to tailor and interpret local data helps IAs to better understand local need and demand and to plan and target services. LIST also works with Community Planning Partnerships in several areas including care for prison leavers presenting to the Homeless Service and children affected by parental imprisonment.

**69.** Part of the work IAs are doing, supported by the LIST, is to better understand how to support the top two per cent of people using services who account for 50 per cent of hospital and GP prescribing expenditure. By doing this, they can better direct resources and take preventative steps to ensure these users receive more targeted care. This prevents unnecessary hospital admissions and improves personal outcomes through providing more appropriate care in a homely setting.

### **An inability or unwillingness to share information is slowing the pace of integration**

**70.** There are several areas which need to further improve to help IAs and their council and NHS board partners make better use of data. These include:

- GP practices agreeing data-sharing arrangements with their IA
- IAs being proactive about sharing performance information, ideas and new practice with other IAs
- IAs and ISD agreeing data-sharing protocols for using data in national databases
- IAs identifying gaps in data about community, primary care and social care services and establishing how this information will be collected. This is something we have highlighted in several of our previous reports
- improving consistency in IAs' data, making comparisons easier.

**71.** Sharing of information, including both health and performance information, is a vital part of providing effective care that is integrated from the point of view of the people who use services. It is also vital in helping to anticipate or prevent need. Throughout our work we were told of examples where this was not happening in practice, because of local systems or behaviours. Examples include: GP practices being unwilling to share information from new service pilots with other IAs; IAs themselves being unwilling to share performance and good practice information with others; and difficulties in setting up data-sharing agreements between IAs and ISD. Different interpretations of data protection legislation are not helping with the ease with which information is being shared.

**72.** NHS and social care services are made up of many different specialties and localities, often with different IT systems, for example, systems to record X-ray results or record GP data. Many of these systems have been built up over years and commissioned separately for different purposes. Some services still rely on paper records.

**73.** This disjointedness has an impact on people who need care and on the ability of health and care professionals to provide the best support that they can. For example, people with multiple and complex health and care conditions can have to explain their circumstances to many different professionals within a short space of time. This can delay people getting the help they need, waste resources and gets in the way of care provision being more responsive to people's needs. Local data-sharing arrangements need to be in place so that professionals can appropriately share and protect the data they hold.

**74.** Time and money are being spent on fixing local IT problems when national solutions should be found. Local fixes are being put in place to help overcome data-sharing barriers. This includes bringing teams of staff together under one roof, so

they can discuss individual cases, rather than relying on electronic systems such as internal emails to communicate. Local areas are spending time and money implementing solutions which may continue to be incompatible in the future. There is a need for a coordinated approach to the solution, which includes the need to consider a national, single solution for Scotland.

**75.** New IT systems and technology are crucial to implementing new ways of working. For example, many areas are beginning to introduce virtual means of contacting people using care services, such as video links to people's homes so they do not have to visit a health or care centre. To do this successfully, a reliable communication infrastructure is needed, particularly in rural areas.

**76.** In April 2018, the Scottish Government published *Scotland's Digital Health & Care Strategy: Enabling, Connecting & Empowering*. As part of this, a new national digital platform is to be developed to enable the sharing of real-time data and information from health and care records as required, across the whole care system. We will monitor developments as part of our work programme.

### **Meaningful and sustained engagement will inform service planning and ensure impact can be measured**

**77.** IAs were set up to have active public involvement, for example through the make-up of their boards and requirements that they publish and engage with communities about their plans. We found some good local examples of engagement. From our analysis of IA strategic plans, we saw evidence of community engagement that influenced the IA's priorities ([Case study 7, page 39](#)). Levels of ongoing engagement, and how much it shapes service redesign, are more difficult to judge, but several IAs explicitly mention the importance of engagement and see it as a priority.

**78.** Several third and independent sector organisations reported that they do not feel that IAs seek or value their input, although they have innovative ways to improve local services that will positively affect the lives of local people. Providers believe that service decisions are based on the funding available over the short term, rather than the needs of the community. Third-sector providers also report that there is often not time to attend engagement meetings, gather information for consultations or research lengthy committee papers. Therefore, IAs have a responsibility to help them become involved and to work with them earlier. IAs must discuss potential changes to services and funding with providers as early as possible.

**79.** Early engagement with staff, as with the public, has reduced since IAs published strategic plans. Staff want to know how they are contributing to the progress of integration. More communication and involvement will both help increase knowledge of the services available across partnerships and help overcome cultural differences and reluctance to accept change in ways of working.

**80.** Throughout this report we have recognised the challenging context IAs are operating in. This is inevitably having an impact on the extent to which they can meaningfully engage communities in discussions about improvements to services. IAs need to have in place wide-ranging and comprehensive arrangements for participation and engagement, including with local communities. Where local arrangements for engagement have been shown to work, these should continue. Engagement does not have to be managed and directed solely by the IA. If a local department or service has established relationships and means of engaging with third and independent sector providers which have proved successful, these should continue as before.

## Case study 7



### Edinburgh IJB: public engagement

The enhanced and proactive engagement approach adopted by Edinburgh IJB facilitated the involvement of the voluntary sector organisations in the co-production of strategic planning. Via the Edinburgh Voluntary Organisation Council, which sits on the IJB board as a non-voting member, the IJB invited the Lothian Community Health Initiatives' Forum (LCHIF) onto its Strategic Planning Groups (SPG). This allowed the LCHIF to get involved in developing the IJB's five strategic Commissioning Plans: Older People, Mental Health, Physical Disabilities, Learning Disabilities, and Primary Care.

LCHIF was subsequently invited to be part of the Older People's and Primary Care Reference Groups. Through involvement on the two reference groups, LCHIF and its members were able to contribute to the work that most reflected the services being delivered by them. The initial involvement of LCHIF on the SPG led to further engagement with other key influencing groups and networks which they felt ultimately benefited the sector, the forum and its members.

In addition to this involvement, the IJB has also embarked upon a review of its grants to the third-sector. This has been done in full collaboration and partnership with the third-sector. Through the SPG, a steering group was appointed, again with the involvement of LCHIF. This involvement contributed to a commitment being made to establish a grants forum in recognition of the ongoing dialogue that is required to ensure that prevention, early intervention and inequalities remains a priority for the IJB.

Source: Edinburgh IJB, 2018.

**81.** In September 2017, the Scottish Parliament's Health and Sport Committee published *Are they involving us? Integration Authorities' engagement with stakeholders*, an inquiry report on IAs' engagement with stakeholders.<sup>13</sup> The Committee also found a lack of consistency in stakeholder engagement across IAs. While some areas of good practice were cited, the Committee heard concerns over engagement being 'tokenistic', 'overly top down' and 'just communicating decisions that had already been made'. The Committee argued that a piecemeal approach to engagement with stakeholders cannot continue and that meaningful engagement is fundamental to the successful integration of health and social care services.

**82.** There is also a role for the Scottish Government in continuing to develop how learning from successful approaches to integration is shared across Scotland. IAs are not being proactive about sharing success stories and the principles behind the planning and implementation of new ways of working which have worked well. Much could be learnt from the work done to date in local areas and IAs should be encouraged to engage with each other and share knowledge and performance information.

# Endnotes



- 1 More details about the joint inspections are available at the [Care Inspectorate website](#) .
- 2 [Health and social care integration](#) , Auditor General and Accounts Commission, December 2015.
- 3 *English local authority reserves*, Chartered Institute of Public Finance and Accountancy, June 2015.
- 4 This takes account of North Ayrshire IJB, which was the only IJB to have an accumulated negative reserve balance. This amounted to £5.8 million and was because of overspends in social care services that were not funded by additional allocations from the NHS board or council.
- 5 [NHS in Scotland 2018](#) , Auditor General, October 2018.
- 6 [Local government in Scotland: Challenges and performance 2018](#) , Accounts Commission, April 2018.
- 7 National Performance Framework, Scottish Government, June 2018.
- 8 *Systems thinking and systems leadership*, NHS Education for Scotland, 2016.
- 9 *National Health and Social Care Workforce Plan Part 3 – improving workforce planning for primary care in Scotland*, Scottish Government, April 2018.
- 10 [NHS workforce planning](#) , Auditor General, July 2017.
- 11 [Local government in Scotland: Challenges and performance 2018](#) , Accounts Commission, April 2018.
- 12 *Medium Term Health and Social Care Financial Framework*, Scottish Government, October 2018.
- 13 *Are they involving us? Integration Authorities' engagement with stakeholders*, Health and Sport Committee, Scottish Parliament, September 2017.

# Appendix 1

## Audit methodology

Our objective: To examine the impact public bodies are having as they work together to integrate health and social care services in line with the Public Bodies (Joint Working) (Scotland) Act 2014.

### Our audit questions:

- What impact is integration having and what are the barriers and enablers to this change?
- How effectively are IAs planning sustainable, preventative and community-based services to improve outcomes for local people?
- How effectively are IAs, NHS boards and councils implementing the reform of health and social care integration?
- How effectively is the Scottish Government supporting the integration of health and social care and evaluating its impact?

### Our methodology:

- Reviewed documents, such as integration schemes, IAs' strategic plans, IJBs' annual audit reports, annual performance reports, national performance data and other key documents including the Scottish Government's National Health and Social Care Financial Framework.
- Interviews, meetings and focus groups with a range of stakeholders including third-sector and independent sector providers. Our engagement involved hearing about experiences of engaging with IAs and how services had changed through integration.
- Interviews at four case study sites – Aberdeen City IJB, Dundee City IJB, Shetland Islands IJB and South Lanarkshire IJB. We met with:
  - Chief Officers and Chief Finance Officers
  - Chairs and vice-chairs of IJBs
  - NHS and council IJB members
  - Chief social work officers
  - IJB clinical representatives (GP, public health, acute, nursing)
  - IJB public representatives (public, carer and voluntary sector)
  - Heads of health and social care, nursing, housing and locality managers and staff
  - NHS and council chief executives and finance officers
  - IT, communications and organisational development officers.

# Appendix 2

## Advisory group members

Audit Scotland would like to thank members of the advisory group for their input and advice throughout the audit.

Member	Organisation
Alison Taylor	Scottish Government
Alistair Delaney	Healthcare Improvement Scotland
Allison Duncan	IJB Vice Chair
Eddie Fraser	IJB Chief Officer
Fidelma Eggo	Care Inspectorate
Gerry Power	Health and Social Care Alliance
Jeff Ace	NHS Chief Executive
John Wood	Convention of Scottish Local Authorities (COSLA)
Julie Murray	Society of Local Authority Chief Executives
Robin Creelman	IJB Vice Chair
Tracey Abdy	IJB Chief Finance Officer

Note: Members sat in an advisory capacity only. The content and conclusions of this report are the sole responsibility of Audit Scotland.

# Appendix 3

## Progress against previous recommendations



### Recommendations



### Progress



### Scottish Government should:

- work with IAs to help them develop performance monitoring to ensure that they can clearly demonstrate the impact they make as they develop integrated services. As part of this:
  - work with IAs to resolve tensions between the need for national and local reporting on outcomes so that it is clear what impact the new integration arrangements are having on outcomes and on the wider health and social care system.
- monitor and publicly report on national progress on the impact of integration. This includes:
  - measuring progress in moving care from institutional to community settings, reducing local variation in costs and using anticipatory care plans
  - reporting on how resources are being used to improve outcomes and how this has changed over time
  - reporting on expected costs and savings resulting from integration.
- continue to provide support to IAs as they become fully operational, including leadership development and sharing good practice, including sharing the lessons learned from the pilots of GP clusters.

IAs are reporting locally on outcomes but this is not being drawn together to give a national picture of outcomes for health and social care.

We found there are a significant number of indicators and measures being used nationally and locally to understand whether integration is making a difference and to monitor changes. But, for the public to understand how the changes are working at a Scotland-wide level, these indicators need to be presented in a clear and transparent way.

The Scottish Government has introduced a series of national outcomes for health and social care. The outcomes are not being routinely reported at a national level.

The savings estimated to be made from integration were expected to derive from a reduction in unplanned bed days, fewer delayed discharges, improved anticipatory care and less variation in bed day rates across partnerships. The savings from these have not been specifically monitored by the Scottish Government, although actual and projected performance across these measures is reported to the Scottish Government's Ministerial Steering Group.

Some leadership development has been commissioned from the Kings Fund by the Integration Division at Scottish Government but there is a lack of joint leadership development across the health and social care system to help to embed and prioritise collaborative leadership approaches.

There is an appetite for examples of good practice from local partnerships but still a lack of good learning resources.

Cont.

**Recommendations****Progress****Integration Authorities should:**

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• provide clear and strategic leadership to take forward the integration agenda; this includes:               <ul style="list-style-type: none"> <li>– developing and communicating the purpose and vision of the IJB and its intended impact on local people</li> <li>– having high standards of conduct and effective governance, and establishing a culture of openness, support and respect.</li> </ul> </li> </ul>   | <p>We found that a lack of collaborative leadership and cultural differences are proving to be significant barriers to change in some areas.</p>   |
| <ul style="list-style-type: none"> <li>• set out clearly how governance arrangements will work in practice, particularly when disagreements arise, to minimise the risk of confusing lines of accountability, potential conflicts of interests and any lack of clarity about who is ultimately responsible for the quality of care and scrutiny. This includes:               <ul style="list-style-type: none"> <li>– setting out a clear statement of the respective roles and responsibilities of the IJB (including individual members), NHS board and council, and the IJB's approach towards putting this into practice</li> <li>– ensuring that IJB members receive training and development to prepare them for their role, including managing conflicts of interest, understanding the organisational cultures of the NHS and councils and the roles of non-voting members of the IJB.</li> </ul> </li> </ul> | <p>There is a lack of agreement over governance and a lack of understanding about integration which is acting as a significant barrier to progress in some areas.</p> <p>There are still circumstances where clarity is needed over who is ultimately responsible for service performance and the quality of care. In some instances, this uncertainty is hampering decision-making and redesigning how services are provided. Not enough has been done locally to address this.</p> |
| <ul style="list-style-type: none"> <li>• ensure that a constructive working relationship exists between IJB members and the chief officer and finance officer and the public. This includes:               <ul style="list-style-type: none"> <li>– setting out a schedule of matters reserved for collective decision-making by the IJB, taking account of relevant legislation and ensuring that this is monitored and updated when required</li> <li>– ensuring relationships between the IJB, its partners and the public are clear, so each knows what to expect of the other.</li> </ul> </li> </ul>   | <p>IAs have helped to improve engagement with the public and providers in the local area in some instances but there is more to do.</p>  |
| <ul style="list-style-type: none"> <li>• be rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny, including:               <ul style="list-style-type: none"> <li>– developing and maintaining open and effective mechanisms for documenting evidence for decisions</li> <li>– putting in place arrangements to safeguard members and employees against conflict of interest and put in place processes to ensure that they continue to operate in practice</li> <li>– developing and maintaining an effective audit committee</li> <li>– ensuring that effective, transparent and accessible arrangements are in place for dealing with complaints.</li> <li>– ensuring that an effective risk management system is in place.</li> </ul> </li> </ul>   | <p>We found that decision-making is not localised or transparent in some areas and risk management arrangements are not well developed.</p>  |

**Recommendations****Progress**

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• develop strategic plans that do more than set out the local context for the reforms; this includes:           <ul style="list-style-type: none"> <li>– how the IA will contribute to delivering high-quality care in different ways that better meets people’s needs and improves outcomes</li> <li>– setting out clearly what resources are required, what impact the IA wants to achieve, and how the IA will monitor and publicly report their progress</li> <li>– developing strategies covering the workforce, risk management, engagement with service users and data sharing, based on overall strategic priorities to allow the IA to operate successfully in line with the principles set out in the Act and ensure these strategies fit with those in the NHS and councils</li> <li>– making clear links between the work of the IA and the Community Empowerment (Scotland) Act and Children and Young People (Scotland) Act.</li> </ul> </li> </ul> | <p>IAs are beginning to link their resources to strategic priorities but more needs to be done to show when their planned outcomes will be achieved. They also need to show how the shift from the current ways of working to new models of care will happen.</p>  |
| <ul style="list-style-type: none"> <li>• develop financial plans that clearly show how IAs will use resources such as money and staff to provide more community-based and preventative services. This includes:           <ul style="list-style-type: none"> <li>– developing financial plans for each locality, showing how resources will be matched to local priorities</li> <li>– ensuring that the IJB makes the best use of resources, agreeing how Best Value will be measured and making sure that the IJB has the information needed to review value for money and performance effectively.</li> </ul> </li> </ul>  | <p>There is some evidence of small-scale transfers of resources, but most IAs have funded changes to services using ring-fenced funding, such as specific additional integrated care funding provided by the Scottish Government. This is instead of shifting resources from an acute setting, such as hospitals, to community settings such as local clinics and GP surgeries. While this may have achieved performance improvement in things such as delayed discharges, ring-fenced funding may not be available long term. Therefore, IAs need to ensure the financial sustainability of ongoing support for changes made.</p> <p>Financial planning is not integrated, or long term and financial pressures make meaningful change hard to achieve.</p> <p>Arrangements for understanding and measuring Best Value arrangements are not well developed.</p> |
| <ul style="list-style-type: none"> <li>• shift resources, including the workforce, towards a more preventative and community-based approach; it is important that the IA also has plans that set out how, in practical terms, they will achieve this shift over time.</li> </ul>   | <p>We found there has been limited change in how resources are being used across the system at this stage – see above.</p>   |

**Cont.**

**Recommendations****Progress****Integration Authorities should work with councils and NHS boards to:**

<ul style="list-style-type: none"> <li>recognise and address the practical risks associated with the complex accountability arrangements by developing protocols to ensure that the chair of the IJB, the chief officer and the chief executives of the NHS board and council negotiate their roles in relation to the IJB early in the relationship and that a shared understanding of the roles and objectives is maintained.</li> </ul>	<p>We found a lack of agreement over governance and a lack of understanding about integration remain significant barriers in some areas.</p> <p>There are still circumstances where clarity is needed over who is ultimately responsible for service performance and the quality of care. In some instances, this uncertainty was hampering decision-making and redesigning how services are provided. In our opinion, not enough has been done locally to address this.</p>
<ul style="list-style-type: none"> <li>review clinical and care governance arrangements to ensure a consistent approach for each integrated service and that they are aligned to existing clinical and care governance arrangements in the NHS and councils.</li> </ul>	<p>Auditors report that members of IA leadership have differing views about governance, especially clinical governance, and roles and responsibilities.</p>
<ul style="list-style-type: none"> <li>urgently agree budgets for the IA; this is important both for their first year and for the next few years to provide IAs with the continuity and certainty they need to develop strategic plans; this includes aligning budget-setting arrangements between partners.</li> </ul>	<p>We found that at present, not all councils and NHS boards view their finances as a collective resource for health and social care. Some councils and NHS boards are still planning budgets around their own organisations rather than taking account of their IJBs local strategic priorities. The ambition for integration is that the health and social care resources in the local area would be brought together and used to deliver integrated services with improved outcomes for people. While this is happening in some areas, councils and NHS boards in other areas can be unwilling to give up financial control of budgets and IJBs can struggle to exert influence over their budgets. Some IAs have little or no involvement in the budget-setting process.</p> <p>At a very basic level IJBs struggle in some areas to agree budgets. Fourteen IJBs failed to agree a budget for the start of the 2017/18 financial year.</p>
<ul style="list-style-type: none"> <li>establish effective scrutiny arrangements to ensure that councillors and NHS non-executives, who are not members of the IJB board, are kept fully informed of the impact of integration for people who use local health and social care services.</li> </ul>	<p>We have seen that IJB board papers are shared with council and NHS board partner organisations. In some areas though, rather than streamlining governance and scrutiny arrangements, councils and NHS boards are putting in place additional layers of reporting as if each were accountable for the actions of the IJB.</p>
<ul style="list-style-type: none"> <li>put in place data-sharing agreements to allow them to access the new data provided by ISD Scotland.</li> </ul>	<p>IAs and ISD are have difficulties in agreeing data-sharing protocols for using national databases.</p>

# Appendix 4

## Financial performance 2017/18

IJB	Position (pre-additional allocations) Overspend/ (underspend)	Additional allocation/ (reduction)		Use of reserves	Year-end position Deficit/ (Surplus)
	(£million)	Council (£million)	NHS board (£million)	(£million)	(£million)
Aberdeen City	2.1	0	0	2.1	0
Aberdeenshire	3.5	1.5	2.0	0	0
Angus	(0.4)	0	0	0	(0.4)
Argyll and Bute	2.5	1.2	1.4	0	0
Clackmannanshire and Stirling	2.2	0.6	0.6	1.1	0
Dumfries and Galloway	(2.5)	0	0	0	(2.5)
Dundee City	2.5	0	2.1	0.4	0
East Ayrshire	3	2.2	1.3	0	(0.5)
East Dunbartonshire	1.1	0	0	1.1	0
East Lothian	0.7	0.6	0.1	0	0
East Renfrewshire	(0.4)	0	0	0	(0.4)
Edinburgh	7.4	7.2	4.9	0	(4.7)
Eilean Siar	(3.0)	0	0	0	(3.0)
Falkirk	1.3	0	1.4	0.2	(0.3)
Fife	8.8	2.5	6.4	0	0
Glasgow City	(12.0)	0	0	0	(12.0)
Inverclyde	(1.8)	0	0	0	(1.8)
Midlothian	(0.7)	0.2	0	0	(0.9)
Moray	1.9	0	0	1.9	0
North Ayrshire	3.5	0	1.0	0	2.6
North Lanarkshire	(11.7)	0	0.6	0	(12.3)
Orkney	0.7	0.2	0.5	0	0
Perth and Kinross	(1.4)	(2.6)	1.3	0	0
Renfrewshire	4.8	2.7	0	2.1	0
Scottish Borders	4.5	0.3	4.2	0	0
Shetland	2.4	(0.3)	2.9	0	(0.2)
South Ayrshire	0.3	0	0	0.3	0
South Lanarkshire	(1.2)	0	1.0	0	(2.2)
West Dunbartonshire	(0.6)	0	0	0	(0.6)
West Lothian	1.8	0	1.8	0	0

Note: Arithmetic differences arising from roundings.

Source: Audited Integration Authority annual accounts, 2017/18

# Health and social care integration

## Update on progress

This report is available in PDF and RTF formats, along with a podcast summary at:

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**AUDIT COMMITTEE**

**COUNTER FRAUD REPORT FOR FIRST SIX MONTHS OF 2018/19 (APRIL TO SEPTEMBER)**

**REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER**

**A. PURPOSE OF REPORT**

To inform the Audit Committee of the performance and activities of the Counter Fraud Team for the six months from 1 April 2018 to 30 September 2018.

**B. RECOMMENDATION**

It is recommended that the Audit Committee notes the performance and activities undertaken by the Counter Fraud Team during the first six months of financial year 2018/19.

**C. SUMMARY OF IMPLICATIONS**

<b>I Council Values</b>	Being honest, open and accountable, making best use of our resources.
<b>II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)</b>	Fraud investigations are undertaken in accordance with the council's Anti-Fraud and Corruption Policy.
<b>III Implications for Scheme of Delegations to Officers</b>	None.
<b>IV Impact on performance and performance Indicators</b>	Effective counter fraud arrangements are an essential component of effective performance management.
<b>V Relevance to Single Outcome Agreement</b>	Our public services are high quality, continually improving, efficient and responsive to local people's needs.
<b>VI Resources - (Financial, Staffing and Property)</b>	None.
<b>VII Consideration at PDSP</b>	None.
<b>VIII Other consultations</b>	None.

## D. TERMS OF REPORT

### D.1 Background

The Counter Fraud Plan 2018/19 was approved by the Audit Committee on 19 March 2018. The main activities of the Counter Fraud Team involve conducting investigations into allegations of fraud and irregularity, working in partnership with Police Scotland, administering the biennial National Fraud Initiative (NFI) data matching exercise, providing counter fraud advice, provision of fraud training and advice to services, and maintaining the council's whistleblowing process.

### D.2 Counter Fraud Team Investigations 2018/19 (April 2018 to September 2018)

The Counter Fraud Team maintain the whistleblowing hotline (01506 282002), whistleblowing mailbox ([WhistleBlowing@westlothian.gov.uk](mailto:WhistleBlowing@westlothian.gov.uk)) and the online whistleblowing e-form.

The Counter Fraud Team consider all referrals in accordance with the council's Whistleblowing Policy. The Counter Fraud Team also receive fraud referrals directly from management when potential concerns are identified during the course of their duties. These referrals are dealt with in line with the Anti-Fraud and Corruption Policy and are therefore classified as 'anti-fraud' referrals.

The Counter Fraud Team aims to risk assess all referrals and make a decision to either accept or reject the referral within three working days of receipt. Between 1 April 2018 and 30 September 2018, a total of 35 referrals were received: eight whistleblowing referrals and 27 anti-fraud referrals. A total of 30 referrals were accepted by the Counter Fraud Team and investigations were undertaken. 13 investigations were in progress and carried forward from 2017/18.

The table below summarises the referrals received by the Counter Fraud Team during the first six months of 2018/19:

<b>Referrals to Counter Fraud Team (Apr to Sep)</b>	<b>Number</b>
Whistleblowing Referrals Accepted	5
Whistleblowing Referrals Rejected	3
Anti-Fraud Referrals Accepted	25
Anti-Fraud Referrals Rejected	2
<b>Total Number of Referrals</b>	<b>35</b>
<b>Total Number of Accepted Referrals</b>	<b>30</b>
<i>Investigations Carried Forward from 2017/18</i>	13

### Rejected Referrals 2018/19 (April to September)

During the period from 1 April 2018 to 30 September 2018, three whistleblowing and two anti-fraud referrals were rejected. These referrals were rejected on the basis that the concerns raised (e.g. alcohol use during work, data protection breaches, mobile phone use while driving) required to be dealt with under other council policies and were passed to HR Services to progress.

### Investigation Outcomes 2018/19 (April to September)

During the period from 1 April 2018 and 30 September 2018, 30 referrals were accepted and 13 investigations were carried forward from 2017/18, giving a total of 43 investigations to be progressed by the Counter Fraud Team. The table below summarises the outcomes of the investigations at the time of this report:

<b>Outcome of Counter Fraud Team Investigations</b>	<b>Number</b>
Complete – No Fraud/Irregularity Established	14
Complete – Fraud/Irregularity Established	7
In Progress (as at 30 September 2018)	22
<b>Total</b>	<b>43</b>

- 14 investigations carried out by the Counter Fraud Team identified no evidence of fraud or irregularity. These investigations covered a variety of allegations such as sickness absence frauds, false application frauds, drug use/dealing, and material/equipment thefts.
- seven investigations by the Counter Fraud Team established that a fraud or irregularity had taken place. These investigations substantiated allegations such as identity fraud, undeclared conflicts of interest, cash theft, equipment theft, drug use/dealing and sickness absence frauds. Where relevant, an action plan was agreed with the service to help improve internal controls in these areas. Summary details of the cases where fraud and irregularity was established are provided in Appendix 1.
- 22 investigations were still in progress as at 30 September 2018.

### **D.3 National Fraud Initiative (NFI)**

The Counter Fraud Team administers the National Fraud Initiative (NFI) biennial data matching exercise. The 2016/17 NFI exercise identified 7,966 matches of which 2,101 were recommended matches. These are matches which, in the opinion of the NFI administrators, are more likely to result in fraud or error being identified.

Our progress in relation to the NFI was previously reported to the Committee on 8 October 2018 in our covering report on Audit Scotland's report on the NFI in Scotland. As at 29 August 2018, 100% of the recommended matches were processed and closed on the NFI system.

#### **D.4 Fraud Prevention and Working in Partnership**

The Counter Fraud Team are committed to the prevention, as well as detection, of fraud, theft and wrongdoings against West Lothian Council. The Counter Fraud Team provides ongoing advice to services and work closely on joint fraud initiatives with the council's external auditors (Ernst and Young), Police Scotland, NHS Scotland Counter Fraud Services and other local authorities.

During 2018/19 the Counter Fraud Team have continued to work in close partnership with Police Scotland. In line with the Data Protection Act (DPA) 2018, the Counter Fraud Team have responded to over 180 DPA requests from Police Scotland for personal information to assist with the prevention or detection of crime and the apprehension or prosecution of offenders.

#### **D.5 Counter Fraud Team Performance Indicators**

Details of performance in 2018/19 for a selection of Counter Fraud Team performance indicators are provided below. An extract of all Counter Fraud Team performance indicators is provided in Appendix 2 of this report.

##### IA039 6b.5 - Percentage of fraud referrals assessed and decided within three days

The Counter Fraud Team aim to risk assess all referrals and make a decision to either accept or reject the referral within three working days of receipt. The Counter Fraud Team received 35 referrals from 1 April 2018 to 30 September 2018 and 31 (88.6%) were assessed within three days. In line with the Internal Audit and Counter Fraud Strategy, the target for 2018/19 has been set at 95%.

##### IA043 9b.1a - Average length of time (in weeks) to commence fraud investigations

The Counter Fraud Team aims to commence all accepted fraud referrals within two weeks. Calculated using a rolling average, the average length of time to commence fraud investigations over the previous 12 months was 2.4 weeks. Due to staff vacancies and recruitment, as well as other work being prioritised in line with Counter Fraud Team resources, some investigations commenced after the two week target.

##### IA040 9b.1a - Average length of time to issue draft fraud reports.

In line with Audit and Counter Fraud Strategy, the Counter Fraud Team aim to complete an investigation and issue a draft report within 17 weeks from the start date of the investigation. Calculated using a rolling average, 27 counter fraud reports have been issued in the last 12 months, taking an average of 18.1 weeks to issue. This level of performance is due to the complexity of the cases and the completion of higher priority investigations which meant a high number of low priority cases were not completed within the 17 week target.

##### IA037 6a.7 - Percentage of customers who rated the overall quality as good or excellent.

The Counter Fraud Team invite feedback from customers at the conclusion of investigations. Performance for 2018/19 to 30 September was 100%. Seven surveys were received and seven customers rated the overall quality of the Counter Fraud Team service as either good or excellent. The target for 2018/19 remains at 100%.

## **D.6 CIPFA Counter Fraud Accreditation**

On 11 May 2018, Roberta Irvine (Counter Fraud and Compliance Officer) completed the CIPFA Accredited Counter Fraud Specialist qualification. Achieved over a period of four months, the accreditation specialises in the processes of protecting the public purse through all stages of fraud prevention, fraud detection and fraud recovery action.

## **E. CONCLUSION**

This report highlights the performance and activities of the Counter Fraud Team during the six months to 30 September 2018. The work of the Counter Fraud Team is carried out in accordance with the council's Anti-Fraud and Corruption Policy and Whistleblowing Policy, and in accordance with the council's zero tolerance approach to fraud.

## **F. BACKGROUND REFERENCES**

Report to the Audit Committee on 19 March 2018: Counter Fraud Plan 2018/19

Report to the Audit Committee 8 October 2018: Audit Scotland Report: The National Fraud Initiative in Scotland

### Appendices/Attachments:

Appendix 1 – Summary of Fraud/Irregularity Established in 2018/19

Appendix 2 – Counter Fraud Team Performance Indicators – April 2018 to September 2018

### Contact Person:

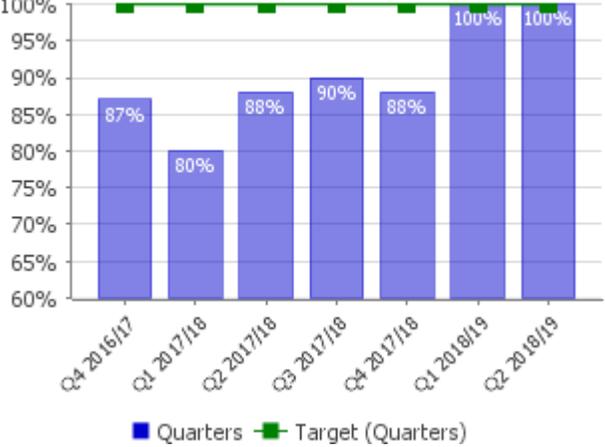
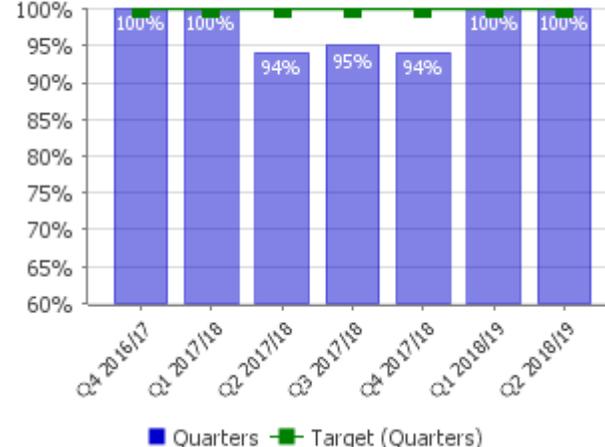
- Stuart Saunders (Senior Counter Fraud and Compliance Officer)
- [stuart.saunders@westlothian.gov.uk](mailto:stuart.saunders@westlothian.gov.uk)
- Tel No. 01506 281574

**Kenneth Ribbons**  
**Audit, Risk and Counter Fraud Manager**

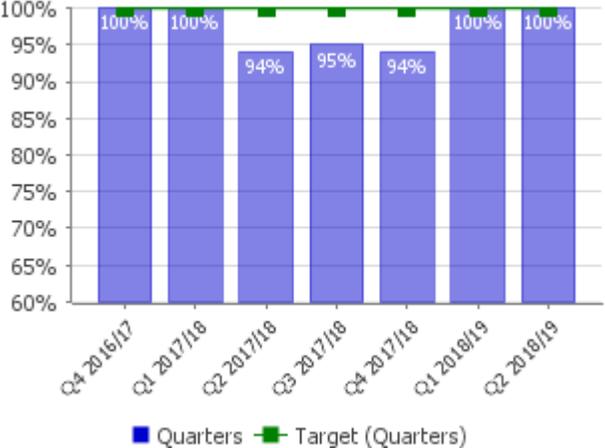
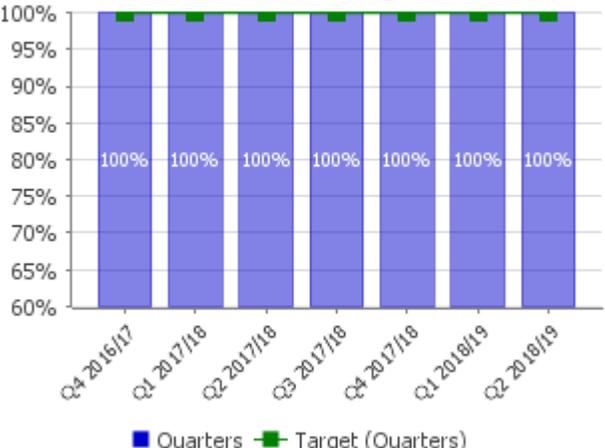
Date of meeting: 14 January 2019



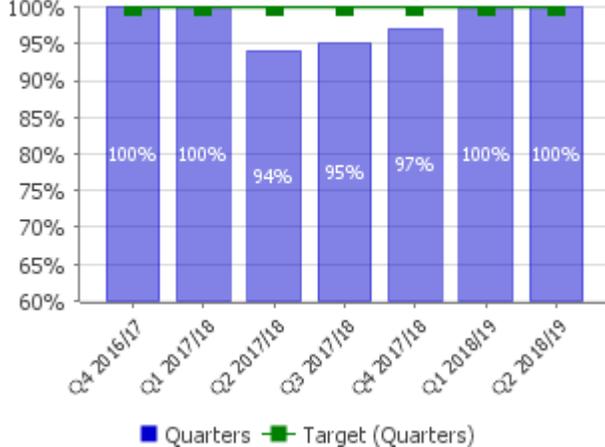
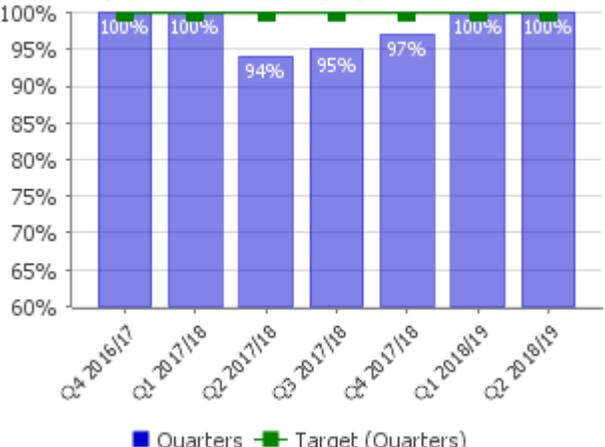
CFT PERFORMANCE INDICATORS APRIL 2018 TO SEPTEMBER 2018

PI Code & Short Name		Gauge	Trend Chart	Current Target	Current Value	Latest Notes																
<p><b>IA030_6a.1 Percentage of customers who rated counter fraud's timeliness as good or excellent.</b></p>			<p><b>IA030_6a.1 Percentage of customers who rated counter fraud's timeliness as good or excellent.</b></p>  <table border="1"> <caption>IA030_6a.1 Performance Data</caption> <thead> <tr> <th>Quarter</th> <th>Percentage</th> </tr> </thead> <tbody> <tr><td>Q4 2016/I17</td><td>87%</td></tr> <tr><td>Q1 2017/I18</td><td>80%</td></tr> <tr><td>Q2 2017/I18</td><td>88%</td></tr> <tr><td>Q3 2017/I18</td><td>90%</td></tr> <tr><td>Q4 2017/I18</td><td>88%</td></tr> <tr><td>Q1 2018/I19</td><td>100%</td></tr> <tr><td>Q2 2018/I19</td><td>100%</td></tr> </tbody> </table>	Quarter	Percentage	Q4 2016/I17	87%	Q1 2017/I18	80%	Q2 2017/I18	88%	Q3 2017/I18	90%	Q4 2017/I18	88%	Q1 2018/I19	100%	Q2 2018/I19	100%	100%	100%	<p>Cumulative performance to end Q2, 2018/19 is 100%. 7 out of 7 responses were ranked as either good or excellent.</p>
Quarter	Percentage																					
Q4 2016/I17	87%																					
Q1 2017/I18	80%																					
Q2 2017/I18	88%																					
Q3 2017/I18	90%																					
Q4 2017/I18	88%																					
Q1 2018/I19	100%																					
Q2 2018/I19	100%																					
<p><b>IA031_6a.2 Percentage of respondents who rated the service delivered by counter fraud as good or excellent.</b></p>			<p><b>IA031_6a.2 Percentage of respondents who rated the service delivered by counter fraud as good or excellent.</b></p>  <table border="1"> <caption>IA031_6a.2 Performance Data</caption> <thead> <tr> <th>Quarter</th> <th>Percentage</th> </tr> </thead> <tbody> <tr><td>Q4 2016/I17</td><td>100%</td></tr> <tr><td>Q1 2017/I18</td><td>100%</td></tr> <tr><td>Q2 2017/I18</td><td>94%</td></tr> <tr><td>Q3 2017/I18</td><td>95%</td></tr> <tr><td>Q4 2017/I18</td><td>94%</td></tr> <tr><td>Q1 2018/I19</td><td>100%</td></tr> <tr><td>Q2 2018/I19</td><td>100%</td></tr> </tbody> </table>	Quarter	Percentage	Q4 2016/I17	100%	Q1 2017/I18	100%	Q2 2017/I18	94%	Q3 2017/I18	95%	Q4 2017/I18	94%	Q1 2018/I19	100%	Q2 2018/I19	100%	100%	100%	<p>Cumulative performance to end Q2, 2018/19 is 100%. 7 out of 7 responses were ranked as either good or excellent.</p>
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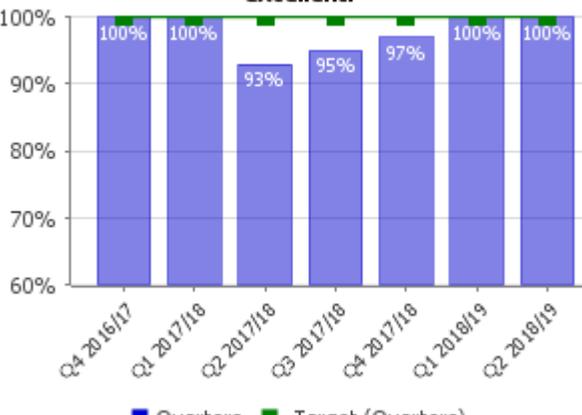
CFT PERFORMANCE INDICATORS APRIL 2018 TO SEPTEMBER 2018

PI Code & Short Name		Gauge	Trend Chart	Current Target	Current Value	Latest Notes																
<p><b>IA032_6a.3</b> Percentage of respondents who rated counter fraud's communication as good or excellent.</p>			<p><b>IA032_6a.3</b> Percentage of respondents who rated counter fraud's communication as good or excellent.</p>  <table border="1"> <caption>IA032_6a.3 Performance Data</caption> <thead> <tr> <th>Quarter</th> <th>Value (%)</th> </tr> </thead> <tbody> <tr><td>Q4 2016/17</td><td>100%</td></tr> <tr><td>Q1 2017/18</td><td>100%</td></tr> <tr><td>Q2 2017/18</td><td>94%</td></tr> <tr><td>Q3 2017/18</td><td>95%</td></tr> <tr><td>Q4 2017/18</td><td>94%</td></tr> <tr><td>Q1 2018/19</td><td>100%</td></tr> <tr><td>Q2 2018/19</td><td>100%</td></tr> </tbody> </table>	Quarter	Value (%)	Q4 2016/17	100%	Q1 2017/18	100%	Q2 2017/18	94%	Q3 2017/18	95%	Q4 2017/18	94%	Q1 2018/19	100%	Q2 2018/19	100%	100%	100%	<p>Cumulative performance to end Q2, 2018/19 is 100%. 7 out of 7 responses were ranked as either good or excellent.</p>
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Q3 2017/18	95%																					
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Q1 2018/19	100%																					
Q2 2018/19	100%																					
<p><b>IA033_6a.4</b> Percentage of respondents who rated counter fraud staffs' attitude as good or excellent.</p>			<p><b>IA033_6a.4</b> Percentage of respondents who rated counter fraud staffs' attitude as good or excellent.</p>  <table border="1"> <caption>IA033_6a.4 Performance Data</caption> <thead> <tr> <th>Quarter</th> <th>Value (%)</th> </tr> </thead> <tbody> <tr><td>Q4 2016/17</td><td>100%</td></tr> <tr><td>Q1 2017/18</td><td>100%</td></tr> <tr><td>Q2 2017/18</td><td>100%</td></tr> <tr><td>Q3 2017/18</td><td>100%</td></tr> <tr><td>Q4 2017/18</td><td>100%</td></tr> <tr><td>Q1 2018/19</td><td>100%</td></tr> <tr><td>Q2 2018/19</td><td>100%</td></tr> </tbody> </table>	Quarter	Value (%)	Q4 2016/17	100%	Q1 2017/18	100%	Q2 2017/18	100%	Q3 2017/18	100%	Q4 2017/18	100%	Q1 2018/19	100%	Q2 2018/19	100%	100%	100%	<p>Cumulative performance to end Q2, 2018/19 is 100%. 7 out of 7 responses were ranked as either good or excellent.</p>
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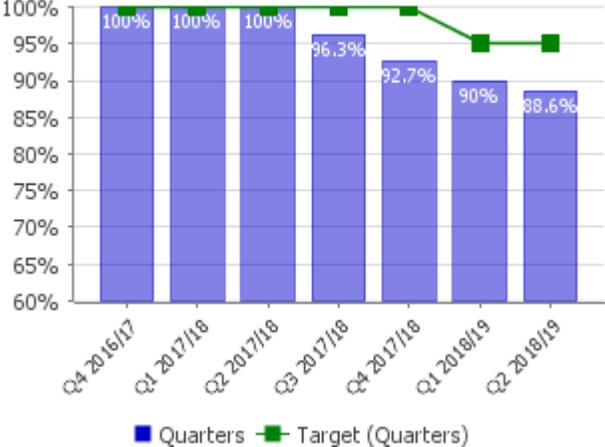
CFT PERFORMANCE INDICATORS APRIL 2018 TO SEPTEMBER 2018

PI Code & Short Name		Gauge	Trend Chart	Current Target	Current Value	Latest Notes																								
<p><b>IA034_6a.5 Percentage of respondents who rated the professionalism of counter fraud as good or excellent.</b></p>			<p><b>IA034_6a.5 Percentage of respondents who rated the professionalism of counter fraud as good or excellent.</b></p>  <table border="1"> <caption>IA034_6a.5 Performance Data</caption> <thead> <tr> <th>Quarter</th> <th>Value (%)</th> <th>Target (%)</th> </tr> </thead> <tbody> <tr> <td>Q4 2016/17</td> <td>100%</td> <td>100%</td> </tr> <tr> <td>Q1 2017/18</td> <td>100%</td> <td>100%</td> </tr> <tr> <td>Q2 2017/18</td> <td>94%</td> <td>100%</td> </tr> <tr> <td>Q3 2017/18</td> <td>95%</td> <td>100%</td> </tr> <tr> <td>Q4 2017/18</td> <td>97%</td> <td>100%</td> </tr> <tr> <td>Q1 2018/19</td> <td>100%</td> <td>100%</td> </tr> <tr> <td>Q2 2018/19</td> <td>100%</td> <td>100%</td> </tr> </tbody> </table>	Quarter	Value (%)	Target (%)	Q4 2016/17	100%	100%	Q1 2017/18	100%	100%	Q2 2017/18	94%	100%	Q3 2017/18	95%	100%	Q4 2017/18	97%	100%	Q1 2018/19	100%	100%	Q2 2018/19	100%	100%	<p>100%</p>	<p>100%</p>	<p>Cumulative performance to end Q2, 2018/19 is 100%. 7 out of 7 responses were ranked as either good or excellent.</p>
Quarter	Value (%)	Target (%)																												
Q4 2016/17	100%	100%																												
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Q4 2017/18	97%	100%																												
Q1 2018/19	100%	100%																												
Q2 2018/19	100%	100%																												
<p><b>IA035_6a.6 Percentage of customers who consider they were treated fairly by counter fraud.</b></p>			<p><b>IA035_6a.6 Percentage of customers who consider they were treated fairly by counter fraud.</b></p>  <table border="1"> <caption>IA035_6a.6 Performance Data</caption> <thead> <tr> <th>Quarter</th> <th>Value (%)</th> <th>Target (%)</th> </tr> </thead> <tbody> <tr> <td>Q4 2016/17</td> <td>100%</td> <td>100%</td> </tr> <tr> <td>Q1 2017/18</td> <td>100%</td> <td>100%</td> </tr> <tr> <td>Q2 2017/18</td> <td>94%</td> <td>100%</td> </tr> <tr> <td>Q3 2017/18</td> <td>95%</td> <td>100%</td> </tr> <tr> <td>Q4 2017/18</td> <td>97%</td> <td>100%</td> </tr> <tr> <td>Q1 2018/19</td> <td>100%</td> <td>100%</td> </tr> <tr> <td>Q2 2018/19</td> <td>100%</td> <td>100%</td> </tr> </tbody> </table>	Quarter	Value (%)	Target (%)	Q4 2016/17	100%	100%	Q1 2017/18	100%	100%	Q2 2017/18	94%	100%	Q3 2017/18	95%	100%	Q4 2017/18	97%	100%	Q1 2018/19	100%	100%	Q2 2018/19	100%	100%	<p>100%</p>	<p>100%</p>	<p>Cumulative performance to end Q2, 2018/19 is 100%. 7 out of 7 responses were ranked as either good or excellent.</p>
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CFT PERFORMANCE INDICATORS APRIL 2018 TO SEPTEMBER 2018

PI Code & Short Name		Gauge	Trend Chart	Current Target	Current Value	Latest Notes																
<p><b>P:IA037_6a.7</b> Percentage of customers who rated the overall quality of the service provided by counter fraud as good or excellent.</p>			<p><b>Percentage of customers who rated the overall quality of the service provided by counter fraud as good or excellent.</b></p>  <table border="1"> <caption>Performance Data for P:IA037_6a.7</caption> <thead> <tr> <th>Quarter</th> <th>Percentage</th> </tr> </thead> <tbody> <tr><td>Q4 2016/17</td><td>100%</td></tr> <tr><td>Q1 2017/18</td><td>100%</td></tr> <tr><td>Q2 2017/18</td><td>94%</td></tr> <tr><td>Q3 2017/18</td><td>95%</td></tr> <tr><td>Q4 2017/18</td><td>97%</td></tr> <tr><td>Q1 2018/19</td><td>100%</td></tr> <tr><td>Q2 2018/19</td><td>100%</td></tr> </tbody> </table>	Quarter	Percentage	Q4 2016/17	100%	Q1 2017/18	100%	Q2 2017/18	94%	Q3 2017/18	95%	Q4 2017/18	97%	Q1 2018/19	100%	Q2 2018/19	100%	100%	100%	<p>Cumulative performance to end Q2, 2018/19 is 100%. 7 out of 7 responses were ranked as either good or excellent.</p>
Quarter	Percentage																					
Q4 2016/17	100%																					
Q1 2017/18	100%																					
Q2 2017/18	94%																					
Q3 2017/18	95%																					
Q4 2017/18	97%																					
Q1 2018/19	100%																					
Q2 2018/19	100%																					
<p><b>IA038_6a.8</b> Percentage of respondents who rated the information provided by counter fraud as good or excellent.</p>			<p><b>IA038_6a.8</b> Percentage of respondents who rated the information provided by counter fraud as good or excellent.</p>  <table border="1"> <caption>Performance Data for IA038_6a.8</caption> <thead> <tr> <th>Quarter</th> <th>Percentage</th> </tr> </thead> <tbody> <tr><td>Q4 2016/17</td><td>100%</td></tr> <tr><td>Q1 2017/18</td><td>100%</td></tr> <tr><td>Q2 2017/18</td><td>93%</td></tr> <tr><td>Q3 2017/18</td><td>95%</td></tr> <tr><td>Q4 2017/18</td><td>97%</td></tr> <tr><td>Q1 2018/19</td><td>100%</td></tr> <tr><td>Q2 2018/19</td><td>100%</td></tr> </tbody> </table>	Quarter	Percentage	Q4 2016/17	100%	Q1 2017/18	100%	Q2 2017/18	93%	Q3 2017/18	95%	Q4 2017/18	97%	Q1 2018/19	100%	Q2 2018/19	100%	100%	100%	<p>Cumulative performance to end Q2, 2018/19 is 100%. 7 out of 7 responses were ranked as either good or excellent.</p>
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CFT PERFORMANCE INDICATORS APRIL 2018 TO SEPTEMBER 2018

PI Code & Short Name		Gauge	Trend Chart	Current Target	Current Value	Latest Notes																
<p><b>P:IA039_6b.5 Percentage of fraud referrals assessed and decided within 3 working days of receipt.</b></p>			<p><b>P:IA039_6b.5 Percentage of fraud referrals assessed and decided within 3 working days of receipt.</b></p>  <table border="1"> <caption>Data for P:IA039_6b.5 Trend Chart</caption> <thead> <tr> <th>Quarter</th> <th>Value (%)</th> </tr> </thead> <tbody> <tr><td>Q4 2016/17</td><td>100%</td></tr> <tr><td>Q1 2017/18</td><td>100%</td></tr> <tr><td>Q2 2017/18</td><td>100%</td></tr> <tr><td>Q3 2017/18</td><td>96.3%</td></tr> <tr><td>Q4 2017/18</td><td>92.7%</td></tr> <tr><td>Q1 2018/19</td><td>90%</td></tr> <tr><td>Q2 2018/19</td><td>88.6%</td></tr> </tbody> </table>	Quarter	Value (%)	Q4 2016/17	100%	Q1 2017/18	100%	Q2 2017/18	100%	Q3 2017/18	96.3%	Q4 2017/18	92.7%	Q1 2018/19	90%	Q2 2018/19	88.6%	<p>95%</p>	<p>88.6%</p>	<p>Cumulative performance to end Q2, 2018/19 was 88.6%. 31 out of 35 referrals were assessed within three days.</p>
Quarter	Value (%)																					
Q4 2016/17	100%																					
Q1 2017/18	100%																					
Q2 2017/18	100%																					
Q3 2017/18	96.3%																					
Q4 2017/18	92.7%																					
Q1 2018/19	90%																					
Q2 2018/19	88.6%																					
<p><b>P:IA040_9b.1a Average length of time (in weeks) to issue draft fraud reports.</b></p>			<p><b>P:IA040_9b.1a Average length of time (in weeks) to issue draft fraud reports.</b></p>  <table border="1"> <caption>Data for P:IA040_9b.1a Trend Chart</caption> <thead> <tr> <th>Quarter</th> <th>Value (Weeks)</th> </tr> </thead> <tbody> <tr><td>Q4 2016/17</td><td>14.5</td></tr> <tr><td>Q1 2017/18</td><td>14.6</td></tr> <tr><td>Q2 2017/18</td><td>17.8</td></tr> <tr><td>Q3 2017/18</td><td>19.9</td></tr> <tr><td>Q4 2017/18</td><td>20.4</td></tr> <tr><td>Q1 2018/19</td><td>19.1</td></tr> <tr><td>Q2 2018/19</td><td>18.1</td></tr> </tbody> </table>	Quarter	Value (Weeks)	Q4 2016/17	14.5	Q1 2017/18	14.6	Q2 2017/18	17.8	Q3 2017/18	19.9	Q4 2017/18	20.4	Q1 2018/19	19.1	Q2 2018/19	18.1	<p>17</p>	<p>18.1</p>	<p>7 counter fraud reports were issued in Q2, 2018/19. 27 counter fraud reports have been issued in the last 12 months, taking an average of 18.1 weeks to issue.</p>
Quarter	Value (Weeks)																					
Q4 2016/17	14.5																					
Q1 2017/18	14.6																					
Q2 2017/18	17.8																					
Q3 2017/18	19.9																					
Q4 2017/18	20.4																					
Q1 2018/19	19.1																					
Q2 2018/19	18.1																					

CFT PERFORMANCE INDICATORS APRIL 2018 TO SEPTEMBER 2018

PI Code & Short Name		Gauge	Trend Chart	Current Target	Current Value	Latest Notes																
<p><b>IA043_9b.1a Average length of time (in weeks) to commence fraud investigations</b></p>			<p><b>IA043_9b.1a Average length of time (in weeks) to commence fraud investigations</b></p>  <table border="1"> <caption>Quarterly Data for IA043_9b.1a</caption> <thead> <tr> <th>Quarter</th> <th>Average Length (Weeks)</th> </tr> </thead> <tbody> <tr> <td>Q4 2016/17</td> <td>2.6</td> </tr> <tr> <td>Q1 2017/18</td> <td>2.4</td> </tr> <tr> <td>Q2 2017/18</td> <td>2.4</td> </tr> <tr> <td>Q3 2017/18</td> <td>1.8</td> </tr> <tr> <td>Q4 2017/18</td> <td>1.9</td> </tr> <tr> <td>Q1 2018/19</td> <td>2.8</td> </tr> <tr> <td>Q2 2018/19</td> <td>2.4</td> </tr> </tbody> </table> <p>■ Quarters ■ Target (Quarters)</p>	Quarter	Average Length (Weeks)	Q4 2016/17	2.6	Q1 2017/18	2.4	Q2 2017/18	2.4	Q3 2017/18	1.8	Q4 2017/18	1.9	Q1 2018/19	2.8	Q2 2018/19	2.4	<p>2</p>	<p>2.4</p>	<p>Over the previous 12 months, 43 counter fraud referrals were accepted, 29 investigations (63.4%) commenced within the two week target and the average length of time to commence fraud investigations during this period was 2.4 weeks.</p> <p>Due to staff vacancy and recruitment as well as other work being prioritised in line with Counter Fraud Team resources, 14 investigations commenced after the two week target.</p>
Quarter	Average Length (Weeks)																					
Q4 2016/17	2.6																					
Q1 2017/18	2.4																					
Q2 2017/18	2.4																					
Q3 2017/18	1.8																					
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