



<b>Meeting of East Renfrewshire Health and Social Care Partnership</b>	Performance and Audit Committee
<b>Held on</b>	26 June 2023
<b>Agenda Item</b>	8
<b>Title</b>	Audit Scotland Report: Integration Joint Boards Financial Analysis 2021/22
<b>Summary</b>	
<p>The Accounts Commission report prepared by Audit Scotland in April 2023 provides a high-level independent analysis of the financial performance of Integration Joint Boards (IJBs) during 2021/22 and their financial position at the end of that year. The report also looks ahead and comments on the financial outlook for IJBs in 2022/23 and financial planning in the medium and longer terms. The IJB Financial Analysis forms one part of the Commission's wider programme</p>	
<b>Presented by</b>	Lesley Bairden, Head of Finance and Resources (Chief Financial Officer)
<b>Action Required</b>	
<p>The Performance and Audit Committee is asked to note the report.</p>	

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**EAST RENFREWSHIRE INTEGRATION JOINT BOARD**

**PERFORMANCE AND AUDIT COMMITTEE**

**26 June 2023**

**Report by Chief Financial Officer**

**AUDIT SCOTLAND REPORT:  
INTEGRATION JOINT BOARDS FINANCIAL ANALYSIS 2021/22**

**PURPOSE OF REPORT**

1. The purpose of this report is to provide the Performance and Audit Committee with an overview of the main messages contained within the Audit Scotland report on Integration Joint Boards' financial analysis 2021/22 along with additional local context.

**RECOMMENDATION**

2. The Performance and Audit Committee is asked to note the report.

**BACKGROUND**

3. Audit Scotland audit 225 public bodies to provide independent assurance that public money is spent properly, efficiently and effectively. They provide services to the Auditor General and the Accounts Commission. The Accounts Commission holds councils and other local government bodies in Scotland to account and helps them improve by reporting to the public on their performance.
4. Audit Scotland produce a number of reports each year and in April 2023 published a report on Integration Joint Boards' financial analysis 2021/22 which is included at Appendix 1 for information.

**REPORT**

5. The key messages included with this report are set out in four areas:
  - IJB operating context
  - IJB financial and service challenges
  - IJB finances 2021/22
  - Medium and longer term outlook
6. The local impact is also included in the bullet points after each key message where relevant.

**IJB Operating Context**

7. IJBs face increasing demand – Scotland's population is ageing with increasingly complex health and social care needs.

- We know our demographic profile is challenging, particularly at the older and younger ends of the age range.
8. The health and social care workforce is under extreme pressure, with continued recruitment and retention challenges.
    - We are still facing challenges locally and try to mitigate through our focus on wellbeing
  9. IJBs continue to deal with the impacts of Covid-19 on services. There remains considerable uncertainty about the planning and delivery of health and social care services whilst the Scottish Government develop plans to create a National Care Service (NCS).
    - The ongoing challenges of Covid-19 are recognised in our Medium Term Financial Plan and our Strategic Risk Register, recognising the ongoing impact of the virus and that support funding has ceased at the end of 2022/23.

### **IJB Financial and Service Challenges**

10. IJBs face considerable financial uncertainties and workforce challenges.
  - We have recognised this in our budget setting, revenue monitoring and medium term financial plan. If anything the financial challenges have escalated since the period covered in this report.
11. Efficiency and transformational savings alone may be insufficient to meet future financial challenges. Significant transformation is needed to ensure financial sustainability and service improvements.
  - Our savings requirement of £7.06 million in 2023/24 recognises the extent of the challenge.
12. The social care sector cannot wait for a NCS to deal with financial, workforce and service demand challenges– action is needed now if we are to improve the outcomes for people who rely on health and social care services.

### **IJB Finances 2021/22**

13. IJBs returned significant surpluses in 2021/22, mainly due to additional funding received late in the financial year for specific policy commitments, including Covid-19, as well as underspends on the cost of providing services.
  - The HSCP ended 2021/22 with an operational underspend of £0.837 million which was 0.54% of our budget for the year.
14. Total IJB reserves have doubled in 2021/22 to £1,262 million largely due to additional funding received late in the financial year for national policy commitments, including the response to Covid-19. Due to changes to future anticipated IJB Covid-19 spend, the Scottish Government are exploring options to recover around two thirds of Covid-19 related reserve balances held at the 2021/22 year end.
  - Our reserves increased from £10.5 million to £20.7 million and as above the vast majority of this related to Scottish Government ring-fenced funds, received late in the year, including Covid-19 funding of over £9 million.
  - Our reserves use in 2022/23 was just over £16 million and included £4.6 million spent on Covid-19 costs and £4.7 million return of Covid-19 funding for redistribution.
  - We will take just over £6 million into 2023/24 and of this £1.8 million relates to Scottish Government ring-fenced funding.

15. The pandemic continued to impact on the delivery of IJB savings plans, with the Scottish Government providing specific financial support in 2021/22 to support unachieved savings on a non-recurring basis. This typically means that these savings have to be achieved in future years. It is essential that comprehensive plans are in place, demonstrating how IJBs will achieve recurring savings and support required service transformation.
- We are taking £2.4 million legacy savings into 2023/24 which is 35% of the £7.06 million we need to find in savings. As part of our 2020/21 budget we planned to prioritise care (per the Supporting People Framework now in place) to deliver the savings; this then paused as a result of the pandemic with support for savings as part of Covid-19 funding. That element of support funding ended in March 2022. In 2022/23 we used £2.4 million of reserves to support this saving as capacity and operational challenges did not allow for redesign.

### Medium and longer-term outlook

16. IJBs have a projected funding gap of £124 million for 2022/23. Fourteen per cent of the 2022/23 projected funding gap is anticipated to be bridged by drawing on reserves, with other savings delivered on a non-recurring basis. Savings options had not been identified for 28 per cent of the gap. The identification and delivery of recurring savings and reducing reliance on using reserves to fund revenue expenditure is key to ensuring long-term financial sustainability.
- Our strategy to bridge savings and allow smoothing in, particularly any saving that relates to care and support, was in place pre pandemic. Following the challenges in 2022/23 we are taking £1.6 million into 2023/24 to support delivery of savings.
17. Three quarters of IJBs have recently updated their Medium Term Financial Plans (MTFPs). Doing so allows IJBs to respond more effectively to the long-term impacts of Covid-19, alongside increased cost pressures, including rising demand and inflation.
- We took a refreshed MTFP in May 2022 and the latest refresh is at June 2023.
18. The report then discusses some of these issues in more detail and further points of note include the following exhibit diagrams:
19. Exhibit 1 Surplus as a proportion of net cost of services (report page 10) shows East Renfrewshire as 5<sup>th</sup> lowest with the majority of our surplus resulting from Covid-19 funding.
20. Exhibit 2 2021/22 Savings performance (page 11 of the report) shows East Renfrewshire 10<sup>th</sup> highest in the proportion of savings unachieved. However it should be noted that Covid-19 support funding was available in 2021/22.
21. Exhibit 4 2021/22 year-end IJB reserves as a proportion of the net cost of services (excluding Covid-19 reserves) (page 14 of the report) shows East Renfrewshire with the 9<sup>th</sup> lowest level of reserves, with almost all of this earmarked. An important point to note is the report states that almost half of all IJBs had contingency reserve levels of less than one percent of net cost of services.
22. Exhibit 5 2022/23 funding gap, excluding Covid-19 related costs, as a proportion of the net cost of services (page 16 of the report) shows East Renfrewshire with 9<sup>th</sup> highest level of funding gap.

**CONCLUSIONS**

- 23. Whilst there is nothing of surprise in this report and the information relates in the main to 2012/22 and the report does give the contextual and benchmark information for East Renfrewshire.
- 24. We are now facing significant challenges in 2023/24 and there is little or no improvement locally or nationally in the current financial outlook.

**RECOMMENDATIONS**

- 25. The Performance and Audit Committee is asked to note the report.

**REPORT AUTHOR AND PERSON TO CONTACT**

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16 June 2023

Chief Officer, IJB: Julie Murray

**BACKGROUND PAPERS**

None

# Integration Joint Boards

Financial analysis 2021/22



ACCOUNTS COMMISSION 

Prepared by Audit Scotland  
April 2023

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Further information about our work on [Transforming health and social care in Scotland](#) is available on the Audit Scotland website as well as the following outputs:

**Health and social care integration: Update on progress**  
November 2018

**What is integration? A short guide to the integration of health and social care services in Scotland**  
April 2018

**Health and social care integration**  
December 2015





# Key messages

## IJB operating context

- IJBs face increasing demand – Scotland’s population is ageing, with increasingly complex health and social care needs.
- The health and social care workforce is under extreme pressure, with continued recruitment and retention challenges.
- IJBs continue to deal with the impacts of Covid-19 on services.
- There remains considerable uncertainty about the planning and delivery of health and social care services whilst the Scottish Government develop plans to create a National Care Service (NCS).

## IJB financial and service challenges

- IJBs face considerable financial uncertainties and workforce challenges.
  - Efficiency and transformational savings alone may be insufficient to meet future financial challenges. Significant transformation is needed to ensure financial sustainability and service improvements.
  - The social care sector cannot wait for a NCS to deal with financial, workforce and service demand challenges– action is needed now if we are to improve the outcomes for people who rely on health and social care services.

## IJB finances 2021/22

- IJBs returned significant surpluses in 2021/22, mainly due to additional funding received late in the financial year for specific policy commitments, including Covid-19, as well as underspends on the cost of providing services.
- Total IJB reserves have doubled in 2021/22 to £1,262 million largely due to additional funding received late in the financial year for national policy commitments, including the response to Covid-19. Due to changes to future anticipated IJB Covid-19 spend, the Scottish Government are exploring options to recover around two thirds of Covid-19 related reserve balances held at the 2021/22 year end.
- The pandemic continued to impact on the delivery of IJB savings plans, with the Scottish Government providing specific financial support in 2021/22 to support unachieved savings on a non-recurring basis. This typically means that these savings have to be achieved in future years. It is essential that comprehensive plans are in place, demonstrating how IJBs will achieve recurring savings and support required service transformation.

## Medium- and longer-term outlook

- IJBs have a projected funding gap of £124 million for 2022/23. Fourteen per cent of the 2022/23 projected funding gap is anticipated to be bridged by drawing on reserves, with other savings delivered on a non-recurring basis. Savings options had not been identified for 28 per cent of the gap. The identification and delivery of recurring savings and reducing reliance on using reserves to fund revenue expenditure is key to ensuring long-term financial sustainability.
  - Three quarters of IJBs have recently updated their Medium Term Financial Plans (MTFPs). Doing so allows IJBs to respond more effectively to the long-term impacts of Covid-19, alongside increased cost pressures, including rising demand and inflation.
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# Introduction

**1.** This Accounts Commission report provides a high-level independent analysis of the financial performance of Integration Joint Boards (IJBs) during 2021/22 and their financial position at the end of that year. It also looks ahead and comments on the financial outlook for IJBs in 2022/23 and financial planning in the medium and longer terms. The IJB Financial Analysis forms one part of the Commission's wider programme of audit work on IJBs and health and social care integration.

**2.** IJBs were under significant pressure in 2021/22 – from increasing workforce challenges, the demand pressures of an ageing population and trying to address the disruption caused by Covid-19 on services. The pandemic increased the challenges facing IJBs already trying to respond to financial and demand pressures.

**3.** Alongside this, all IJBs are having to manage immense pressures on the health and social care workforce. Within social care services in 2021, there were around 208,360 people working across Scotland with a 30 per cent turnover of staff per year. The proportion of care services reporting vacancies increased by 11 per cent to 47 per cent in 2021.<sup>1</sup> The most common reasons for vacancies not being filled were too few applicants, and too few who were experienced and qualified. The effects of the pandemic exacerbated existing pressures on the workforce with low pay, antisocial hours and 'burnout' causing experienced staff to leave their posts.

**4.** Together with the Auditor General for Scotland and Audit Scotland, we have [reported on the significant ongoing challenges](#) which impact the delivery of health and social care services. Most recently, we highlighted this in our 2022 [Social care briefing](#). This will continue to be a focus for our future work.

## What is an Integration Joint Board?

**5.** 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 in partnerships, known as Integration Authorities (IAs). There are 31 IAs, established through partnerships between the 14 territorial NHS boards and 32 councils in Scotland.



There were around 208,360 people working across social care services in Scotland in 2021.



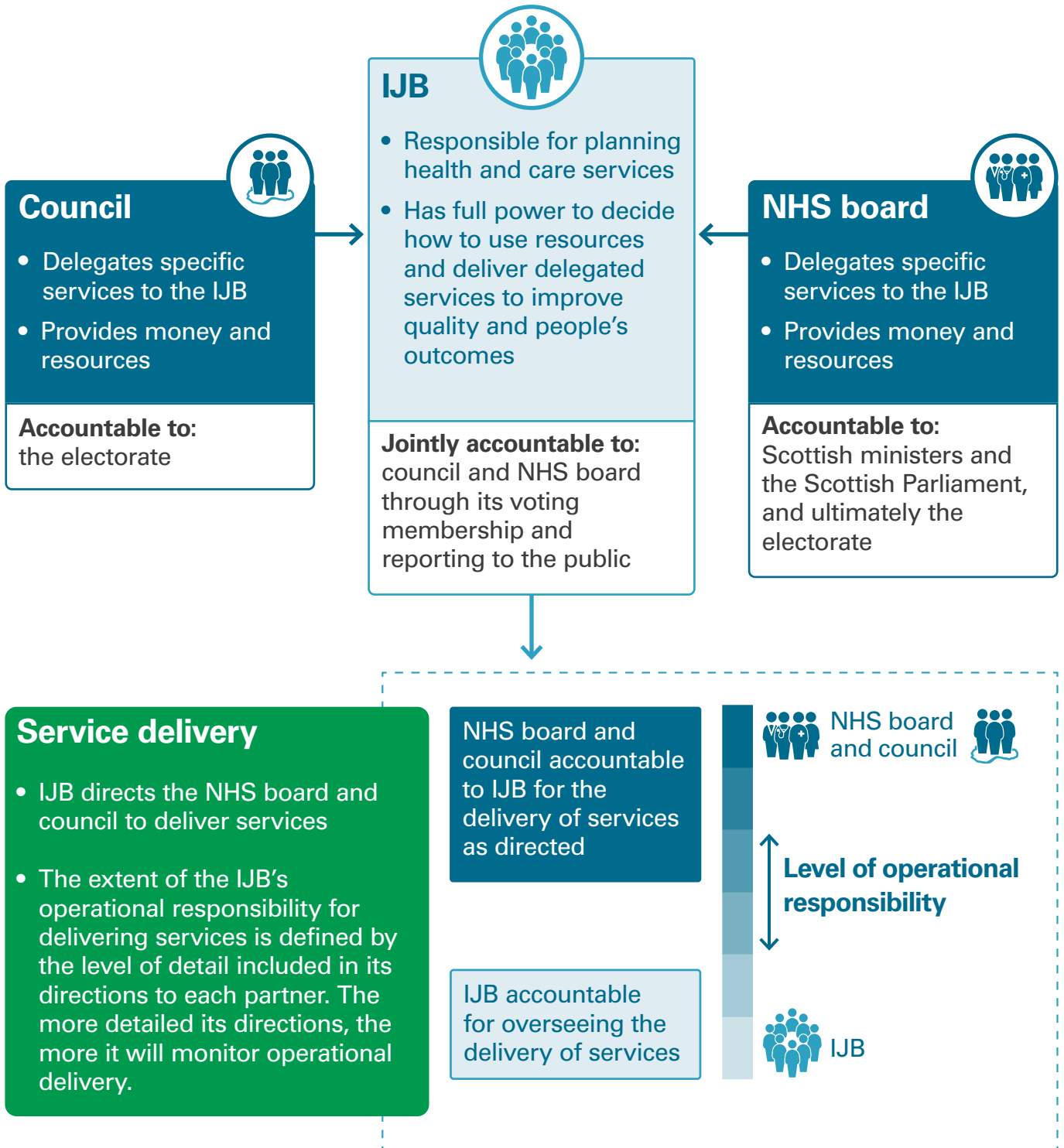
The annual turnover of staff working in social care services was 30%.



Care services reporting staff vacancies increased by 11 per cent to 47 per cent in 2021.

<sup>1</sup> 'Staff vacancies in care services 2021' Scottish Social Services Council

6. As part of the Act, new bodies were created – Integration Joint Boards (IJBs). 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, follows a Lead Agency model. In Highland, the NHS board and council each lead integrated services. Clackmannanshire and Stirling councils have created a single IA with NHS Forth Valley.



7. IJBs provide a wide range of services to vulnerable members of the community. Each IJB differs in terms of the services they are responsible for and local needs and pressures. The Act sets out the services that are required to be delegated to the IJB as a minimum, with the largest areas including the governance, planning and resourcing of the following:

### IJB largest service areas

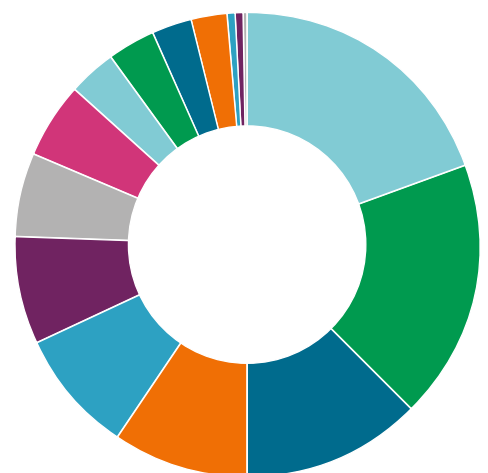
	Adult and older people social work
	General practitioner services
	Services for adults with physical disabilities
	Mental Health services
	Drug and alcohol services
	Allied health professional services
	Pharmaceutical services

8. In some areas, partners have also integrated children's services, social work criminal justice services and some planned hospital services.

9. The budget split varies between IJBs and depends on what services have been delegated. Generally, two-thirds of budgets were for health-related services are provided by the NHS, with the remaining one-third relating to social care services provided by councils and a range of external providers. The exhibit below provides an illustrative example of what IJBs direct money to be spent on, by service:

### Illustrative IJB spending

	Community Health Services	19%
	Family Health Services	18%
	GP prescribing	13%
	Hospital and long term care	9%
	Resource Transfer and other payments	9%
	Adult placements	7%
	Older people nursing and residential	6%
	Homecare Services	5%
	Adult Supported Living	3%
	Children's Services	3%
	Social Care fieldwork teams	3%
	Older people residential and day care	2%
	Adults Fife Wide	1%
	Housing	0%
	Social Care other	0%



Source: Fife IJB revenue budget 2021 to 2024

# Funding and expenditure

## Overall funding to IJBs increased by seven per cent in 2021/22

**10.** Overall funding to IJBs in 2021/22 increased by £704 million in cash terms (or seven per cent) to £11.3 billion. The changes in funding included:

- contributions from councils increasing by two per cent from £2.8 billion to £3.0 billion
- NHS contributions increasing by eight per cent from £6.5 billion to £7.9 billion
- service income increasing from £0.3 billion to £0.5 billion.

**11.** Scottish Government Covid-19 funding was passed on to IJBs via the NHS, explaining the majority of this increase. The increase in the identified service income was largely due to an improved transparency in the way that this income was presented in the IJB accounts rather than an increase in the amount of service income received.

## Over a third of Covid-19 funding received in 2021/22 was carried forward to 2022/23

**12.** IJBs received £960 million<sup>2</sup> of additional funding in year to support them in responding to Covid-19 related costs. Over a third (37 per cent) of Covid-19 related funding received in 2021/22 was carried forward in ringfenced reserves. This situation has arisen largely from the significant allocation of additional Scottish Government funding received towards the end of the financial year. There was initially an expectation that this would be used to fund ongoing Covid-19 related costs. A significant proportion of this funding is now anticipated to be recovered by the Scottish Government via reductions in the NHS funding allocation to IJBs. More information can be found in [paragraph 21](#).

## All IJBs recorded significant surplus positions in 2021/22 arising mainly from the receipt of additional ringfenced funding

**13.** All 30 IJBs reported a surplus position for 2021/22, totalling £679 million, representing seven per cent of the 2021/22 net cost of services. The overall surplus position arose from three main areas ([Exhibit 1, page 10](#)):

- Non-recurring Covid-19 funding in excess of in-year Covid-19 related expenditure accounted for 52 per cent of the cumulative surplus (three per cent of net cost of services).



IJBs received £960 million of additional funding in year to support them in responding to Covid-19 related costs.

<sup>2</sup> £1 billion, when including support for the Highland Lead Agency model.

- Non-recurring Scottish Government funding allocated for specific purposes accounted for 34 per cent of the cumulative surplus (two per cent of net cost of services).
- Underspends on the costs of providing services accounted for 14 per cent of the cumulative surplus (one per cent of net cost of services).

### **Most IJBs reported an underspend position on the costs of providing services**

**14.** The net underspend position on the costs of providing services across IJBs was £93 million. IJBs reported that these underspends were driven largely by vacancies and staff turnover and pandemic-related reductions in service provision. Three IJBs reported an overspending on service budgets and these were funded largely through additional partner funding allocations.

### **Delivery of savings continues to be impacted by the pandemic**

**15.** An analysis of a sample of 27 IJBs identified that three-fifths of total planned savings were achieved compared to just over half of planned savings being delivered in 2020/21. It was not possible to determine the proportion of savings that were delivered on a recurring basis as a result of management actions and what proportion related to one off non-recurring savings.

**16.** The achievement of savings varied significantly, ranging from zero to 100 per cent. Fourteen IJBs achieved over 75 per cent of their savings targets and four IJBs achieving all their required savings in full. Two IJBs either did not achieve any savings or had no savings target in place for the year ([Exhibit 2, page 11](#)).

**17.** Similarly to 2020/21, to reflect the impact of the pandemic on savings plans the Scottish Government provided IJBs with additional funding to cover the projected 2021/22 shortfalls in efficiency savings plans on a non-recurring basis. The total funding to cover this shortfall in 2021/22 was £41.2m. This will have contributed to the IJBs' overall year-end surplus position.

**18.** Savings delivered, or funded, on a non-recurring basis largely get carried forward to be achieved in future years. It is essential that comprehensive plans are put in place to demonstrate how IJBs intend to achieve ongoing saving requirements on a recurring basis and support required service transformation.



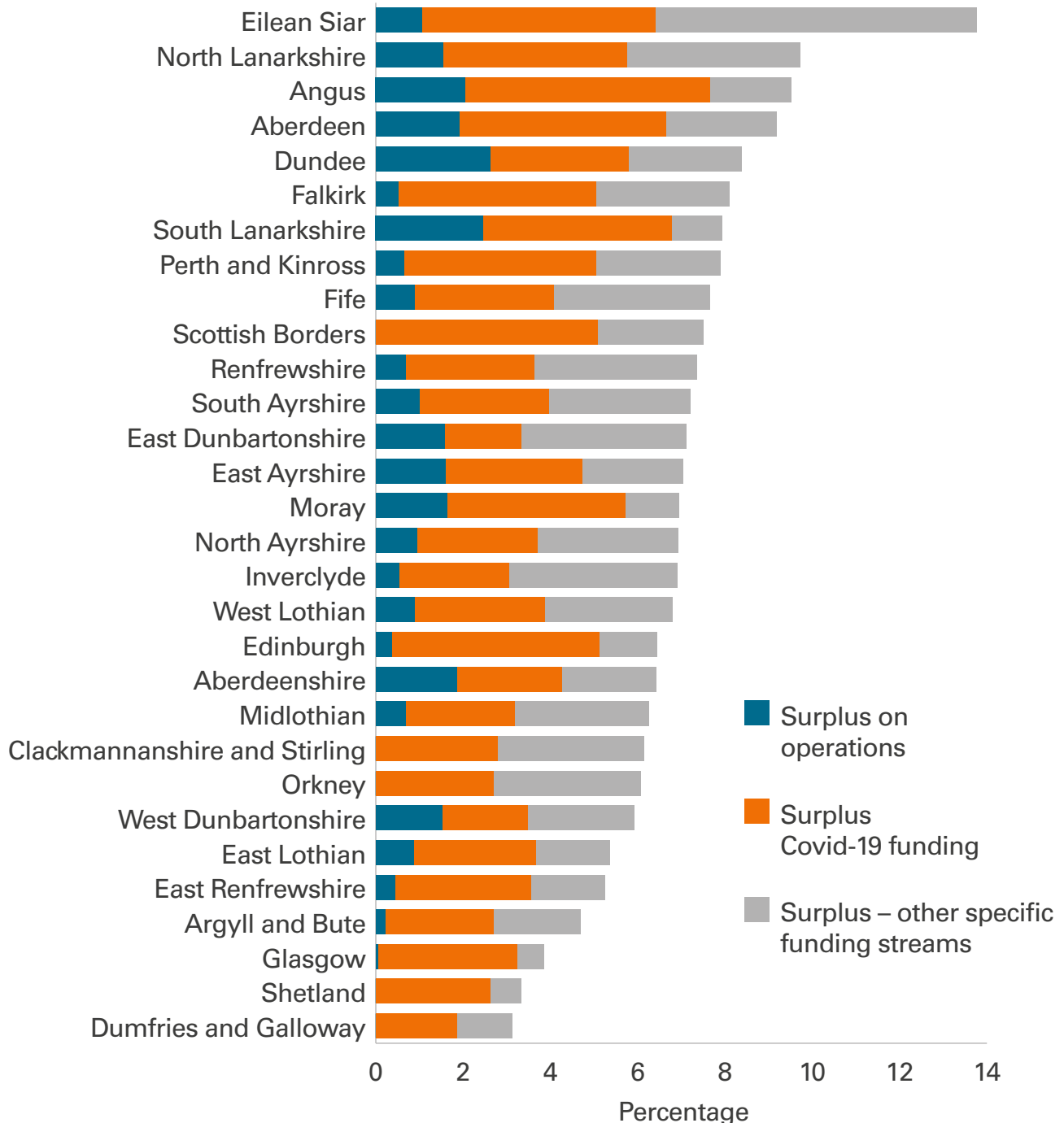
It is essential that comprehensive plans are put in place to demonstrate how IJBs intend to achieve ongoing saving requirements on a recurring basis.



## Exhibit 1.

### Surplus as a proportion of net cost of services

Most IJBs reported an underspend position on the costs of providing services.



#### Notes:

1. Dumfries and Galloway, Shetland and Scottish Borders recorded deficits on the costs of providing services, requiring additional contributions from partner bodies.
2. Orkney and Clackmannanshire/Stirling IJBs reported break-even on the costs of providing services.
3. For South Lanarkshire and Glasgow, where the operational surplus/deficit was not reported, the movement in unearmarked reserves was used instead.

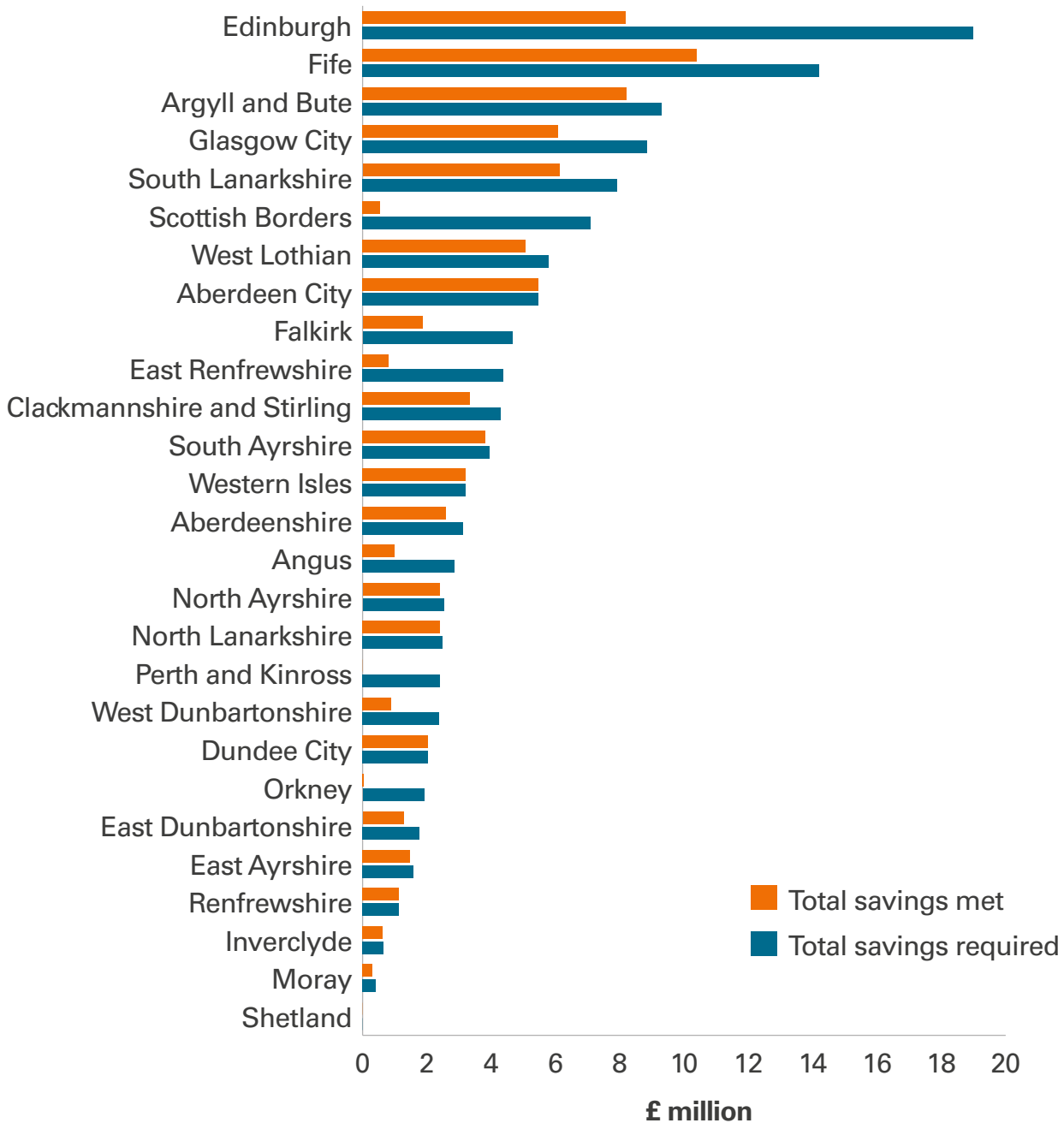
Source: 2021/22 Audited Accounts, IJB 2021/22 Outturn reports



## Exhibit 2.

### 2021/22 Savings performance

Three fifths of total planned savings were achieved compared to just over half of planned savings being delivered in 2020/21.



Notes:

1. In some cases savings met may include one-off compensating savings which were not part of the original planned savings.
2. For West Lothian, where the savings achieved have not been reported, the unmet savings have been set to the amount of gross Covid-19 savings funding received.
3. Dumfries and Galloway, East Lothian and Midlothian have been excluded as information on savings performance was not reported.

Source: 2021/22 Audited Accounts, IJB 2021/22 Outturn reports

## Reserves

### Total reserves held by IJBs have doubled to £1,262 million in 2021/22 largely due to additional funding received late in the financial year

**19.** In 2021/22, all IJBs recorded an increase in their level of reserves with the overall reserve balance increasing by £679 million (116 per cent) to £1,262 million. Total reserves held at the year-end now represented 12 per cent of the net cost of service. This represents almost an eightfold increase in reserves since the start of the pandemic.

**20.** Reserves largely consisted of four main areas ([Exhibit 3, page 13](#)), as follows:

- Covid-19 related reserves of £502 million (£152 million in 2020/21) representing all unspent funding received to support the impact of the pandemic on IJB services.
- Earmarked reserves of £426 million (£201 million in 2020/21) include a wide range of individual IJB specific reserves covering a number of areas, including reserves associated with winter planning and strategic/transformational change.
- Ringfenced reserves of £185 million (£115 million in 2020/21) to support Scottish Government national policy objectives. Examples include the Primary Care Improvement Fund, Mental Health Recovery and Renewal, Mental Health Action 15, Community Living Change Fund and Alcohol and Drug Partnership funding.
- Contingency reserves of £148 million (£112 million in 2020/21), representing reserves that have not been earmarked for a specific purpose. These reserves are used to mitigate the financial impact of unforeseen circumstances.

### The Scottish Government is exploring options to recover around two-thirds of 2021/22 year-end Covid-19 related reserve balances

**21.** The Scottish Government wrote to IJBs in late 2022 highlighting that significant changes to Public Health policies have resulted in the profile of Covid-19 spending decreasing significantly. In response to this reduction in anticipated spending, the Scottish Government confirmed in January 2023 that they planned to recover £321 million (64 per cent) of Covid-19 related reserves held by IJBs at the end of 2021/22. This would have the impact of reducing the total year-end reserves position to £941 million.

**22.** It is anticipated that there will be engagement with the IJB Chief Finance Officers in April 2023 to determine any adjustments required around Covid-19 related expenditure incurred during the remainder of 2022/23.

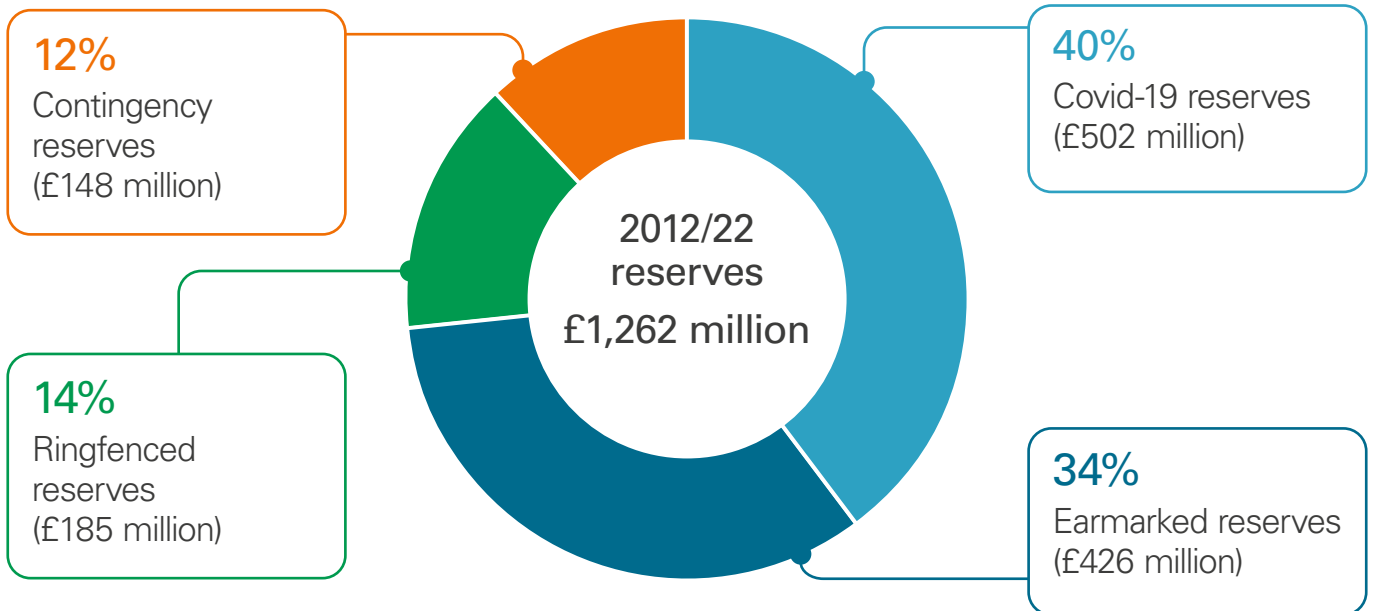


The Scottish Government plans to recover £321 million (64 per cent) of Covid-19 related reserves held by IJBs.

## Exhibit 3.

### 2021/22 reserves

Total reserves held by IJBs have doubled to £1,262 million in 2021/22 largely due to additional funding for Covid-19 and other specific purposes received late in the financial year.



Source: 2021/22 Audited Accounts, IJB 2021/22 Outturn reports

### Contingency reserves now represent a fifth of the total year-end reserves balance once Covid-19 related balances have been excluded

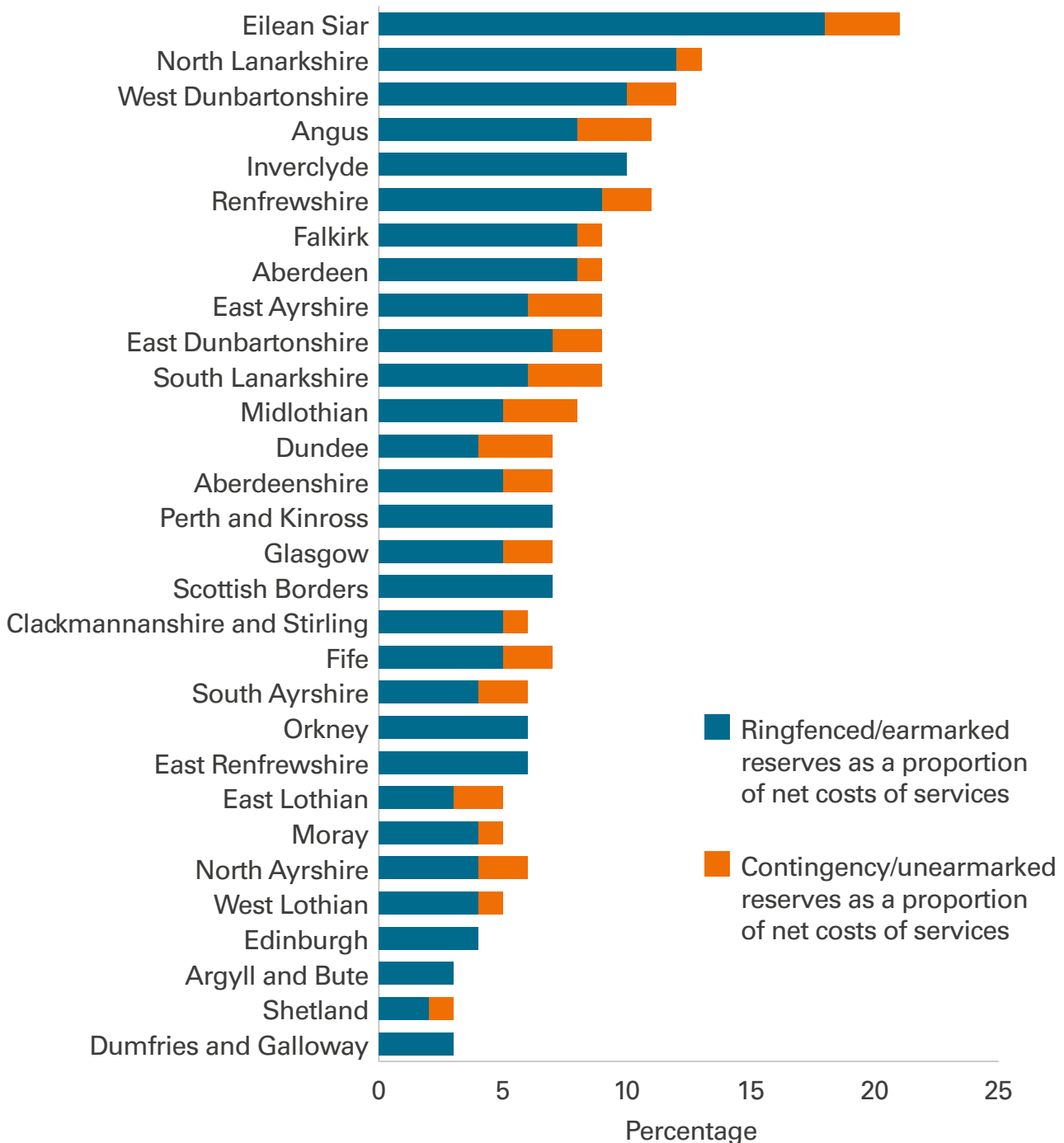
**23.** Once Covid-19 related reserves are excluded, 19 per cent of reserves were classified as contingency reserves, increasing from 16 per cent in 2020/21. Individual proportions ranged from zero to 43 per cent, with 14 IJBs having contingency reserves representing over 20 per cent of individual IJB total reserves.

**24.** Contingency reserves are levels of uncommitted funds used to mitigate against the impact of unanticipated events or emergencies. It is considered prudent for IJBs to have access to a level of contingency funds, especially during periods of increased financial uncertainty, and levels will be determined by each individual IJB depending on their circumstances. The level of uncommitted contingency funds held by each IJB will vary depending on individual IJB reserve policy. From a review of a sample of IJB reserve policies, IJBs were determining that a contingent reserve level of around two per cent of annual budgeted expenditure was prudent. Across the IJBs, contingency reserves as a proportion of net cost of services, ranged from zero per cent and three per cent; 27 per cent of IJBs had contingency reserve levels of between two and three per cent of net cost of services. For 43 per cent of IJBs, the level was either less than one per cent or zero ([Exhibit 4, page 14](#)).

## Exhibit 4.

### 2021/22 year-end IJB reserves as a proportion of the net cost of services (excluding Covid-19 reserves)

Almost half of all IJBs had contingency reserve levels of less than one per cent of net cost of services.



Source: 2021/22 Audited Accounts

## Financial outlook

### Most IJBs agreed a balanced 2022/23 budget with partners before the start of the financial year

**25.** IJBs have a requirement to agree their budgets by 31 March each year. For 2022/23, 23 of the 30 IJBs agreed a balanced budget before the start of the financial year. Delays in the agreement of savings plans and NHS partner funding were the most common reasons for balanced budgets not being agreed at the start of the financial year.

### The 2022/23 projected funding gap was £124 million, down from £151 million in 2021/22

**26.** IJB annual accounts and budget papers identified an overall funding gap of £124 million for 2022/23. This is down from the £151 million funding gap in 2021/22. Individual funding gaps, as a proportion of the net cost of services, ranged from zero per cent to six per cent in Eilean Siar ([Exhibit 5, page 16](#)).

**27.** Of the total funding gap, 57 per cent (72 per cent in 2021/22) is anticipated to be met by identified savings, 15 per cent from the use of reserves, with actions yet to be identified to bridge the remaining gap ([Exhibit 6, page 17](#)).

### A third of the 2022/23 projected funding gap is anticipated to be bridged on a non-recurring basis

**28.** The use of reserves makes up 14 per cent of plans to bridge the funding gap. The identified savings also includes a proportion of non-recurring savings. There was a significant proportion of the funding gap that had yet to have planned action agreed at the time of budget setting. The increased reliance on non-recurring sources of income is not sustainable in the medium to long term. The identification and delivery of recurring savings and a reduced reliance on drawing from reserves to fund revenue expenditure will be key to ensuring long-term financial sustainability ([Exhibit 6, page 17](#)).

**29.** From a review of 2021/22 Annual Audit Reports, auditors reported that future funding gaps are unlikely to be addressed through efficiency and transformation savings alone. The scale of the challenges faced by IJBs means that services will need to change if they are to be sustainable in the future. IJBs will need to work with partners to develop revised financial strategies to ensure that they remain financially sustainable.

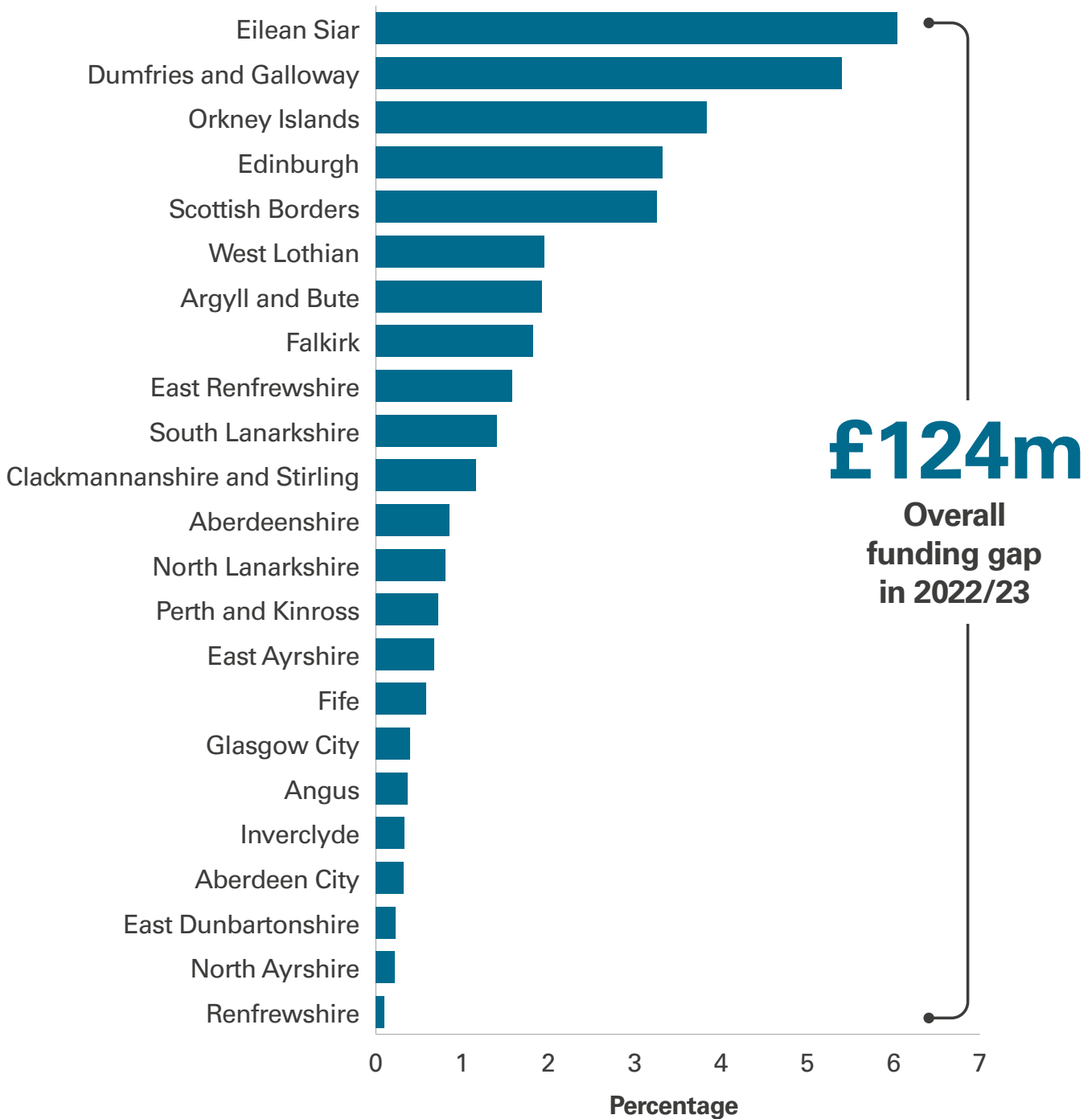


IJBs will need to work with partners to develop revised financial strategies to ensure that they remain financially sustainable.

## Exhibit 5.

### 2022/23 IJB funding gap, excluding Covid-19 related costs, as proportion of 2021/22 net cost of services

IJB annual accounts and budget papers identified an overall funding gap of £124 million for 2022/23, down from £151 million funding gap in 2021/22. Individual funding gaps, as a proportion of the net cost of services, ranged from zero to six per cent.



Notes:

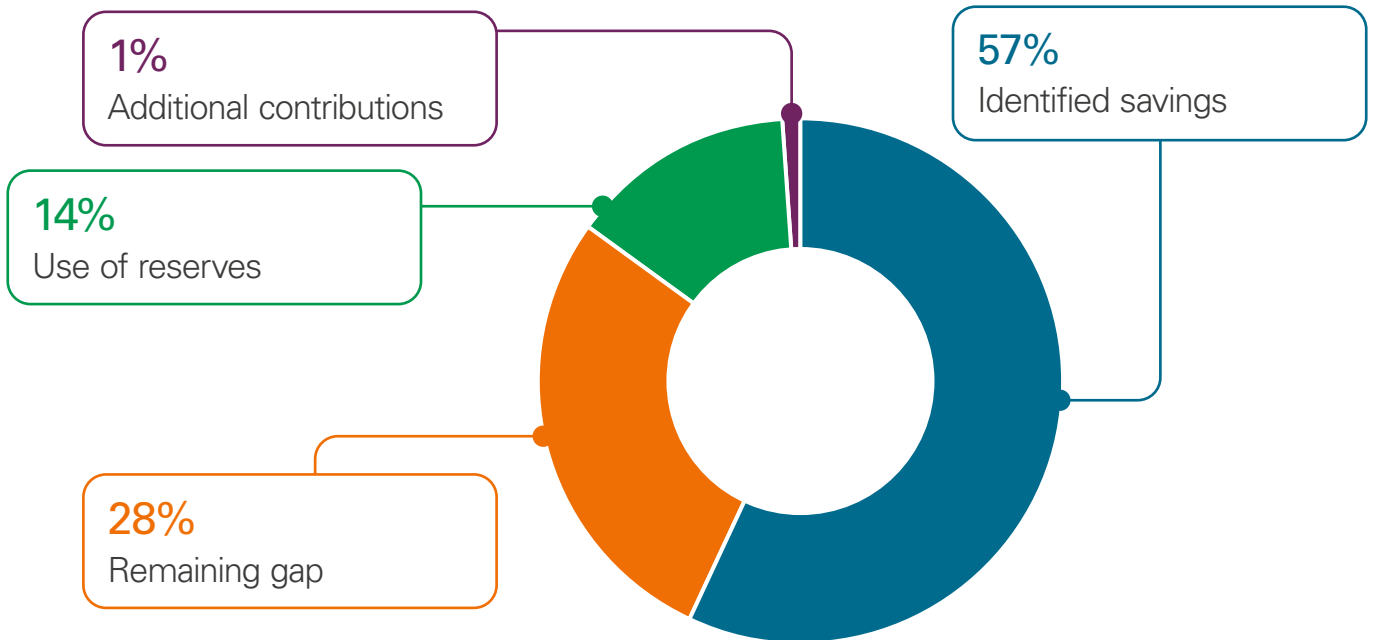
1. Seven IJBs report no funding gap for 2022/23.
2. In some cases it was not clear from reports whether unachieved savings brought forward were included in the 2022/23 funding gap.

Source: 2021/22 Audited Accounts, IJB 2021/22 Outturn reports, IJB MTFPs

## Exhibit 6.

### 2021/22 IJB funding gap planned action

The use of non-recurring reserves makes up 14 per cent of plans to bridge the funding gap.



Note: It was not clear from reports the proportion of savings that were planned to be delivered on a recurring or non-recurring basis.

Source: 2021/22 Audited Accounts, IJB 2021/22 Outturn reports, IJB MTFPs

### Three-quarters of IJBs have revised their medium-term financial plans (MTFP) since 2022

**30.** Twenty-three IJBs have a MTFP in place that has been updated since 2022, whereas five IJBs do not currently have a MTFP in place. The impact of Covid-19 and the current levels of financial uncertainty was cited as a reason for the delays in developing or updating MTFPs. It is important that IJBs revise their MTFPs to allow them to respond effectively to the long-term impacts of Covid-19 and increased cost pressures, including rising demand and inflation.

**31.** Some examples of the anticipated funding gaps over the period 2022/23 to 2024/25 included:

- Glasgow anticipating a funding gap of £60 million representing four per cent of their 2021/22 net cost of services
- Renfrewshire anticipating a funding gap between £37 million to £48 million representing 11–15 per cent of their 2021/22 net cost of services
- Eilean Siar anticipating a funding gap of £7 million representing 11 per cent of their 2021/22 net cost of services.



It is important that IJBs revise their MTFPs to respond effectively to the long-term impacts of Covid-19 and increased cost pressures.

**32.** Common cost pressures and challenges raised in MTFPs included:

- inflationary pressures impacting the cost of providing service
- increasing complexity of care
- staff shortages and difficulty in recruiting leading to increased locum and agency bank costs
- meeting climate change commitments
- uncertainties around the long-term impact of Covid-19 on frailty and its potential impact on demand for services.

**Seven IJBs reported a change of Chief Officer or Chief Finance Officer in 2021/22 and instability of leadership continues to be a challenge**

**33.** Seven IJBs reported a change in a senior officer role in 2021/22 compared to changes at 12 IJBs reported in 2019/20. Although this represents an improvement on the 2019/20 position, instability of leadership continues to be a challenge and has the potential to contribute to delays in strategic planning and issues with workforce planning.

**34.** With the council elections in May 2022, membership of IJBs will have been subject to change. Structured programmes of induction for new members will help ensure they have the skills and knowledge to provide a high standard of scrutiny and decision-making.

**IJBs face considerable challenges and uncertainties and significant and long-term transformation is required to ensure they have the organisational and financial capacity to ensure high quality services in the longer term**

**35.** Auditors reported that efficiency and transformational savings alone may be insufficient to meet future financial challenges and that significant and long-term transformation will be needed to ensure financial sustainability. IJBs are facing a range of significant challenges and uncertainties, including:

- level and terms of future funding settlements
- recruitment and retention difficulties, both internally and with external providers
- rising demand, including demographic challenges of an ageing population
- cost of living crisis and inflationary pressures
- ongoing impact of Covid-19
- potential financial implications of the creation of a National Care Service (NCS).



**36.** The National Care Service (Scotland) Bill (the Bill) was introduced in June 2022, with the policy objective of improving quality and consistency of social services in Scotland. The Scottish Government published a [Financial Memorandum](#) to accompany the Bill. This sets out that total estimated cost ranges of the Bill will be £24–36 million in 2022/23, increasing to £241–527 million by 2026/27. Our view, as set out in our [NCS Bill – Call for Evidence](#) document is that the potential costs summarised in the financial memorandum are likely to significantly understate the margin on uncertainty and range of potential costs of establishing the NCS.

**37.** Stage One of the Bill was due to be completed in March 2023 but has been postponed until 30 June. This will allow the Scottish Government time to respond to some of the points raised through the parliamentary scrutiny process to date. The Scottish Parliament’s Finance and Public Administration Committee published a [report](#) on the Financial Memorandum in December 2022, where it raised significant concerns in relation to costing estimates. The committee has requested that the Scottish Government revises the Financial Memorandum, updating financial costing estimates. The Scottish Parliament’s Delegated Powers and Law Reform Committee published its [report](#) stating that it does not believe the Bill should progress in its current form. It is concerned that there is currently insufficient detail in the Bill documents to allow for meaningful parliamentary scrutiny.

**38.** The sector cannot wait for a NCS to deal with the huge challenges it faces and action is needed now. These challenges will have been exacerbated by the further pressures on Scotland’s public finances from rising demand and inflation, as set out in our report [Scotland’s public finances: Challenges and risks](#). In particular, recent demand pressures, as well as the cost of living crisis has put real pressure on both the demand for services, and the provision of these services – notably the workforce. Recovery from the pandemic is having an ongoing impact, with increasing levels of unmet need having a real impact on the outcomes for individuals.

**39.** A measure of success for any reforms will be to ensure that a preventative, person-centred approach, as set out by Christie ten years ago, is embedded to improve outcomes and reduce inequalities. To do so, it will be essential that appropriate funding is put in place to deliver on these ambitions.

**40.** Further information about our work on [Transforming health and social care in Scotland](#) is available on the Audit Scotland website as well as the following outputs:

- [What is integration? A short guide to the integration of health and social care services in Scotland \(2018\)](#)
- [Health and social care integration \(2015\)](#)
- [Health and social care integration: Update on progress \(2018\)](#)

# Integration Joint Boards

## Financial analysis 2021/22

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