

# Financial position of Integration Joint Boards

Response to Call for Views

ACCOUNTS COMMISSION 

AUDITOR GENERAL 

Prepared by Audit Scotland  
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# 1. Introduction

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- 1.** Audit Scotland, on behalf of the Auditor General for Scotland and the Accounts Commission, welcomes the opportunity to respond to this [call for views on the financial position of Integration Joint Boards](#) from the Health, Social Care and Sports Committee of the Scottish Parliament, to support its pre-budget scrutiny.
- 2.** The Auditor General for Scotland (AGS) 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.
- 3.** The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account and help them improve by reporting to the public on their performance. Amongst its responsibilities, the Accounts Commission scrutinises Annual Audit Reports for all local authorities including Integration Joint Boards and reports publicly on their financial management, their performance and their demonstration of their duty of Best Value. The Accounts Commission. 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.
- 4.** Audit Scotland is a statutory body established under the Public Finance and Accountability (Scotland) Act 2000. It is Scotland's national public sector audit agency which provides the AGS and the Accounts Commission with the services they need to carry out their duties.
- 5.** Audit Scotland, the Auditor General and the Accounts Commission report on whether public money is spent properly and how effectively and efficiently it is spent, but do not comment on matters of policy.
- 6.** We have drawn on relevant audit work to support our response. All of our publications are available on the [Audit Scotland's website](#).

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## 2. Response to call for views

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### PAGE 1

#### **QUESTION 1 How has the financial performance of IJBs supported or hindered progress towards integration of health and social care?**

**7.** The Accounts Commission's report [Integration Joint Boards' Finance and performance 2024](#) (IJBs 2024 report), shows that a complex landscape of issues facing IJBs, including the financial pressures, are collectively contributing to a general decline in performance and outcomes for people using health and social care services.

**8.** IJBs have had to achieve savings as part of their partner funding allocations for several years and achieving these savings, while maintaining service levels, has become increasingly difficult. IJBs are now having to consider more significant options as statutory duties have to be prioritised. This includes ending funding for some care and support services, to ensure financial sustainability in the medium to long term. In the [IJBs 2024 report](#), we comment that 'collaborative, preventative and person-centred working is shrinking at a time when it is most needed. Instead of a focus on care at the right place at the right time, there is a shift to reactive services with little capacity to invest in early intervention and prevention'.

**9.** The financial challenges facing IJBs are inextricably intertwined with the deepening challenges in sustaining the social care workforce. In 2023/24, 19 IJBs reported a surplus on the cost of providing services, but these underspends were driven largely by vacancies and staff turnover. The IJBs ability to meet the rising demand for their services and maintain service quality, is weakened by unfilled vacancies. In the [IJBs 2024 report](#) we conclude that the IJBs reporting a surplus could not do so if the workforce was at full capacity. Across the primary and community health and social care sector there are difficulties in recruiting and retaining a skilled workforce.

**10.** In relation to the social care workforce challenges, the [IJBs 2024 report](#) also states that 'without significant changes in how services are provided and organised, this issue will get worse as demand continues to increase and the workforce pool continues to contract'. One of the key messages in our 2021 [Social Care Briefing](#), (published jointly with the Auditor General for Scotland) is that the social care sector 'faces ongoing challenges with recruitment and retention. Staff are not adequately valued, engaged, or rewarded for their vitally important role. The workforce is predominantly female and poor terms and conditions for staff contribute to recruitment difficulties, rising sickness absence and high vacancy levels. This puts the capacity, sustainability, and quality of care services at a considerable risk'. In the IJB 2024 report we refer to a survey carried out by Scottish Care, which found that social care providers are not only competing for staff within the sector, given the variability in pay in conditions,

but are losing staff to the health sector where pay is notably higher, alongside the hospitality and retail sector. Our IJBs 2024 report also highlights that the workforce challenges and the financial implications are even more marked in rural and islands settings. Demographic changes are more pronounced, affecting demand for services and the available workforce pool.

## **QUESTION 2 What further resources would help achieve better service delivery and outcomes?**

**11.** IJBs are currently facing a range of significant and growing challenges and uncertainties impacting financial sustainability and service provision, including:

- uncertainty around the level and terms of future funding settlements and funding allocations for specific initiatives
- significant recruitment and retention challenges, both with the IJB and partner bodies and with external providers in the sector
- rising demand and increasing complexity of care arising from the demographic challenges of an ageing population
- cost-of-living crisis and inflationary cost pressures, including prescribing costs, making it more expensive to maintain the same level of services
- ongoing legacy cost impacts of Covid-19, including vaccination programmes, testing and Personal Protective Equipment costs.

**12.** In the [IJB 2024 report](#), we set out that funding to IJBs in 2022/23 decreased by £1.1 billion (nine per cent) in real terms to £11.0 billion; a £342 million decrease in cash terms. IJBs received £1.0 billion of additional funding in 2021/22 to support their response to the Covid-19 pandemic. Excluding the 2021/22 Covid-19 related funding, this shows an underlying decrease of £68 million in real terms, representing a 1.0 per cent decrease. The 2024/25 budget setting suggests that the projected funding gap for IJBs has increased to £456 million.

**13.** IJBs achieved 84 per cent of their £77 million planned savings target in 2022/23. However, over a third of this was achieved on a non-recurring basis. Identifying and achieving savings every year on a recurring basis, and moving away from relying on one-off savings, is essential for IJBs to maintain financial sustainability.

**14.** In the [IJB 2024 report](#) we highlight that there are examples of IJBs trying to work in new and different ways, but there is a lack of collaboration and systematic shared learning on improvement activities. Investing in collaborative approaches to share knowledge and learning on, for example, service redesign that supports early intervention and prevention and approaches focused on improving recruitment and retention of the workforce could have significant medium- and longer-term benefits. Early intervention covers services not covered by the governance of the IJBs. A wider public health approach to

meeting the needs of an aging population will be needed to improve outcomes, particularly in the most disadvantaged local communities.

**15.** We underline in the [IJB 2024 report](#) that IJBs operate within complex governance systems that can make planning and decision making difficult. They cannot address the issues across the sector alone. Whole-system collaborative working is needed as part of a clear national strategy for health and social care that will promote improved outcomes across Scotland but reflects the need to respond to local priorities and circumstances.

**QUESTION 3. To what extent do current financial arrangements pose challenges for IJBs, with resources allocated from health boards and local authorities? How do these arrangements impact on, or support effective delivery?**

**16.** We have commented on the challenges for the current integration arrangements with the current funding model in the [Health and social care integration: update of progress report in 2018](#) and the [IJB 2024 report](#).

**17.** We reported in our [Health and social care integration: update of progress report](#) in 2018, that the current model of governance is complicated, with decisions made at IJB, council and health board level. We found that cultural differences between partner organisations are a barrier to achieving collaborative working and achieving key priorities. These challenges have not been resolved.

**18.** In the [2018 report](#), we also highlighted that establishing IJBs was intended to ‘help shift resources away from the acute hospital system towards preventative and community-based services’. The report commented that there was 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’. In the [IJB 2024 report](#), we comment on the lack of a shift in the balance of spend, highlighting that ‘the percentage of expenditure on institutional and community-based Adult Social Care services has largely remained static’.

**19.** The current governance and funding arrangements also affect budget planning. In the [IJB 2024 report](#) we state that twenty-five IJBs agreed their 2023/24 budget before the start of the financial year. Delays in the agreement of savings plans and uncertainty around NHS partner funding were the most common reasons for IJBs not agreeing a balanced budgets before the start of the financial year. IJBs do not always receive notification of funding allocations from NHS boards before the start of the financial year. This adversely affects the IJBs’ ability to plan expenditure, can cause delays to decision-making and lead to vacancies being held unfilled due to uncertainty over funding. This highlights the importance of a strategic approach to budget and resource allocation which is more outcome-focused in the future.

## PAGE 2

### QUESTION 1. Are IJBs using reserves effectively?

**20.** The total reserves held by IJBs almost halved in 2022/23, largely due to the use and return of Covid-related reserves. When Covid-19 reserve movements are excluded, the total value of reserves was reduced by 10 per cent (£72 million) from £760 million to £687 million.

**21.** The reserves held by IJBs in 2022/23 consist largely of four main areas:

- Earmarked reserves of £426 million held by individual IJBs for a range of local planned purposes, such as reserves for multidisciplinary teams, interim care beds, as well as more generic reserves associated with winter planning and local reserves to support newer innovative practices that contribute towards strategic change.
- Ring-fenced reserves of £79 million provided 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 £183 million that have not been earmarked for a specific purpose. IJBs have more flexibility on the use of this type of reserves which are often used to mitigate the financial impact of unforeseen circumstances.
- Covid-19 related reserves of £14 million, representing all unspent funding received to support the impact of the pandemic on IJB services.

**22.** The reduction in reserves was slightly offset by increases in the contingency reserves and other locally earmarked reserves. Contingency reserves have continued to increase, largely as a result of unplanned vacancy savings, and now represent a quarter of the total year end reserves balance. The £183 million contingency reserves equate to only about two per cent of annual expenditure. It varies across IJBs from 3.9 per cent (Eilean Siar) to 0.1 per cent (East Renfrewshire), with five IJBs holding no contingency reserves.

**23.** In 2022/23, the majority of IJBs reported notable savings, but these were largely arising on a non-recurring basis from unfilled vacancies. IJBs have had to achieve savings as part of their partner funding allocations for several years. The projected funding gap for 2023/24 has almost tripled, in comparison to the previous year, with over a third anticipated to be bridged by non-recurring savings, with a quarter of the gap bridged using reserves. The increased reliance on non-recurring sources of income to fund recurring budget pressures is unsustainable 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.

**24.** The financial outlook makes it more important than ever that the budget process involves clear and open conversations with IJB partners, workforce, people who use services and other stakeholders around the difficult choices

required to achieve financial sustainability. This might include choices about the planned range, volume and quality of services available or how these services are provided. This includes choices about investment in preventative approaches to support longer term management of demand for complex social and health care needs.

## **QUESTION 2. Are IJBs using their set aside budgets effectively?**

**25.** We commented in the [2018 report](#), in relation to ‘set-aside’ budget, that the ‘complexities around accurately preparing set-aside budgets has presented challenges to fulfilling this element of the Public Bodies (Joint Working) (Scotland) Act, 2014. 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.’ The arrangement adds to the complexity and lack of transparency in the system.

**26.** We have not commented on this issue in more recent work however our monitoring work indicates that for 2022/23, there was a 12 per cent increase in the set aside budget (£1.1bn (21/22) to £1.2bn (22/23)). The set aside as a proportion of the overall funding (excluding Covid funding for 21/22) has remained around 11 per cent.

**27.** More broadly, the Commission recommends in its [IJB 2024 report](#) that IJBs should ensure that their Medium-Term Financial Plans are up to date and reflect all current known and foreseeable costs to reflect short and longer-term financial sustainability challenges. It also recommends that IJBs ensure that the annual budgets and proposed savings are achievable and sustainable. The budget process should involve collaboration and clear conversations with IJB partners, workforce, people who use services and other stakeholders around the difficult choices required to achieve financial sustainability.

## **QUESTION 3. What impact, if any, is ongoing uncertainty around potential future changes to governance arrangements, arising from proposals for the creation of a National Care Service, having on budget setting conversations for IJBs?**

**28.** We report in the [IJB 2024 report](#) that ‘uncertainty around the direction of the plans for a National Care Service and continued instability of leadership in IJBs have ... contributed to the difficult context for planning and delivering effective services’.

**29.** The Bill as introduced, and the supporting documentation, outlined that the NCS would involve the transfer social care and social work council functions, staff and assets to Scottish Ministers or local care boards. This put in question the role and responsibility of IJBs and caused uncertainty for IJBs on the timescales for implementing the proposed National Care Service and what form it would likely take. This has complicated IJBs ability to undertake medium- and long-term financial planning. The proposed draft amendments suggest that IJBs will be reformed rather than replaced by 2029/30. Although some uncertainty about the arrangements remain, the Commission encourages IJBs to ensure that they have effective medium- and longer-term planning in place.



#### **QUESTION 4. How successful have IJBs been in shifting the focus towards addressing low and moderate care needs to reduce the negative impact of hospital admissions / delayed discharges?**

**30.** In the [IJB 2024 report](#) we reference the Auditor General's NHS in Scotland 2023 report, published in February 2024, which states that 'a lack of social care capacity remains an obstacle to improving patient flow and reducing the number of delayed discharges from hospital. This is supported by data showing that many patients whose discharge is delayed are awaiting the completion of care arrangements to allow them to live in their own home (i.e. awaiting social care support), waiting for a place in a nursing home, or awaiting the completion of a post-hospital social care assessment'.

**31.** More positively, in the [IJB 2024 report](#) we explain that emergency admissions rate and the emergency bed day rate are often used as indicators of how well IJBs are reducing unnecessary hospital stays and situations where individuals remain in hospital while they are deemed to be fit enough to return to a more community-based setting. There has been an eight per cent reduction in the emergency admissions rate as well as a five per cent reduction in the emergency bed day rate since 2016/17. However, performance is variable. Eighteen IJBs recorded a reduction in emergency bed day rate over the period 2016/17 to 2022/23. Of the twelve that recorded an increase, two IJBs record an increase of over 10 per cent. It's notable that emergency bed day rates are greater in areas with higher levels of deprivation.

**32.** There has also been an increase in the provision of services in the community, with an increase in the percentage of adults with intensive care needs receiving care at home and in the proportion of end-of-life care provided at home or in a community setting. But, at the same time, the percentage of expenditure on institutional and community-based Adult Social Care services has largely remained static with a small increase in the proportion spent on accommodation-based services. Performance indicators tracking the balance of care and provision of services in the community have largely shown an increase in the number of individuals receiving care at home or in the community. However, these changes are marginal when viewed over the period since the start of health and social care integration in 2015.

**33.** Addressing individuals' health and social care needs at an earlier stage through prevention and early intervention promotes better outcomes for individuals and reduces the need for costly support and care later. We comment in the [IJB 2024 report](#) that 'collaborative, preventative and person-centred working is shrinking at a time when it is most needed'. This work is difficult to progress when the pressures on services are so acute. The Accounts Commission encourages IJBs to work collaboratively with each other and partners to systematically share learning to identify and develop service redesign focused on early intervention and prevention.

# Financial position of Integration Joint Boards

Response to Call for Views



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