

Integration Joint Boards

Financial analysis 2020/21



ACCOUNTS COMMISSION 

Prepared by Audit Scotland
June 2022

Contents

Key messages	3
Background	4
Introduction	5
Funding and expenditure	5
Reserves	6
Financial outlook	10

Further information on health and social care integration in Scotland is available in the following publications:

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 finances 2020/21

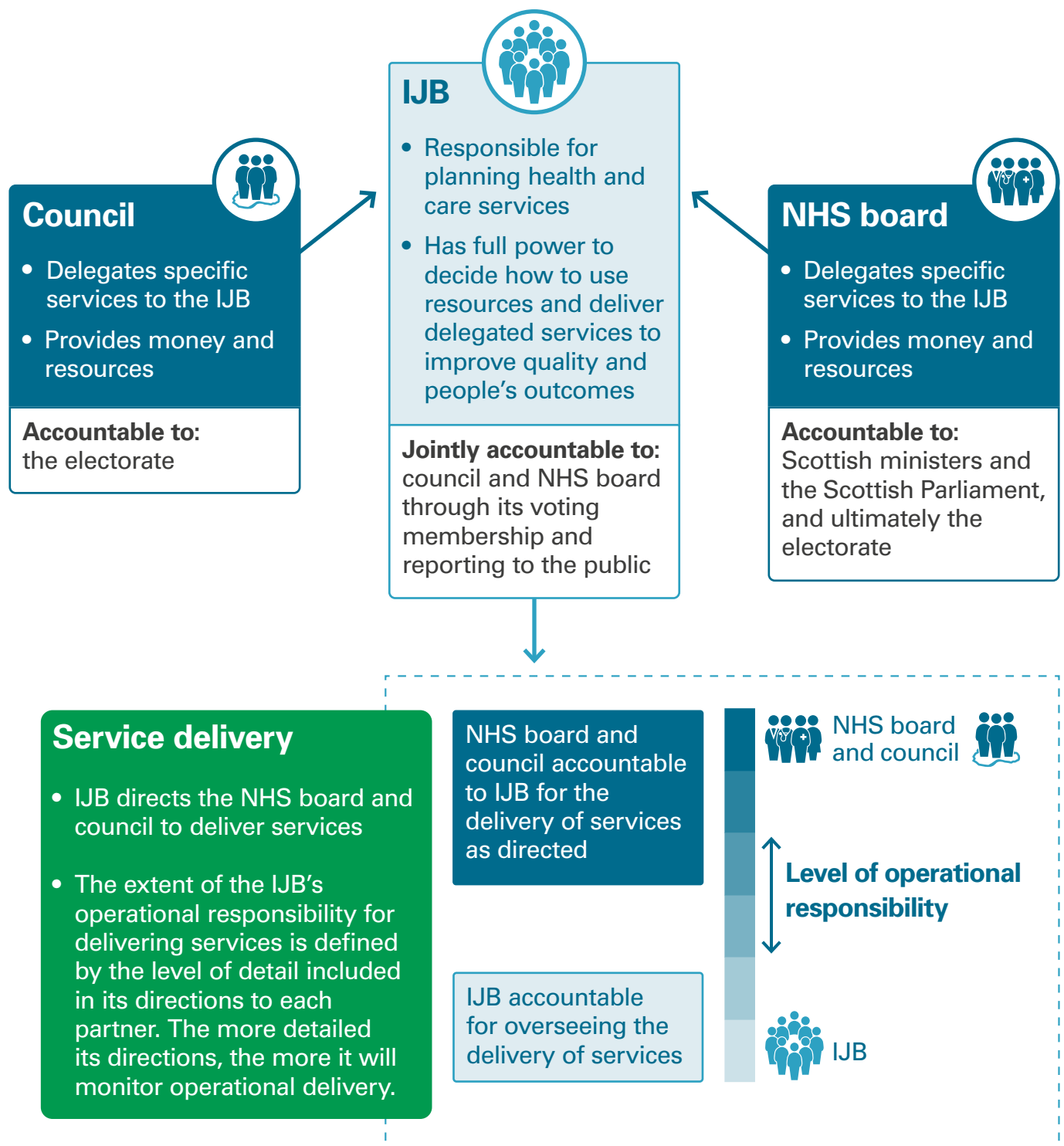
- Overall funding to IJBs increased in cash terms by 11.9 per cent to £10.6 billion in 2020/21 (9.8 per cent in real terms), largely reflecting an increase in funding to respond to the impacts of Covid-19. This increase in funding contributed to all 30 IJBs achieving a year-end surplus position.
- Total reserves held by IJBs tripled by the end of 2020/21 reflecting unspent Covid-19 funding and the late allocation of non-recurring specific funding for primary care, community, mental health and alcohol and drug support.

Medium- and longer-term outlook for IJB finances

- The identified budget gap decreased from £185 million in 2020/21 to £151 million in 2021/22. The proportion of the budget gap with bridging actions still to be identified at budget-setting also fell from 25 per cent for 2020/21 to 15 per cent for 2021/22. The identification of savings on a recurring basis is key to medium- and longer-term financial sustainability.
 - IJBs face significant financial sustainability risks exacerbated by uncertainty of future funding, rising demand and the potential impact of a national care service. The non-recurring nature of some funding streams, and the reserves held by IJBs, presents a significant challenge to IJBs. It is essential that IJBs identify significant recurring savings to maintain current levels of service provision at the same time as transforming the way services are delivered.
-

Background

The Public Bodies (Joint Working) (Scotland) Act 2014 set out a framework for integrating adult health and social care services. The Act obligated councils and NHS boards to work together to form new partnerships, known as Integration Joint Boards (IJBs), with statutory responsibilities to coordinate local health and social care services. The aim of this reform was to meet the challenges of Scotland's ageing population by shifting resources to community-based and preventative care at home, or in a homely setting. IJBs were structured as follows:



Introduction

1. This Accounts Commission report provides a high-level independent analysis of the financial performance of Integration Joint Boards (IJBs) during 2020/21 and their financial position at the end of that year. It also looks ahead and comments on the financial outlook for IJBs in 2021/22 and financial planning in the medium and longer terms.

Funding and expenditure

Overall funding to IJBs increased by 11.9 per cent in 2020/21

2. Overall funding to IJBs in 2020/21 increased by £1.1 billion in cash terms (or 11.9 per cent (9.8 per cent in real terms)) to £10.6 billion. All 30 IJBs achieved a year-end surplus position, totalling £414 million. Two IJBs achieved a year-end surplus position after additional unplanned funding allocations from their partners. The overall increase in funding was largely as a result of an increase in Scottish Government funding to help IJBs respond to the impacts of Covid-19.

3. By way of comparison, 16 of the 30 IJBs reported a total deficit of £32 million in 2019/20. The remaining IJBs either reported a surplus or broke even, delivering a total surplus of £17 million.

4. During 2020/21, total funding contributions from councils increased by 4.6 per cent from £2.6 billion to £2.7 billion and NHS contributions by 15.4 per cent from £6.5 billion to £7.6 billion. Other non-ringfenced grants and contributions remained at £0.3 billion. Scottish Government Covid-19 funding was passed onto IJBs via the NHS, explaining the majority of this increase.

Thirty per cent of Covid-19 funding received in 2020/21 was carried forward to 2021/22

5. IJBs reported that they received £507 million of funding to support them in responding to the impacts of Covid-19 in 2020/21. £354 million of this was utilised in 2021/22 with the remaining £153 million carried forward in specific reserves.

IJBs reported mixed performance against the achievement of savings targets in 2020/21

6. As part of our [Local government in Scotland: Financial overview 2019/20](#) report, we noted that auditors identified a 2020/21 budget gap for IJBs of £185 million, assuming that additional Covid-19 related expenditure would be funded in full by the Scottish Government. Of this gap, 62 per cent was anticipated to be bridged through identified savings, 25 per cent through unidentified savings and the remainder covered through the utilisation of reserves.



Seventy per cent of Covid-related funding received in 2020/21 was utilised in year. The remaining 30 per cent was carried forward into 2021/22.

7. In 2020/21, 56 per cent of planned efficiency savings was reported by IJBs to have been achieved. There was significant variation in the achievement of efficiency savings targets, ranging from 1.6 to 100 per cent. Only two IJBs achieved their efficiency savings targets in full with an additional two IJBs achieving at least 80 per cent of their 2020/21 target:

- Cùram Is Slàinte nan Eilean Siar achieved savings of £2.4 million in 2020/21. Auditors reported that 25 per cent of these savings were achieved on a recurring basis.
- West Lothian IJB had a savings target of £6.7 million in 2020/21 of which they reported that this was achieved in full.
- Inverclyde IJB achieved 98 per cent of their 2020/21 savings target of £1 million.
- South Ayrshire IJB delivered 82 per cent of their 2020/21 savings target of £3.8 million.

8. Many IJBs reported that work on the transformation of services and the delivery of savings was suspended during the year as resources were allocated to respond to the pandemic. Some IJBs also suspended the monitoring of savings programmes to allow a focus on responding to the impacts of the pandemic.

9. The Scottish Government provided IJBs with additional funding to cover the projected 2020/21 shortfalls in efficiency savings plans on a non-recurring basis. It is essential that clear plans are put in place to demonstrate how IJBs intend to achieve ongoing saving requirements on a recurring basis and support required service transformation.

Reserves

Total reserves held by IJBs have tripled in 2020/21

10. In 2020/21, all IJBs recorded an increase in their level of reserves with the overall reserve balance increasing by £437 million (304 per cent) to £581 million.

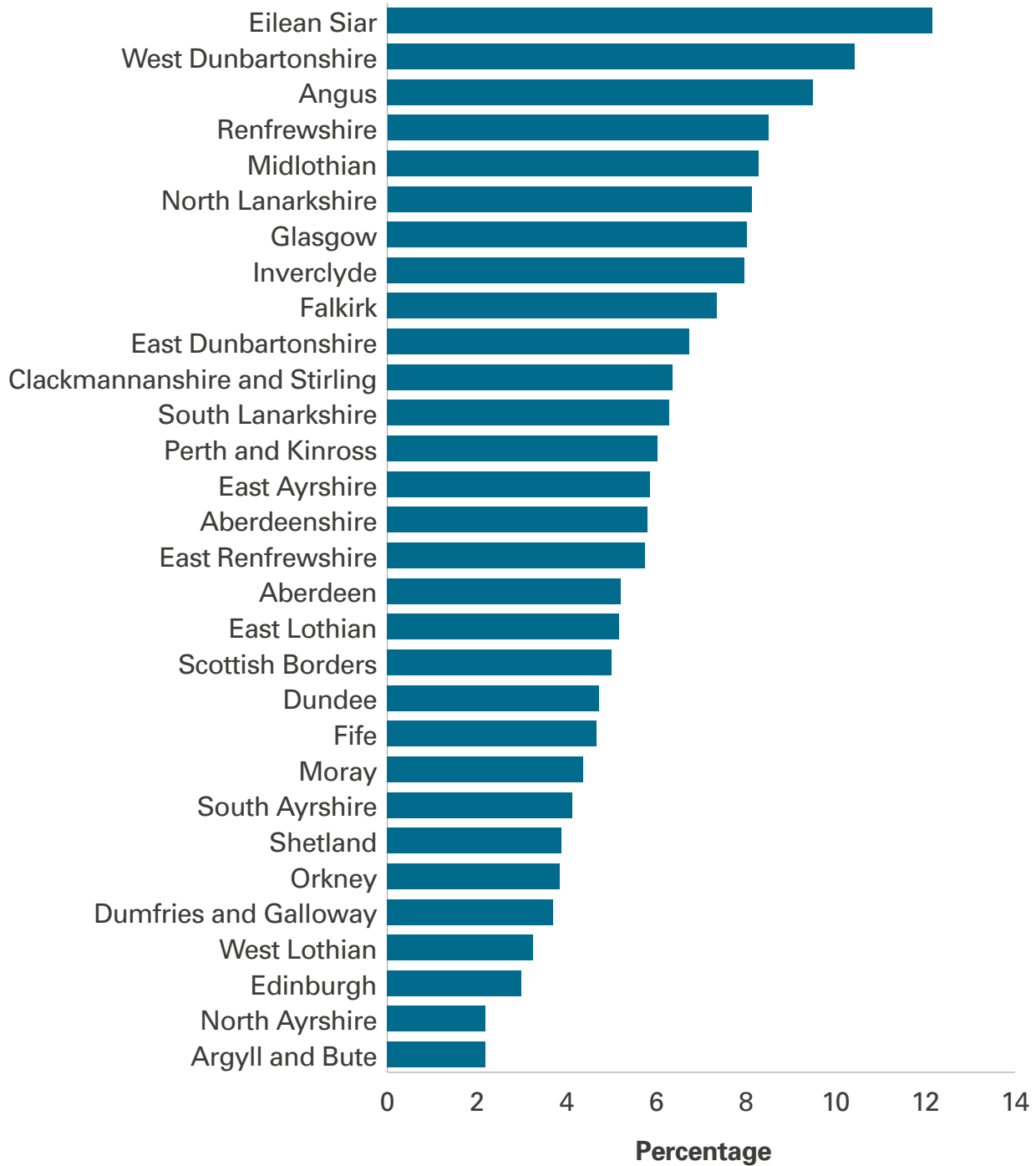
11. The total reserves balance as a proportion of each individual IJB's net cost of services varied between 2.2 per cent and 12.2 per cent ([Exhibit 1, page 7](#)).



Many IJBs reported that work on the transformation of services and the delivery of savings was suspended during the year as resources were allocated to respond to the pandemic.

Exhibit 1.

2020/21 IJB reserves as a proportion of net cost of services

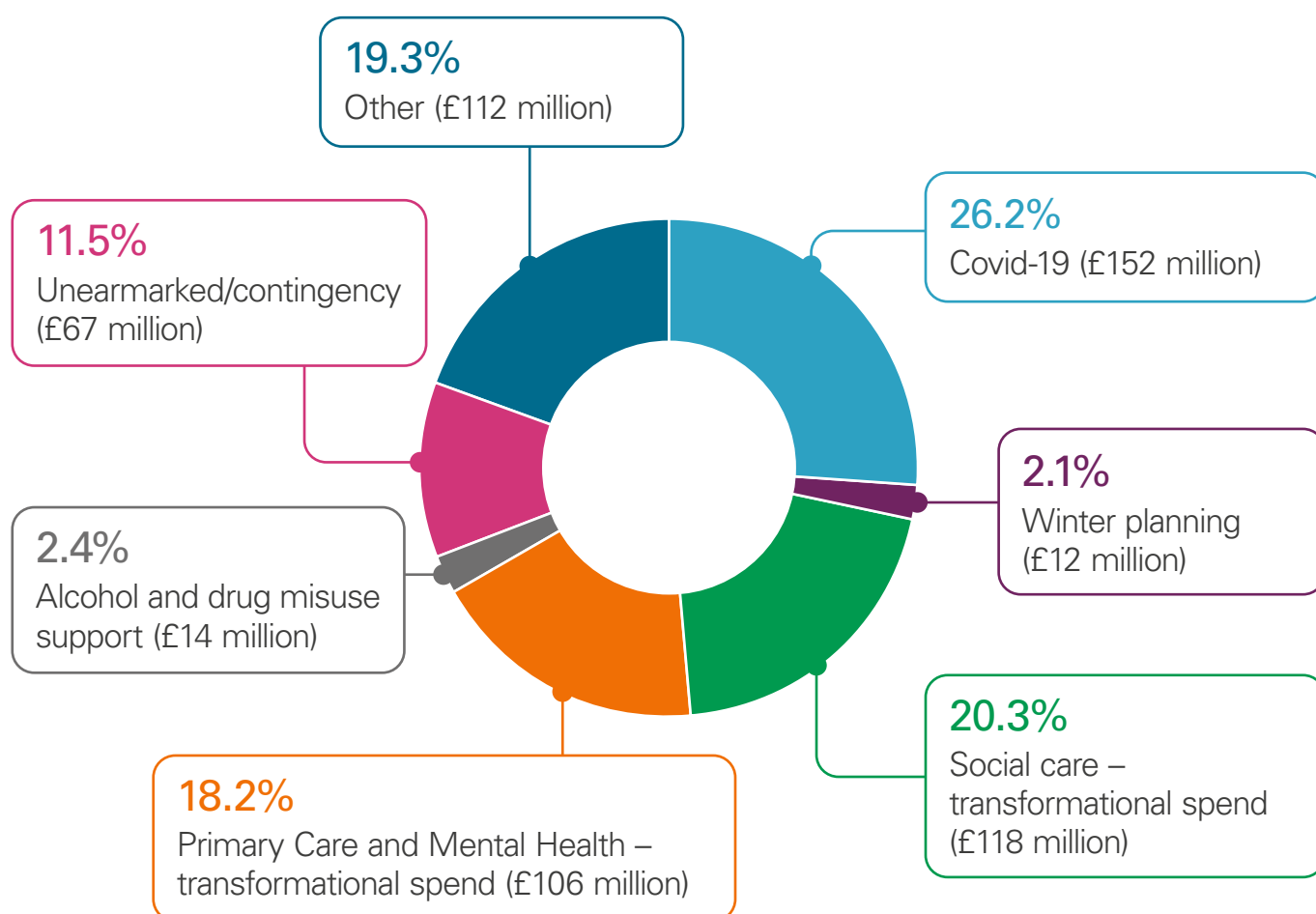


Source: IJB audited annual accounts 2020/21

12. Covid-19 funding carried forward for future years made up the biggest proportion of the overall increase with £153 million (26.2 per cent) explicitly relating to ongoing Covid-19 costs.

13. Other large areas included the reserves relating to Social Care (20.3 per cent) and Primary Care and Mental Health transformational spend (18.2 per cent). Funding from the Scottish Government relating to Winter Planning for Adult Social Care, Community Living Change Fund and further Integration Authority Support contributed to the increase in these related reserves at the year end [\(Exhibit 2\)](#).

Exhibit 2. 2020/21 IJB reserves

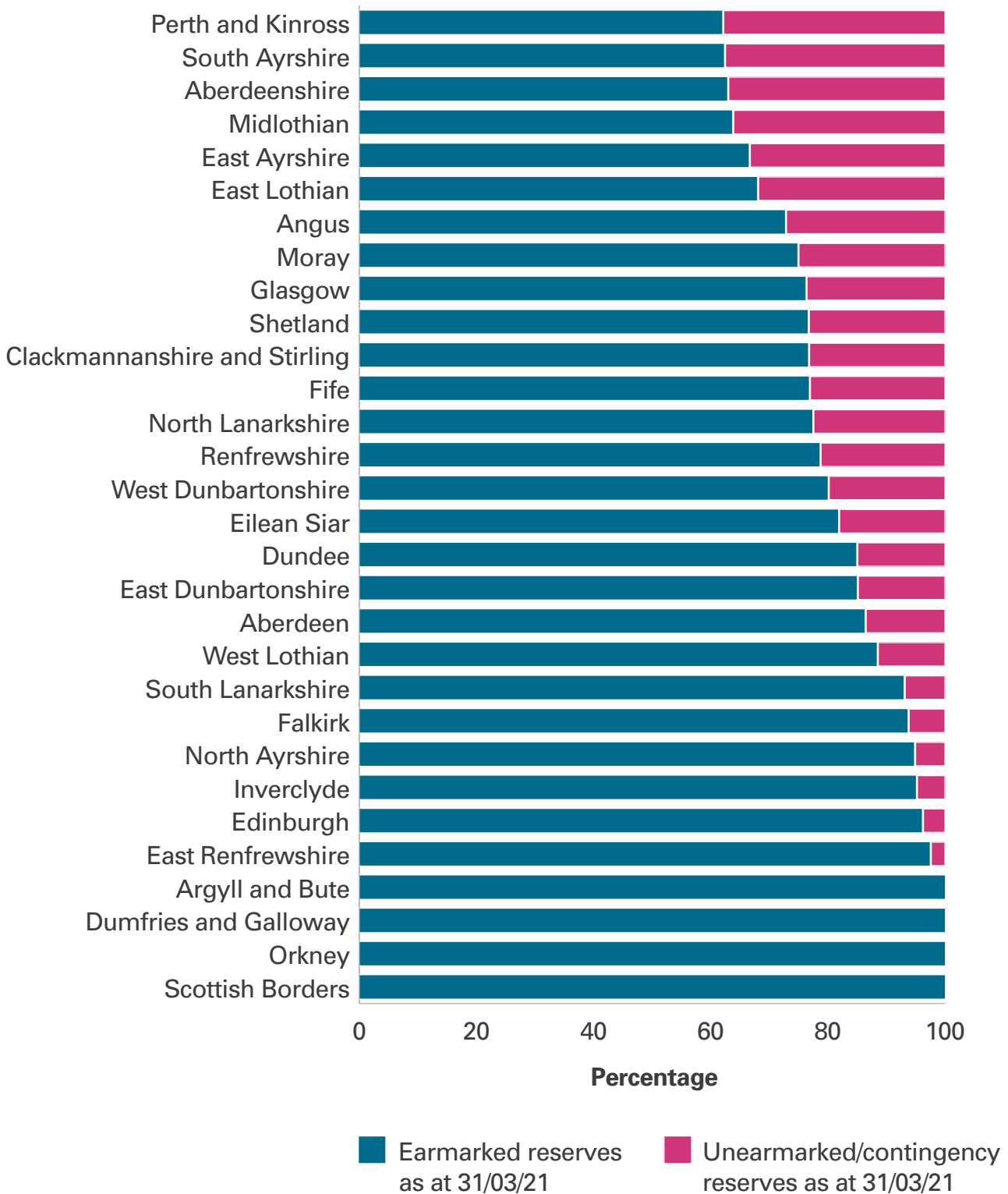


Source: IJB audited annual accounts 2020/21

14. IJBs considered 80.7 per cent of the year-end reserves balance as being ringfenced/earmarked. The remaining balance of reserves was classified as contingency reserves and the level of contingency reserves as a proportion of total reserves varied across IJBs, between zero and 38 per cent [\(Exhibit 3, page 9\)](#).

Exhibit 3.

Proportion of 2020/21 IJB reserves earmarked



Source: IJB audited annual accounts 2020/21

Financial outlook

Most IJBs agreed 2021/22 budgets with partners before the start of the financial year

15. IJBs have a requirement to agree their budgets by 31 March each year. For 2021/22, 24 of the 30 IJBs agreed their budget before the start of the financial year. Delays in the agreement of NHS partner funding was the most common reason for budgets not being agreed at the start of the financial year. Having clear, complete, and detailed agreed budgets is a fundamental business and governance tool.

The 2021/22 projected budget gap was £151 million, down from £185 million in 2020/21

16. IJB budget papers for 2021/22 identified an overall budget gap of £151 million. This is down from the £185 million budget gap in 2020/21 and £208 million in 2019/20. Individual budget gaps ranged from £0.3 million at West Dunbartonshire IJB to £31.3 million at Edinburgh IJB. The budget gaps as a proportion of each IJBs net cost of service varied from 0.2 per cent in West Dunbartonshire to 7.1 per cent in Shetland ([Exhibit 4, page 11](#)).

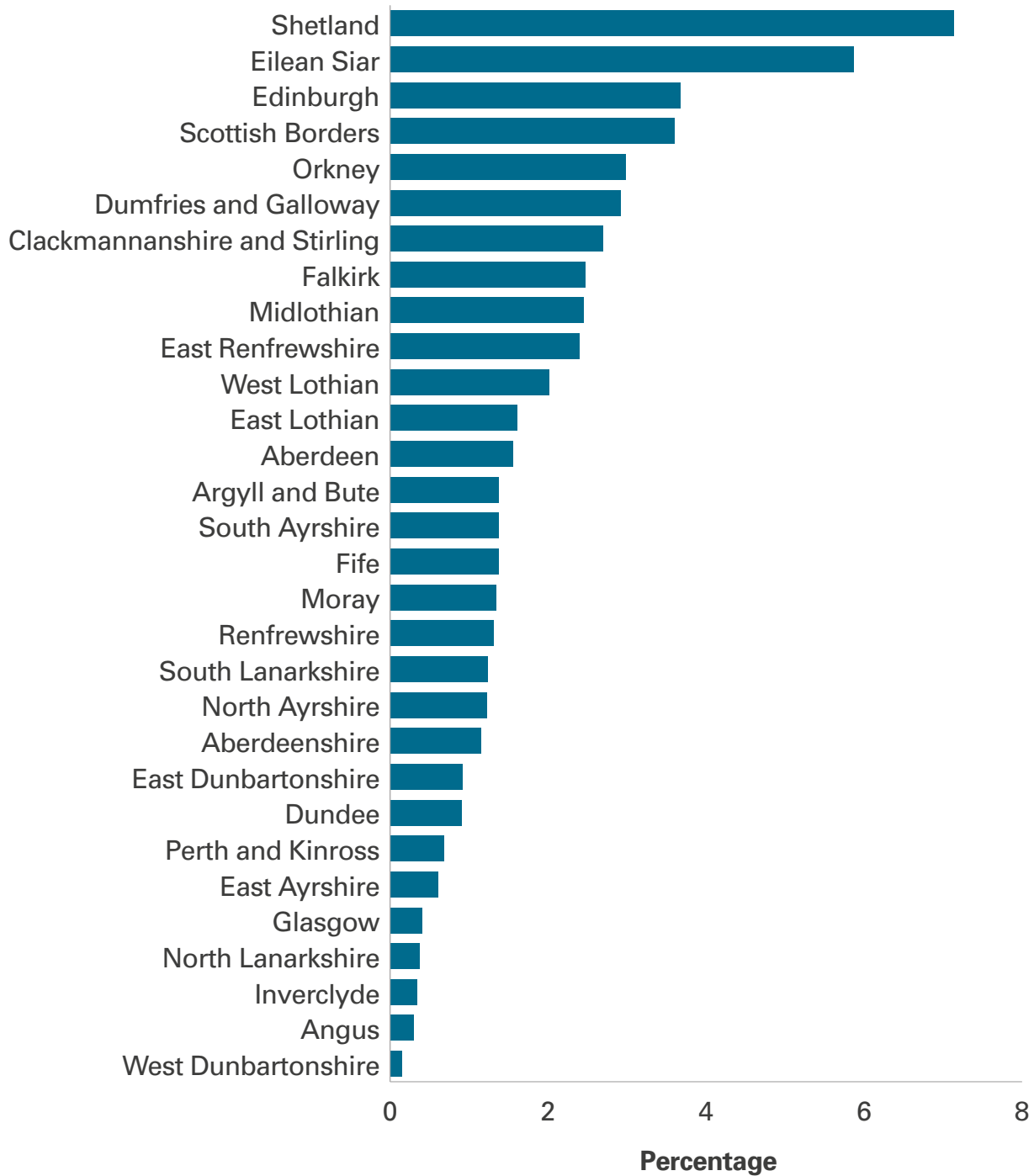
Identified savings are anticipated to bridge the majority of the projected budget gaps

17. Of the total budget gap, 72 per cent (62 per cent in 2020/21) is anticipated to be met by identified savings, of which 61 per cent is classified as recurring and 11 per cent classified as non-recurring ([Exhibit 5, page 12](#)).



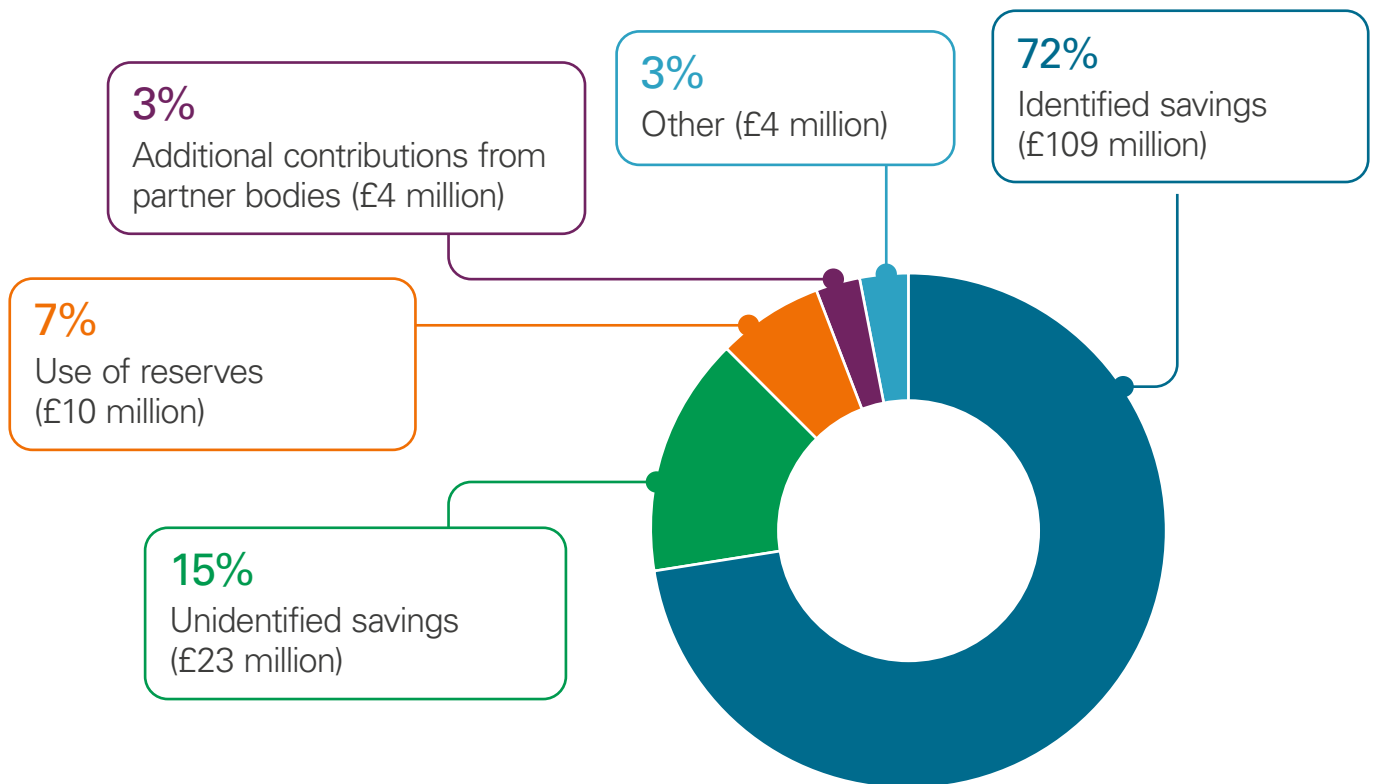
For 2021/22, 24 of the 30 IJBs agreed their budget before the start of the financial year.

Exhibit 4. 2021/22 Budget gap as a proportion of the net cost of service



Source: IJB 2021/22 budget papers

Exhibit 5. 2021/22 IJB budget gap planned action



Source: 2020/21 annual audit reports, IJB 2021/22 budget papers

18. There was a slight improvement in the number of IJBs that included unidentified savings as part of budget plans, decreasing from eleven to ten IJBs. This totals £22.6 million (15 per cent of the total budget gap) and means that these budgets were not balanced at the start of the financial year (30 per cent and 25 per cent for the 2019/20 and 2020/21 budgets respectively) ([Exhibit 5](#)).

19. The remaining budget gap was expected to be bridged by a combination of using reserves, increased partner contributions and the transfer of specific anticipated underspends. The identification of savings on a recurring basis is key to medium- and longer-term financial sustainability.

Medium- and long-term financial planning has improved

20. The total number of IJBs with a medium-term financial plan in place has increased from 26 to 27. The impact of Covid-19 was cited as a reason for the delays in developing or updating medium-term financial plans at those IJBs where these are not in place.

21. We reported in 2018/19 that no IJBs had financial planning in place which extended more than five years. This increased in 2020/21, with five IJBs now having a long-term financial plan in place. It is important that IJBs revise their financial plans in response to the long-term impacts of Covid-19 and increased cost pressures, including rising demand and inflation.

IJBs face significant financial sustainability risks, exacerbated by uncertainty of future funding, rising demand and the potential impact of a national care service

22. IJBs are facing unprecedented challenges as they seek to balance the impact of Covid-19, the remobilisation of services and rising demand. This is against a backdrop of financial and workforce pressures, uncertainty over future financial settlements and social care reform.

23. The Scottish Government funding that IJBs received during 2020/21 to support the underachievement of savings was provided on a non-recurring basis. The non-recurring nature of these funds, and the reserves, presents a significant challenge to IJBs. It is essential that IJBs identify significant recurring savings to maintain current levels of service provision at the same time as transforming the way services are delivered.

24. From a review of 2020/21 Annual Audit Reports, we note that almost all IJB auditors have reported there is a financial sustainability risk in the medium term. As an example of this, some IJBs report that they will face difficulties in delivering savings required in 2021/22:

- Aberdeenshire IJB have already reported that a significant proportion of planned savings will not be met.
- Argyll and Bute IJB continues to overspend and is unlikely to achieve financial balance in the medium term.
- Dumfries and Galloway IJB will have difficulty delivering a significant savings target of £27.6 million in 2021/22.
- Moray IJB Redesign and Transformation programme may not generate the level of savings required.

25. Following the publication of the [Independent Review of Adult Social Care](#) in February 2021, work is currently under way nationally to develop and implement a new National Care Service. This has the potential to significantly change the way that IJBs are structured and operate. There is still a degree of uncertainty on the scope of this planned reform, including establishing the true costs. The potential impacts of wider social care reform and the challenges currently facing the social care sector are explored further in our [2022 Social Care Briefing](#). Further information about our work on [Transforming health and social care in Scotland](#) is available on the Audit Scotland website.



Some IJBs report that they will face difficulties in delivering savings required in 2021/22.

Integration Joint Boards

Financial analysis 2020/21

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit: www.audit-scotland.gov.uk/accessibility

For the latest news follow us on social media or [subscribe to our email alerts](#).



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 Email: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk

ISBN 978 1 913287 86 3