

<b>Meeting of South Ayrshire Health and Social Care Partnership</b>	<b>Integration Joint Board</b>	
<b>Held on:</b>	<b>11<sup>th</sup> June 2025</b>	
<b>Agenda Item:</b>	<b>13</b>	
<b>Title:</b>	<b>Audit Scotland: Integration Joint Boards – Finance Bulletin 2023-24</b>	
<b>Summary:</b>  The purpose of this report is to present the findings of the Audit Scotland Integration Joint Boards – Finance Bulletin 2023-24 published in March 25 and provide information in relation to South Ayrshire IJB's position, and actions being progressed to ensure future financial sustainability.		
<b>Author:</b>	<b>Lisa Duncan, Chief Finance Officer</b>	
<b>Recommendations:</b>  <b>It is recommended that the Integration Joint Board</b> <ul style="list-style-type: none"> <li>i. <b>Note the Audit Scotland finance bulletin 2023-24 and key findings</b></li> <li>ii. <b>Note the IJB's position in relation to each of the areas detailed in the report</b></li> <li>iii. <b>Note the action to update the Medium-Term Financial Forecast including savings plans</b></li> <li>iv. <b>Consider requesting a review of the budget process with partners as recommended in section 4.30.</b></li> </ul>		
<b>Route to meeting:</b>		
<b>Directions:</b> <ul style="list-style-type: none"> <li>1. No Directions Required <input type="checkbox"/></li> <li>2. Directions to NHS Ayrshire &amp; Arran <input type="checkbox"/></li> <li>3. Directions to South Ayrshire Council <input type="checkbox"/></li> <li>4. Directions to both SAC &amp; NHS <input type="checkbox"/></li> </ul>		<b>Implications:</b> <ul style="list-style-type: none"> <li>Financial <input type="checkbox"/></li> <li>HR <input type="checkbox"/></li> <li>Legal <input type="checkbox"/></li> <li>Equalities <input type="checkbox"/></li> <li>Sustainability <input type="checkbox"/></li> <li>Policy <input type="checkbox"/></li> <li>ICT <input type="checkbox"/></li> </ul>

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## **AUDIT SCOTLAND IJB – FINANCE BULLETIN 2023-24**

### **1. PURPOSE OF REPORT**

- 1.1 The purpose of this report is to the findings of the Audit Scotland Integration Joint Boards – Finance Bulletin 2023-24 published in March 25 and provide information in relation to South Ayrshire IJB's position, and actions being progressed to ensure future financial sustainability.

### **2. RECOMMENDATION**

#### **2.1 It is recommended that the Integration Joint Board**

- i. **Note the Audit Scotland finance bulletin 2023-24 and key findings.**
- ii. **Note the IJB's position in relation to each of the areas detailed in the report.**
- iii. **Note the action to update the Medium-Term Financial Forecast including savings plans.**
- iv. **Consider requesting a review of the budget process with partners as recommended in section 4.30.**

### **3. BACKGROUND INFORMATION**

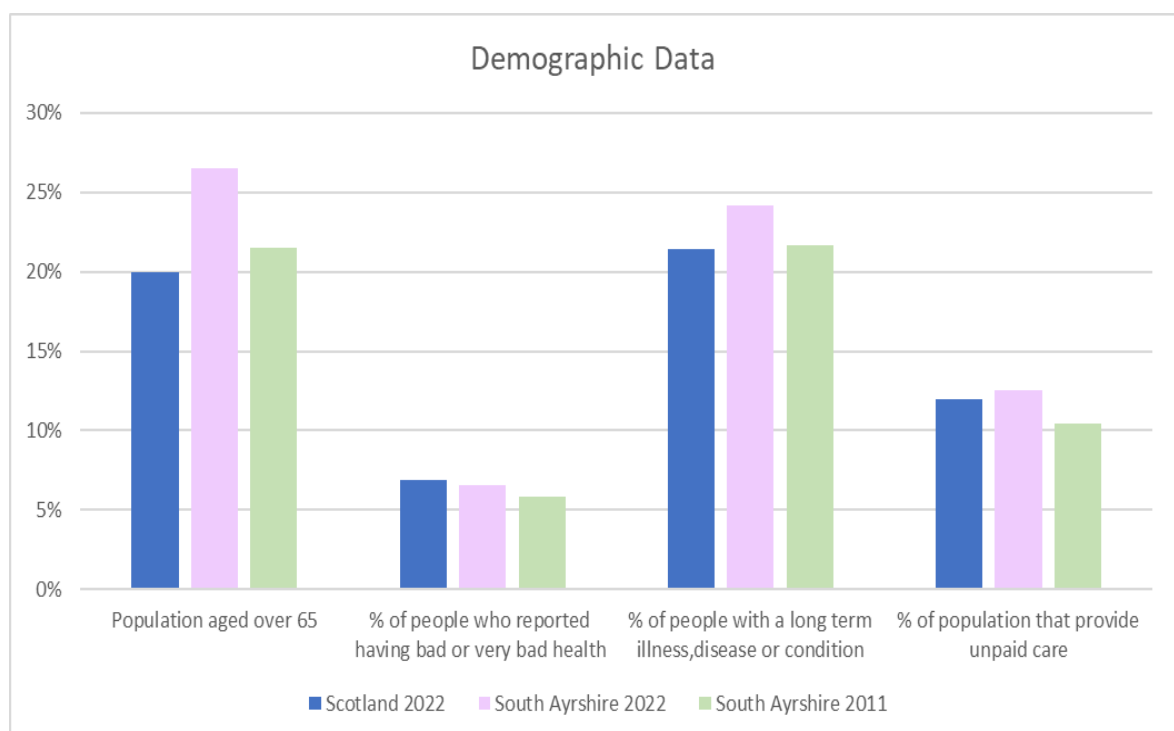
- 3.1 In March 25, Audit Scotland published "Integration Joint Boards – Finance Bulletin 2023-24", included in Appendix 1. This bulletin analysed IJB Annual Accounts for 2023-24 an annual audit reports produced by local auditors. The key messages from the report are summarised in the sections below: -
- 3.2 Integration Joint Boards' (IJBs) finances continue to be precarious. IJBs 2023/24 funding has increased in real terms compared to 2022/23 but there is a concerning picture of continued overspending, depletion of reserves and required savings being met through one-off rather than recurring savings.
- 3.3 The majority of IJBs reported a deficit on the cost of providing services requiring unplanned use of reserves and additional contributions from partner bodies:-
- Total reserves held by IJBs have reduced by 40% in 2023-24. Contingency reserves have almost halved, limiting IJB's ability to address future deficits. Nine IJBs now do not hold any contingency reserves reducing their flexibility and increasing the risk to their financial sustainability.
  - NHS boards and councils face significant financial challenges themselves and IJBs cannot continue to rely on their partners being able to find additional money to support them during the year. IJBs need to agree budgets that are realistic and transparent and to have strategies in place to manage in-year risks.

- 3.4 The majority of planned savings were achieved, but a substantial proportion were achieved on a one-off basis meaning these non-recurring savings need to be carried forward and covered each year to balance future budgets.
- 3.5 The financial position is set to worsen with a projected funding gap of £457m in 2024-25. The budget process needs collaboration with partners and candid conversations with communities about the impact of the savings needed to set a balanced budget. The budgets and proposed savings need to be realistic and achievable.
- 3.6 A continued high turnover of chief officers and chief finance officers adds to the risks around effective strategic planning and decision-making.
- 3.7 IJBs need to be working collaboratively with each other and with their NHS and council partners to find ways to transform services so that they are affordable. Investment in prevention and early intervention is needed to help slow the ever-increasing demand for services, the cost of more complex care and improve the experience and outcomes for people.

#### 4. REPORT

##### Demographic Context

- 4.1 The demographic context is essential in providing insights into the demand for health and social care services. The table below shows the Scotland Census data for 2022 compared to South Ayrshire data for 2022 and 2011. South Ayrshire data was taken from the Scotland Census website to provide the local demographic context in comparison to the national data.



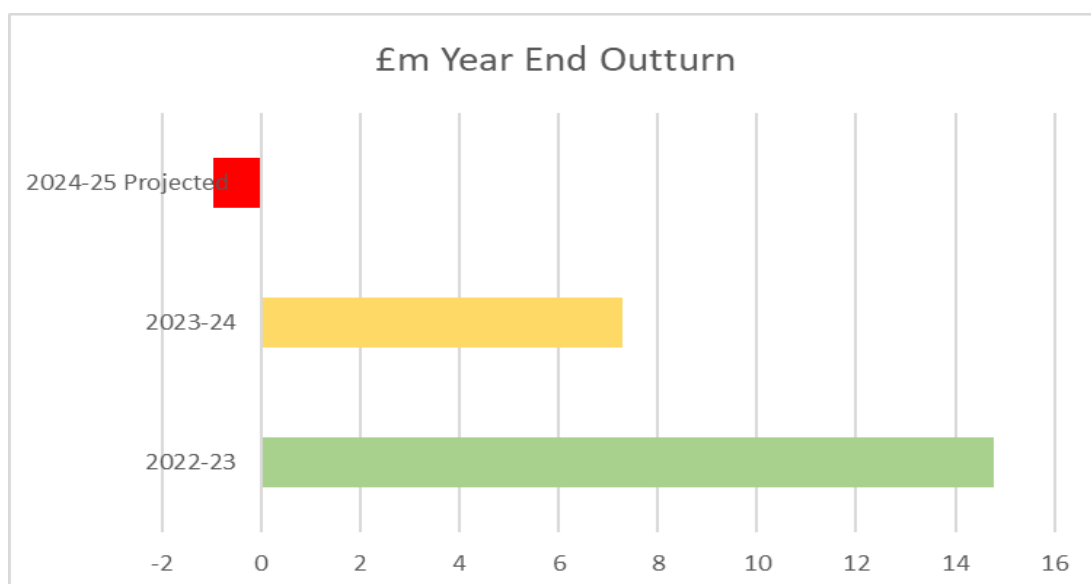
Source: Scotland's Census 2022 and 2011

- 4.2 South Ayrshire has 26.5% of population aged over 65, this has increased since 2011, and is higher than the national average. From a health perspective South Ayrshire have a higher % of the population with long term illness, diseases or conditions at 24.2% compared to Scotland at 21.4%. The number of unpaid carers within South Ayrshire is slightly higher than Scotland.
- 4.3 The combination of an ageing population and higher levels of longer-term illness increases demand on health and social care services. Early Intervention and prevention are critical to reduce levels of demand as well as promoting self-management to enable the population to take control in maintaining or improving their health conditions.
- 4.4 Recognising the ageing population in South Ayrshire as a priority area in demand for health and social care. During 2024-25 the [Ageing Well in South Ayrshire Strategy](#) was launched, the development of the strategy was a collaborative approach with South Ayrshire Community Planning Partnership, South Ayrshire Health and Social Care Partnership and Voluntary Action South Ayrshire (VASA). An Ageing Well Champions Board was created to bring the voices of the community into the discussion on how best to improve the health of our ageing population with a focus on prevention, early intervention and self-help.
- 4.5 The Ageing Well in South Ayrshire Strategy is accompanied with an action plan to support innovation within communities, give focus to the challenges faced and will underpin the IJB's commitment to support people to live well.
- 4.6 As well as an ageing population, South Ayrshire has a diminishing working age population. The dependency ratio is the population of children aged (0 to 15) and older people (aged 65 and over) expressed as a % of people aged 16 to 64. South Ayrshire has one of the highest dependency ratios for Scotland at 70.78% compared to Scotland figure of 56.81% (2021 figures).
- 4.7 The impact of a high dependency ratio is less available working age population to support the care needs of an increasing aged population. Workforce is a high risk to the HSCP and has been recognised as a national issue. The Scottish Government developed a workforce planning process.
- 4.8 [South Ayrshire HSCP Workforce Plan 2022-25](#) was approved on 12<sup>th</sup> October 2022, the plan is reviewed on an annual basis and the next iteration is being prepared in accordance with revised guidance issued by the Scottish Government.
- 4.9 The purpose of the workforce plan was to consider short-, medium- and longer-term workforce requirements within all health and social care disciplines. The plan included a detailed action plan with a broad range of activities based on the [National Workforce Strategy for Health and Social Care in Scotland](#) Five Pillars – Plan, Attract, Train, Employ and Nurture.

- 4.10 To support the action plan, a Staff Governance Group was established tasked with strategic direction and oversight. Four sub-groups were created aligned to the following key themes – Recruitment and Retention, Learning and Development, Wellbeing and Strategic Planning.
- 4.11 Some of the actions progressed included, funding modern apprenticeship places, improvement in care at home recruitment onboarding process, review of posts to ensure skill mix, review of absence data and trends, development of a new HSCP induction session and working in collaboration with University West of Scotland.

### **Funding and Income**

- 4.12 The report states that IJB funding has increased by 4% in real terms between 2022-23 and 2023-24. The funding split between NHS and Council partners remains around 70/30.
- 4.13 Twenty-four IJB's reported a deficit in the years 2022-23 and 2023-24 and required additional contributions from partner bodies and unplanned use of reserves. Of the twenty-four IJB's who reported a deficit, 11 received additional contributions to cover year end overspends and 16 made an unplanned drawdown from reserves.
- 4.14 Five IJB's reported a surplus in 2023-24, down from 19 in 2022-23. Reasons for surplus included delays in transformation and improvement projects and challenges in health and social care recruitment.
- 4.15 South Ayrshire IJB were one of the five reporting a surplus in the years 2022-23 and 2023-24 as noted in the table below. The latest projected outturn for 2024-25 is an overspend of £0.961m, this will be funded from use of uncommitted reserves.



- 4.16 The year end outturn includes SAIJB's share of lead partnership's services underspends in 22-23 and 23-24 and overspends in 24-25. The underspends over the two years were mainly due to challenges in recruitment and retention, this was within both NHS and Social Care employment and also community care providers. During this time there was a significant decrease in care at home providers capacity.
- 4.17 In 2022-23 the IJB approved £4m allocated to an Improvement and Innovation Fund, with a further £2m approved in 2023-24. The purpose of the fund was for services to access resources to redesign service delivery or invest in test of change to improve services with the aim of future financial sustainability. Due to levels of demand on health and care services the fund is also available to create capacity to reduce backlogs and waiting lists mitigating immediate pressures on the overall system.
- 4.18 The latest [Improvement and Innovation Fund](#) progress update was presented to the IJB on the 11<sup>th</sup> of Dec 24. This provided detail on how the fund had been accessed to meet the IJB strategic priorities as well as individual updates on specific projects. The progress report highlighted that the most prominent spend was to meet the priority "we focus on prevention and early intervention". This was one of the key messages from Audit Scotland report where investment in prevention and early intervention is needed to slow the ever-increasing demand for services, the cost of more complex care, improve the experiences and outcomes for people.

### **Savings Performance**

- 4.19 Nationally the majority (79%) of planned savings were achieved, however a substantial proportion (43%) of these were only achieved on a one off basis. Non-recurring savings need to be carried forward and found again in future years.
- 4.20 Within South Ayrshire 95.3% of savings were achieved in 2023-24, this included £1m of staff turnover, which is non-recurring and as recruitment improves, savings will need to be found in the future. A review of this saving was included in the budget process for 25-26 and based on current projected outturn for staff turnover the saving has not been revised.
- 4.21 Savings of £5.713m were approved in the budget for 2025-26, with £2.271m identified as red or amber risk of achievement. Further work is being progressed in planning the achievement of these savings.

### **Reserves**

- 4.22 The total IJB reserves held by IJB's have reduced in real terms by 40% in 2023-24. Part of the reduction is the use of ringfenced reserves for Covid-19 returned to the Scottish Government to support national policy objectives. Contingency (uncommitted) reserves have reduced by 49% limiting IJB's ability to address future deficits.

4.23 Due to the anticipated overspend this financial year, the IJB's uncommitted reserves of £4.237m will reduce to meet the actual year end overspend. The table below was included in the Budget for 2025-26 and shows the uncommitted reserves position as at 12<sup>th</sup> March 2025 when the projected overspend was £1.289m. The final actual year end position will be reported to the IJB on the 11<sup>th</sup> of June 2025 this will include the drawdown from uncommitted reserves to meet the in year overspend.

4.24 South Ayrshire IJB approved the budget for 2025-26 on the 12th of March. The budget utilising reserves in 2025-26 to bridge the budget gap on a non-recurring basis this is providing protection to maintaining a level of service delivery to meet the health and care needs in South Ayrshire.

	Earmarked Reserves	Improvement and Innovation Fund	Uncommitted Reserves	TOTAL
Reserves Balance	£m	£m	£m	£m
Opening Balance 01-04-24	7.421	5.811	4.237	17.469
Transferred Out	(5.507)	(1.632)	(1.289)	(8.428)
Committed		(2.152)		(2.152)
Transferred In	0.637			0.637
Balance Remaining 12-03-25	2.551	2.027	2.948	7.526
Request for Approval				
UASC - Children Services	(1.100)			(1.100)
Balance Budget 25-26			(1.000)	(1.000)
Improvement and Innovation Projects for approval		(0.499)		(0.499)
Anticipated Opening Balance 01-04-025	1.451	1.528	1.948	4.927

4.25 The IJB Reserves Strategy is to hold at least 2% of annual budgeted expenditure as general fund balance. For 2025-26 budget of £216.877m excluding Set Aside 2% is £4.337m. The anticipated balance following use of reserves to meet 2024-25 projected overspend and £1m to contribute to the 2025-26 budget gap will be £1.948m or 1% of annual budgeted expenditure as general fund balance.

### **Financial Management and Sustainability**

4.26 Financial sustainability risks have been identified by auditors in the vast majority of IJB's. Audit Scotland report these risks included:

- Increasing reliance on non-recurring sources of income to meet overspends.
- Reserves level falling below minimum required as per individual reserves policies.
- Undeveloped/underdeveloped plans for the achievement of recurring savings to allow IJBs to reach a balanced financial position.
- Additional contributions being required from IJB partners to meet cost pressures.



- Inability to reduce reliance on agency and locum staff to ongoing recruitment challenges.

4.27 The upcoming financial year for South Ayrshire IJB will be the most financially challenging in recent years, with the medium term forecasted budget gap even more challenging. The IJB is now facing the same risks as other IJB's with diminishing reserves, risk of achieving savings and funding allocations received to meet specific Scottish Government policies, with no additional funding to meet demographic demand.

4.28 The Budget for 2025-26 included the forecasted budget gap over the next 5 years to 2030-31, based on the assumption of flat cash settlement. The IJB Medium Term Financial Forecast will be developed, and savings plans presented to the budget gap.

BUDGET GAP	FORECAST					TOTAL
	2026-27	2027-28	2028-29	2029-30	2030-31	
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
Flat Cash Basis	(8,384)	(6,414)	(6,006)	(6,184)	(6,222)	(33,209)

4.29 If no further funding allocations are provided by Scottish Government for health and social care this will have a detrimental effect to service delivery and achieving the objectives within the IJB's Strategic Plan.

4.30 A review of the budget process is recommended to ensure both funding partners are fully aware of the budget pressures within the health and social care services delegated to the IJB. Providing partners with an opportunity to contribute funding from their overall funding allocations to help mitigate some of these pressures. Alternatively, the IJB will need to reduce services commissioned from partners impacting the health and wellbeing of people living in South Ayrshire.

## 5. STRATEGIC CONTEXT

5.1 The IJB is expected to operate within the resources available. This report contributes to the IJB Strategic Priorities "we are an ambitious and effective partnership" and "we make a positive impact beyond services we deliver".

## 6. IMPLICATIONS

### 6.1 Financial Implications

6.1.1 The financial implications for the IJB Integrated Budget are included in the report.

### 6.2 Human Resource Implications

6.2.1 There are no human resource implications arising from this report.



### **6.3 Legal Implications**

6.3.1 There are no legal implications arising from this report.

### **6.4 Equalities implications**

6.4.1 There are no equalities implications arising from this report.

### **6.5 Sustainability implications**

6.5.1 There are no environmental sustainability implications arising from the contents and recommendations of this report.

### **6.6 Clinical/professional assessment**

6.6.1 The report has been prepared by the IJB Chief Finance Officer in their professional role as officer to the IJB.

## **7. CONSULTATION AND PARTNERSHIP WORKING**

7.1 Provide details of any consultation that has taken place on the report contents and recommendations.

## **8. RISK ASSESSMENT**

8.1 The report details the financial risks.

8.2 The IJB Strategy Risk Register categories the level of financial risk as high priority risk and notes mitigating actions taken to address the level of risk. The Risk Register is reviewed at the Risk and Resilience meetings and agreed at Performance and Audit Committee meetings.

## **APPENDICES**

*Appendix 1 – Audit Scotland IJB- Finance Bulletin 2023-24*

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*26<sup>th</sup> March 2025*