

Subject: **IJB 2023-24 Budget**

Purpose: To update the IJB on the financial position for the partnership for 2023-24, including the proposed delegated funding, service budget pressures, plans developed to set a balanced budget and the associated risks.

Recommendation: That the Board:
(a) approves the budget for 2023-24 for North Ayrshire Health and Social Care Partnership inclusive of all pressures, savings and reserves, noting that the funding position is subject to confirmation by NHS Ayrshire and Arran; and
(b) notes the risks associated with this budget.

Glossary of Terms	
NHS AA	NHS Ayrshire and Arran
IJB	Integration Joint Board
NAHSCP	North Ayrshire Health and Social Care Partnership
NAC	North Ayrshire Council
CAMHS	Child and Adolescent Mental Health Services
FPC	Free Personal Care
PCIF	Primary Care Improvement Fund
ADP	Alcohol and Drugs Partnership
UnPACs	UNPACS, (UNPlanned Activities) – Extra Contractual Referrals
SLA	Service Level Agreement

1.	EXECUTIVE SUMMARY
1.1	The report outlines the funding allocations from North Ayrshire Council and NHS Ayrshire and Arran, the service pressures, resulting budget gap and the savings plan for 2023-24. The Council budget was set on 1st March and NHS AA will set their budget on 28th March; the funding assumption from NHS AA reflected in the report is based on the expected funding settlement and if this changes the plans for the IJB will require to be re-visited.
1.2	The Scottish Government finance settlement set out a number of conditions and requirements for Health Boards and Councils in relation to funding delegated to Integration Authorities. The delegated funding outlined in the report (indicative for NHS AA) meets those Scottish Government requirements.
1.3	The table below summarises the overall financial position for 2023-24:

	Social Care (NAC) £m	Health (NHS AA) £m	Total £m
Scottish Government Funding Increase	(3.649)	(2.164)	(5.813)
Service Pressures – App B	9.316	2.712	12.028
Resource Transfer Inflation	(0.430)	0.430	-
Budget Gap	5.237	0.978	6.215
<i>Funded by:</i>			
- Savings – App C	(4.021)	(0.942)	(4.963)
(Surplus)/Deficit	1.216	0.036	1.252
- Draw on Reserves	-	-	(1.252)
Final Position	-	-	-

As shown above, the approval of the savings plans included in Appendix C will not fully address the budget gap. There will be a requirement to draw £1.252m from the IJB reserves.

1.4 A number of financial risk areas are highlighted in the report and the IJB are asked to note these at this stage; the IJB may be asked during 2023-24 to approve any appropriate action to mitigate or manage these areas. The main risks include the pending pay award for Local Government and NHS staff, the negotiated uplifts for the National Care Home Contract and ongoing overspends, particularly low-volume high-cost packages of care.

1.5 The proposed integrated budget for the IJB is £323.619m (inclusive of the estimated Set Aside budget of £35.547m). A summary of the 2023-24 budget and net budget increase is detailed within Appendix A.

1.6 The budget assumes that any ongoing Covid related costs during 2023-24 will not be funded by the Scottish Government and will need to be met from existing budgets.

2. BACKGROUND

2.1 The Integration Scheme outlines a process of planning for budgets in future years where the Chief Officer and the Chief Finance Officer develop the funding requirements for the Integrated Budget based on the Strategic Plan and present it to the Parties for consideration as part of the annual budget setting process. This includes consideration of pay awards, contractual uplifts, prescribing, resource transfer and ring-fenced funds.

The Integration Scheme approved by Scottish Ministers states that following determination of the Council and NHS payments to the IJB, the IJB will refine its Strategic Plan to take account of the totality of resources available and there is an implicit requirement to set a balanced budget prior to the new financial year.

The process as outlined in the Integration Scheme has been eroded in recent years with Scottish Government directives and expectations in relation to funding levels to be passed on to IJBs. Whilst the IJB are required to engage with the partner bodies in relation to budget pressures and savings, the overall funding allocation reflects an element of ring fencing and settlement conditions in relation to funding for IJBs.

2.2	NATIONAL POSITION – SCOTTISH GOVERNMENT FUNDING
2.2.1	<p data-bbox="272 188 1485 331">The Scottish Government published an updated Medium-Term Financial Strategy in May 2022 which covers the period to 2026-27. It compares the funding and spending scenarios to assess the scale of the challenge. It was published alongside the Resource Spending Review for the same time period.</p> <p data-bbox="272 349 1485 421">The Resource Spending Review sets out the multi-year spending envelopes across each of the Scottish Government spending portfolio areas.</p> <p data-bbox="272 439 1485 510">These were followed in December 2022 by the Scottish Budget for 2023-24 which sets out in more detail the Government’s plans.</p> <p data-bbox="272 528 959 564">The Scottish Budget for 2023-24 highlighted:</p> <ul data-bbox="323 582 1485 878" style="list-style-type: none"> • Investment of over £1.7 billion in social care and integration and lays the groundwork for the introduction of the National Care Service. • The National Mission on drugs is supported by increased investment to £160 million, to reduce the avoidable harms associated with drugs and alcohol. • Investment of £290.2 million over the coming year to tackle CAMHS and psychological therapies, waiting times backlogs, and deliver improved community-based mental health and wellbeing support for children, young people and adults.
2.2.2	<p data-bbox="272 990 1485 1097">As part of the Scottish Government budget and finance settlement, funding letters were issued to NHS Boards and Councils; these detailed the requirements in relation to the level of funding to be delegated to IJBs in 2023-24 (copies in Appendix E).</p> <p data-bbox="272 1115 858 1151">The specific requirements are as follows:</p> <ul data-bbox="272 1169 1485 1796" style="list-style-type: none"> • In line with previous years, 2023-24 NHS payments to Integration Authorities for delegated health functions must deliver an uplift of 2% over 2022-23 agreed recurring budgets and make appropriate provision for 2023-24 pay. • The Health and Social Care Portfolio will transfer net additional funding of £95 million to Local Government to support social care and integration, which recognises the recurring commitments on adult social care pay in commissioned services (£100 million) and inflationary uplift on Free Personal Nursing Care rates (£15 million). This is offset by non-recurring Interim Care money ending (£20 million). • The overall transfer to Local Government includes additional funding of £100 million to deliver a £10.90 minimum pay settlement for adult social care workers in commissioned services, in line with Real Living Wage Foundation rate. • The funding allocated to Integration Authorities should be additional and not substitutional to each Council’s 2022-23 recurring budgets for services delegated to IJBs and, therefore, Local Authority social care budgets for allocation to Integration Authorities must be at least £95 million greater than 2022-23 recurring budgets. <p data-bbox="272 1850 1485 1957">It is anticipated that the Scottish Government will again seek assurance from partnerships that funds are being spent in line with priorities and that funding conditions are being met.</p>

2.3 NORTH AYRSHIRE POSITION – PARTNER FUNDING

2.3.1 North Ayrshire Council

Based on the 2023-24 Finance Settlement, the Council confirmed a net contribution to the Partnership of £8.934m through its agreed budget and £8.111m of this was already allocated during 2022-23 resulting in a net increase of £0.823m. The Council have still to allocate the share of the Living Wage Funding of £2.826m but this is assumed taking the net Council increase to £3.649m.

As a condition of the settlement, funding allocated to the IJB should be in addition to the 2022-23 recurring baseline position. A summary is noted below:

Description	All Scotland (£m)	NAC (£m)
Living Wage	100.000	2.826
Free Personal and Nursing Care	15.000	0.388
Interim Care	(20.000)	(0.551)
Whole Family Wellbeing Fund		0.954
Various adjustments		0.032
Per the HSCP budget plans		3.649
Reconciling Items to the Council Budget Paper		
: Social Care Investment 22-23	200.000	5.600
: Adult Social Work Capacity 22-23	22.000	0.606
: Pro Rata Share SJC Payroll Funding 22-23		1.866
: Disability Payments Support 22-23		0.039
Less the Living Wage Funding for 2023-24		(2.826)
Per Council Budget paper		8.934

For years 2023-24 and 2024-25 the financial planning assumption of North Ayrshire Council is that, out with specific funding to be passed though by Scottish Government, that financial pressures facing the IJB will be fully met by savings, i.e. a flat cash financial settlement is assumed.

2.3.2 NHS Ayrshire and Arran

The Scottish Government letter outlines the expectations in terms of resource for IJBs including a directive for a funding uplift to be applied; this is the same approach taken in 2022-23 and again is not the bottom-up approach outlined in the Integration Scheme.

In relation to the Scottish Government directive, the elements which impact on the IJB Health funding allocation are noted below:

- NHS payments to Integration Authorities for delegated health functions must deliver an uplift of 2% over 2022-23 agreed recurring budgets.
- In additional there are monies for Primary Care, Waiting Times, MH and CAMHS, Trauma Networks and Drugs Deaths to be allocated in-year. We are currently awaiting further information on these allocations.

Discussions have taken place with Health Board colleagues in relation to the funding for 2023-24; there is an expectation that the Health Board plans will reflect the pass through of the 2% increase. The IJB will then plan to fund pressures and develop savings plans within the overall financial allocation. This has not been formally approved and the Health Board will meet on 28 March to set their budget, including

agreeing funding allocations for partnerships. If the Health Board decision does not reflect this position this will require to be updated and brought back to the IJB for further consideration.

Assuming the 2% Health Board uplift is passed through to the IJB there has been a determination of the value of the uplift on that basis. The Health Board will delegate each IJB a budget based on a delegated service basis; the position in this report reflects the position on a managed basis as this is the position delegated to the North partnership to financially manage. The Ayrshire Finance Leads have agreed the reconciliation of the uplift and pressures from an IJB to managed basis.

The baseline budget requires to be appropriately adjusted to not apply the uplift where:

- There are significant in-year allocations of funding, as these allocations do not form part of the Health Board baseline funding to which the annual uplift is applied, for example Action 15 Mental Health funding.
- There are separate risk sharing arrangements in place, e.g. prescribing.
- There is a separate uplift basis other than the general board uplift, e.g. GMS.

The determination of the appropriate baseline budget to apply the uplift has been agreed with the Ayrshire Finance Leads and the Health Board Director of Finance.

The calculation of the baseline uplift is detailed in the table below:

	£m	
2022-23 Budget	164.579	As per period 10 monitoring report adjusted for non-recurring budget transfers.
<i>Less:</i>		
In-year allocations	(7.024)	Including Action 15, Mental Health Bundle, District Nurses, Veterans, ADP, Winter Plan, CAMHS Improvement Funding Streams.
Risk Sharing	(30.413)	Prescribing
Different Uplift	(18.917)	General Medical Services (GMS)
Revised Baseline	108.225	
2% Uplift	2.164	

The expectation is that on a managed basis a baseline funding uplift of £2.164m will be passed through to the IJB from the Health Board.

2.3.3

The benefits of a delegated funding approach from both partners are:

- The IJB can manage the budget process in terms of developing pressures and savings (including providing for those pressures not planned to be funded by partners), providing greater transparency and governance re decision making.
- Allows resource to be allocated by the IJB in line with the priorities in the Strategic Plan.
- Allows the SG directive to be followed, not only in terms of application of the uplift but also in terms of priority areas to be protected (e.g. Mental Health and Drug and Alcohol services).
- Facilitates the ongoing in-year management of the IJB financial position in relation to the funding and budget being managed on an integrated way to deliver financial balance.

	<ul style="list-style-type: none"> • Supports future years planning and the development of a Medium-Term Financial Outlook, supporting an earlier approach to financial planning and an integrated approach to distribution of resource. • Aligns with the proposals in the review of integration for budget planning and resource delegation for IJBs.
3.	PROPOSALS
3.1	2022-23 FINANCIAL POSITION
	<p>The overall projected outturn position for 2022-23 as at period 10, is a projected year-end underspend of £1.181m. This excludes any underspends on funds that will require to be earmarked in reserves for use in future years. The underspend position is likely to be sustained until the financial year end.</p> <p>The main areas of pressure for the core budget during 2022-23 are learning disability care packages, residential placements for children, supplementary staff in wards and Unplanned Activities (UnPACs) within the lead partnership for mental health.</p> <p>The £1.486m planned repayment for the debt owed to North Ayrshire Council was increased to £2.321m to allow the debt to be fully repaid during 2022-23. The increased payment was funded by a transfer of budget from North Ayrshire Council so there was no detriment to the IJB financial position.</p> <p>The savings plan for 2022-23 anticipates that a total of £0.623m of savings will be delivered in-year, with £0.060m of savings relating to adoption allowances not achieved. The review of allowances is complete, but the benefit will not be realised until future years as the changes will apply to future cases.</p> <p>Some of the 2022-23 projected overspends will continue into 2023-24. The main areas of risk for this are:</p> <ul style="list-style-type: none"> • Children’s residential placements – projected 2022-23 overspend of £3.196m. • LD care packages - based on the 2022-23 projection, an estimated overspend of £0.451m in community care packages, £0.282m in direct payments and £0.147m for residential placements. • UnPACs – projected to overspend by £1.320m in 2022-23 based on current placements but there is an additional £0.600m invested in 2023-24. <p>Services continue to work on plans to reduce the recurring overspends. If these cannot be contained within the overall final 2023-24 outturn position a recovery plan will be developed and the free general fund reserve may be required to underwrite the financial risk, noting that the UnPACs overspend is part of the Lead Partnership for Mental Health services.</p>
3.2	2023-24 REVENUE BUDGET PLANS
	<p>The NAHSCP 2023-24 integrated budget is expected to be £288.072m (excluding Set aside) and £323.619m (including Set Aside budget of £35.547m).</p> <p>A summary of the 2023-24 total budget and net funding increase is detailed within Appendix A. The pressures and savings are detailed separately in Appendices B and C respectively. Sections 3.2.1 to 3.2.4 provide an overview of the pressures and savings.</p>

3.2.1 BUDGET PRESSURES																																																				
	Service cost and demand pressures are detailed within Appendix B.																																																			
	Total net budget pressures for health and social care services total £12.028m. These have been developed in partnership, with finance supporting front line services to identify current and emerging financial pressures, considering historic demand and costs and potential future variations.																																																			
	The provision of funding for pressures has the impact of increasing the budget gap to be addressed through savings, therefore the pressures are only included in budget plans where these are assessed as being absolutely unavoidable.																																																			
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	<table border="1"> <thead> <tr> <th rowspan="2">Category</th> <th>Social Care (NAC)</th> <th>Health (NHS A&A)</th> <th>TOTAL</th> </tr> <tr> <th>£m</th> <th>£m</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>Pay pressures</td> <td>2.217</td> <td>1.477</td> <td>3.694</td> </tr> <tr> <td>Demand and Transition Pressures</td> <td>1.131</td> <td>-</td> <td>1.131</td> </tr> <tr> <td>Contract Inflation</td> <td>3.096</td> <td>-</td> <td>3.096</td> </tr> <tr> <td>Pan Ayrshire Pressures</td> <td>-</td> <td>0.635</td> <td>0.635</td> </tr> <tr> <td>PPE</td> <td>0.200</td> <td>-</td> <td>0.200</td> </tr> <tr> <td>Care at Home</td> <td>1.881</td> <td>-</td> <td>1.881</td> </tr> <tr> <td>Free Personal and Nursing Care</td> <td>0.388</td> <td>-</td> <td>0.388</td> </tr> <tr> <td>Lead Partnership Pressures</td> <td>-</td> <td>0.600</td> <td>0.600</td> </tr> <tr> <td>Removal of the Interim Care Funding</td> <td>(0.551)</td> <td>-</td> <td>(0.551)</td> </tr> <tr> <td>Whole Family Wellbeing Fund</td> <td>0.954</td> <td>-</td> <td>0.954</td> </tr> <tr> <td>Total New Pressures</td> <td>9.316</td> <td>2.712</td> <td>12.028</td> </tr> </tbody> </table>	Category	Social Care (NAC)	Health (NHS A&A)	TOTAL	£m	£m	£m	Pay pressures	2.217	1.477	3.694	Demand and Transition Pressures	1.131	-	1.131	Contract Inflation	3.096	-	3.096	Pan Ayrshire Pressures	-	0.635	0.635	PPE	0.200	-	0.200	Care at Home	1.881	-	1.881	Free Personal and Nursing Care	0.388	-	0.388	Lead Partnership Pressures	-	0.600	0.600	Removal of the Interim Care Funding	(0.551)	-	(0.551)	Whole Family Wellbeing Fund	0.954	-	0.954	Total New Pressures	9.316	2.712	12.028
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	<p>A 3% provision for the pay award for Social Care and a 2% provision for Health staff is provided for in the budget pressures. These assumptions reflect those made by the partner bodies in their budget planning. If actual pay settlements are higher than this and no additional funding is provided to the IJB then this will present a risk to the financial position both in-year and recurringly.</p> <p>Provision has been made for Health Lead Partnership pressures recognising the North Ayrshire contribution towards pressures faced for services led by East or South. These pressures were agreed with the Ayrshire Finance Leads with an agreement that the IJBs have a shared responsibility to fund.</p> <p>Pan Ayrshire pressures include a number of areas relating to cost increases and in particular introduce funding for the following services:</p> <p><u>Adult Tier 3 Weight Management Service</u> (£0.155m) – this is the North Ayrshire contribution towards the establishment of a pan-Ayrshire multi-disciplinary team to deliver an adult Tier 3 specialist weight management service. This will provide assessment, input, and support for those with more complex nutritional, psychological</p>																																																			

and physical needs relating to obesity and ensure that NHS Ayrshire and Arran complies with the national standards.

Integrated Infant Feeding Team (£0.057m) – this team has been supported on a pilot basis by Scottish Government funding, but this will expire at the end of March 2023. This investment will support the continuation of the project, which has demonstrated a successful increase in breastfeeding rates and the consequential impact on the health and wellbeing of mothers and their babies, to expand the peer support service to all breastfeeding mothers in Ayrshire, and to continue to deliver the Bump Buddies initiative.

3.2.2 LIVING WAGE

The Living Wage will increase from £10.50 per hour to £10.90 per hour from April 2023.

There has been political agreement nationally that this uplift will be applied in the same way as the £10.50 uplift in April 2022. This will mean a 3.8% uplift will be applied to a set percentage (national weighting) of contract values, in line with the average full workforce costs for residential and non-residential services. A separate agreed weighted percentage has been set for Personal Assistants who are paid directly through SDS Option 1 budgets.

After the weightings are applied this will increase the hourly rates being paid to providers and self-directed support recipients as follows:

	2022-23 Rate Per Hour	2023-24 Rate Per Hour	% Increase
Care at Home & Housing Support	£19.35	£20.00	3.33%
Sleepovers	£12.77	£13.32	4.35%
Personal Assistant Day Time Hourly Rate	£14.16	£14.65	3.43%
Personal Assistant Sleepover Hourly Rate	£13.19	£13.64	3.43%

3.2.3 BUDGET GAP

A summary of the budget gap and overall savings requirement is outlined below:

	Social Care (NAC) £m	Health (NHS AA) £m	Total £m
Scottish Government Funding Increase	(3.649)	(2.164)	(5.813)
Service Pressures	9.316	2.712	12.028
Resource Transfer Inflation	(0.430)	0.430	-
Budget Gap	5.237	0.978	6.215

3.2.4 BUDGET SAVINGS

Savings in relation to NAC and NHS commissioned services are detailed within Appendix C. The savings are RAG rated informed by an overall assessment of the ease of delivery and the impact on services, indicating an overall risk of deliverability.

RAG Deliverability Status	Social Care (NAC) £m	Health (NHS A&A) £m	Total £m
Red	-	-	-
Amber	1.945	0.642	2.587
Green	2.076	0.300	2.376
TOTAL	4.021	0.942	4.963

The IJB are recommended to approve the savings proposals. The approval of the savings plans included in Appendix C will not fully address the budget gap so there will be a requirement to draw £1.252m from the IJB reserves.

3.2.5 LEAD PARTNERSHIP MENTAL HEALTH SERVICES

The North partnership lead on acute and specialist Mental Health services across Ayrshire and therefore require to ensure that the services have plans to balance the budget moving into 2023-24. We have developed plans to ensure that lead partnership Mental Health services are sustainable and are not impacted by pressures elsewhere in services.

The overall position for the lead partnership element of the North managed budget is summarised below:

	£m
2022-23 Baseline Budget	54.112
2% Baseline funding uplift	1.082
Pay Pressures	(0.874)
Demand Pressures	(0.600)
Budget Gap/Savings Requirement	(0.392)
Savings – Payroll Turnover	0.392
Net position	-

The appropriate share of funding increases, pressures and savings has been included here. These are detailed elsewhere in the report.

3.3 ACUTE SET ASIDE BUDGET

The Scottish Government's Health and Social Care Medium Term Financial Framework refers to system reform assumptions including material savings to be achieved from reducing variation in hospital utilisation across health and social care partnerships, with assumed efficiencies from reduced variation in hospital care coupled with 50% reinvestment in the community to sustain improvement. Furthermore, the Ministerial Strategic Group for Health and Community Care Review of Progress with Integration of Health and Social Care contained the proposal that delegated hospital budgets and set aside requirements must be fully implemented. Each Health Board, in partnership with the Local Authority and IJB, must fully implement the delegated hospital budget and set aside budget requirements of the legislation, in line with the statutory guidance published.

The full implementation of the set aside arrangements is key to delivering this commitment to planning across the whole unplanned care pathway and partnerships must ensure that set aside arrangements are fit for purpose and enable this approach.

	<p>This has not been achieved in Ayrshire and Arran during the current financial year as the priority was the response to Covid-19 and the remobilisation of services. However preparatory work is underway with NHS AA and the other Ayrshire partnerships to progress and develop the set aside arrangements to fully implement the legislative requirement. This includes arrangements in relation to the use of Directions, Commissioning Plans and overall progression towards Fair Share allocations of resources.</p> <p>The budget for set aside resources for 2023-24 is £35.547m. This is based on the 2023-23 figure of £34.850m inflated by the 2023-24 uplift of 2%. This may require to be updated following the further work being undertaken by the Ayrshire Finance Leads to establish the baseline resources for each partnership and how this compares to the Fair Share of resources. It is anticipated that 2022-23 will be used as a shadow year for these arrangements. A further update will be provided to IJBs as this work progresses.</p>
3.4	FINANCIAL RISKS
	<p>There are a number of ongoing financial risk areas that may impact on the 2023-24 budget during the year, these include:</p> <ul style="list-style-type: none"> • Current high levels of inflation which impact on costs incurred directly by the Partnership and on our partner providers • High risk areas of low volume / high-cost services areas e.g. Children’s residential placements, Learning Disability care packages and complex care packages; • Progress with the work to develop set aside arrangements and the risk sharing arrangements agreed as part of this. • Ongoing implementation costs of the Scottish Government policy directives • Lead / hosted service arrangements, including managing pressures and reporting this across the 3 IJBs. • The impact on Lead Partnership and acute services from decisions taken by other Ayrshire areas. • The Covid recovery process including the ability to change and improve services following learning from the Covid response. • The impact and implementation of the National Care Service. • The Local Government and NHS pay awards are not settled for 2023-24 and negotiations are ongoing; as outlined in the report the risk is mitigated for the social care workforce by providing for a 3% increase and for NHS it is anticipated that additional funding would be allocated if the pay award settlement is higher than the current assumption. • National Care Home Contract increases are subject to ongoing negotiation. <p>These risks will be monitored during 2023-24 and financial impact reported through the financial monitoring report.</p>
3.5	IJB RESERVES
	<p>The IJB is established as a Local Government body therefore has the ability to hold reserve balances. Reserve balances are held as part of an approach to good financial management, the purpose of reserves is as follows:</p> <ol style="list-style-type: none"> a) As a working balance to help cushion the impact of uneven cash flows; b) As a contingency to manage the impact of unexpected events or emergencies; and

- c) As a means of building up funds, often referred to as earmarked reserves, to meet known or predicted liabilities.

The balance of reserves should be considered as part of the budget setting process. The IJB has a reserves policy in place which outlines an optimum value of reserves to be held uncommitted in contingency, this is currently set as 2% to 4% of net expenditure, based on the lower value this would be around £5.761m.

The position in the North Ayrshire IJB was unique in that we held a negative reserve balance which has accumulated from previous year overspends, the negative reserve balance was offset by a debtor on the balance sheet reflecting the debt due to North Ayrshire Council. The £1.486m planned repayment for the debt owed to North Ayrshire Council was increased to £2.321m to allow the debt to be fully repaid during 2022-23. The increased payment was funded by a transfer of budget from North Ayrshire Council so there was no detriment to the IJB financial position.

In addition, the projected outturn position at period 10 for the IJB is a year-end underspend of £1.181m, with further detail on this included in the financial management report.

The IJB reserves position is summarised in the table below.

	General Fund Reserves		Earmarked Reserves			Total
	Debt to NAC	Free GF	SG Funds	Non-SG Funds	HSCP Funds	
	£m	£m	£m	£m	£m	
Opening Balance - 1 April 2022	(2.321)	7.248	23.106	0.699	0.500	29.232
Debt Repayment	2.321	-	-	-	-	2.321
In year transactions	-	(0.800)	(8.263)	-	-	(9.063)
Net amount due from East and South			1.583			1.583
Estimated use of reserves during 2022-23	-	-	(8.224)	(0.549)	-	(8.773)
2022-23 Projected Underspend	-	-	-	-	1.181	1.181
Draw on reserves to balance the 23-24 budget	-	-	(1.177)	(0.075)	-	(1.252)
Estimated Closing Balance – 31 March 2023	-	6.448	7.025	0.075	1.681	15.229
Estimated use 2023/24	-	-	(6.263)	(0.075)	(1.681)	(8.019)
Estimated use 2024/25	-	-	(0.762)	-	-	(0.762)

These balances will be adjusted after the year-end to reflect the actual use of reserves during 2022-23 and the updated carry forward position.

The 2021-22 budget established a challenge fund reserve of £0.5m to assist the HSCP with developing longer term plans for delivering savings and service improvement. The allocation and assessment of this funding would be determined by the PSMT with reporting of progress through the financial monitoring report to the IJB. There has been no spend against this in 2022-23 and the funding will continue to be earmarked

	<p>for this purpose. It is anticipated that this funding will be required to support the service re-design for the children’s houses in 2023-24.</p> <p>The IJB are asked to support earmarking of the 2022-23 in-year underspend to be held in a reserve to support service transformation to assist with the delivery of efficiencies that will reduce costs in future years; this will include any costs associated with Voluntary Early Release (VER) of staff. Further detail on the use of this fund will be reported to the IJB through the 2023-24 monitoring reports.</p> <p>The projected ‘free’ general fund balance of £6.448m is proposed to be held as a contingency balance, this equates to around 2.2% of the IJB budget for 2023-24 and meets the lower target of 2%. The final position for reserves will be outlined in the year-end outturn report in June 2023 and in the Annual Accounts. Any movement in the year-end outturn position will be adjusted in the free general fund balance.</p>
4.	<p><u>Anticipated Outcomes</u></p>
	<p>There are a number of outcomes anticipated in relation to the 2023-24 Budget:</p> <ul style="list-style-type: none"> • The proposed plans will deliver a balanced budget for 2023-24. • Financial resources will be effectively targeted to improve the health and care outcomes for the people of North Ayrshire. • The level of free general fund reserves and earmarked resources for service investment provides confidence re the financial sustainability of the IJB. • Transformational Change for financial and service sustainability will feature at the forefront of the IJB and NAHSCP agenda throughout 2023-24 and beyond. • The pan-Ayrshire work will provide further clarity on the use of resources and how we work together this move towards Fair Shares, this will facilitate improved reporting during 2023-24.
5.	<p><u>Measuring Impact</u></p>
	<ul style="list-style-type: none"> • Full year financial outturn forecasts will be compiled monthly with variance analysis and relevant explanations. • Regular financial review sessions will be undertaken with the Director, all Heads of Service and relevant senior managers in NAHSCP to ensure timely action is being taken where needed to stay within budgets. • Regular financial performance reports will be presented to the IJB to ensure it is kept fully informed of performance and importantly any major areas of concern requiring corrective action. • The Transformation Board will meet regularly to review progress with savings and any corrective action required to bring any plans back online. • Monthly monitoring and progress of all savings will be undertaken and reported on alongside budgetary performance, with any projects delivering adversely versus the agreed plans being highlighted at the earliest opportunity and having corrective action agreed accordingly.
6	<p>IMPLICATIONS</p>
<p>Financial:</p>	<p>It is essential that the IJB and NAHSCP operate within the 2023-24 delegated budget, this is supported by approving a balanced budget before the new financial year.</p> <p>The report outlines estimated delegated funding and the pressures required to be met from within the overall integrated budget. It is estimated there is a requirement to deliver £4.963m of savings during 2023-24 alongside dealing with a number of other known pressures</p>

	<p>and the risk of managing fluctuating demand for services. The plans outlined in the report allow for a one-year balanced position to be approved.</p> <p>The estimates are based on a robust understanding of the additional resources available, the risks and challenges faced by the Partnership and the anticipated budget pressures.</p> <p>Appendix A shows the total 2023-24 IJB Budget Appendix B shows the proposed service pressures. Appendix C shows the proposed savings. Appendix D shows the NHS baseline uplift for 2023-24 on a managed basis. Appendix E shows the Scottish Government Finance Settlement letters.</p>										
Human Resources:	There will be full consultation with the Trade Unions as appropriate.										
Legal:	The IJB has an implicit obligation to funding partners to set a balanced budget prior to the start of the new financial year. The financial position and funding as detailed out would result in both partners complying with the Scottish Government directives re delegated funding for Integration Authorities.										
Equality:	<p>Equality Impact Assessments (EIAs) are undertaken for all savings proposals. Of the 15 proposals, some were pulled together into joint assessments where it was appropriate to do so. This accounts for the three proposals in relation to Payroll Turnover and the two proposals relating to Respite Provision. In total 12 Equality Impact Screening assessments were complete. Of those 4 required to progress to full assessment. There are:</p> <table border="1" data-bbox="504 1218 1485 1592"> <thead> <tr> <th data-bbox="504 1218 663 1292">Savings Ref</th> <th data-bbox="663 1218 1485 1292">Savings Description</th> </tr> </thead> <tbody> <tr> <td data-bbox="504 1292 663 1404">2*</td> <td data-bbox="663 1292 1485 1404">Deliver the Strategic Plan objectives for Older People's Residential Services - Reduction in Care Home Places</td> </tr> <tr> <td data-bbox="504 1404 663 1442">3*</td> <td data-bbox="663 1404 1485 1442">Care Home Respite</td> </tr> <tr> <td data-bbox="504 1442 663 1516">6*</td> <td data-bbox="663 1442 1485 1516">Trindlemoss pool running costs</td> </tr> <tr> <td data-bbox="504 1516 663 1592">15</td> <td data-bbox="663 1516 1485 1592">Reprovisioning of Continuing Care beds</td> </tr> </tbody> </table> <p>Three* identified areas that will possibly lead to adverse impacts on service users. However, the outcome in the assessments still reflect that the proposals should still proceed.</p> <p>Full assessments are available should IJB members wish to view these.</p>	Savings Ref	Savings Description	2*	Deliver the Strategic Plan objectives for Older People's Residential Services - Reduction in Care Home Places	3*	Care Home Respite	6*	Trindlemoss pool running costs	15	Reprovisioning of Continuing Care beds
Savings Ref	Savings Description										
2*	Deliver the Strategic Plan objectives for Older People's Residential Services - Reduction in Care Home Places										
3*	Care Home Respite										
6*	Trindlemoss pool running costs										
15	Reprovisioning of Continuing Care beds										
Children and Young People	Approval of relevant pressures will allow continued and greater investment in early intervention and prevention in relation to children and young people, hence reducing the future likelihood of the need for care in institutional settings.										

Environmental & Sustainability:	There are no environmental and sustainability implications.
Key Priorities:	The 2023-24 budget proposals support delivery of the HSCP Strategic Plan Priorities.
Risk Implications:	Failure to operate within the delegated budget would impact on the overall financial sustainability and credibility of the partnership.
Community Benefits:	Effective delivery of services as per the 2023-24 budget and associated plans should allow key strategic priorities to be met which should maximise benefits for the North Ayrshire community as a whole, but also benefit those areas of the community most in need.

Direction Required to Council, Health Board or Both	Direction to :-	
	1. No Direction Required	
	2. North Ayrshire Council	
	3. NHS Ayrshire & Arran	
	4. North Ayrshire Council and NHS Ayrshire & Arran	√

7.	CONSULTATION
7.1	The budget plans detailed in this report have been produced in consultation with relevant budget holders, the NAHSCP Senior Management Team and IJB members. The funding assumptions align with information shared and agreed with the Directors of Finance for NAC and NHS AA.
8.	CONCLUSION
8.1	The plans outlined in the report support the IJB to approve a balanced budget for 2023-24. The IJB are recommended to approve the budget for 2023-24 inclusive of all related pressures, savings and reserves. The IJB may be asked to re-visit plans if the Health Board delegated funding changes from that outlined in the report.

For more information please contact:

Paul Doak, Head of Finance and Transformation at pdoak@north-ayrshire.gov.uk or Eleanor Currie, Principal Manager – Finance at eleanorcurrie@north-ayrshire.gov.uk

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Appendix A

**North Ayrshire Health and Social Care Partnership
2023-24 Total Budget**

	NAC	NHS AA	Total
	£m	£m	£m
Baseline Budget	117.759	164.500	282.259
Baseline Funding Increase	-	2.164	2.164
SG Funding Adjustment	3.649	-	3.649
2022-23 Budget excluding set aside	121.408	166.664	288.072
Draft set aside budget	-	35.547	35.547
2022-23 Budget including set aside	121.408	202.211	323.619

North Ayrshire Health and Social Care Partnership 2023-24 Budget Pressures

	Social Care £m	Health £m	TOTAL £m	
Pay Award	2.217	1.477	3.694	Provision of 2% for NHS and 3% provision for NAC/Social Care staff.
Demographic Pressures:				
: Physical Disabilities	0.166	-	0.166	Historic increase in PD care packages.
: Learning Disabilities (Older Clients & Carers)	0.271	-	0.271	Historic increase in LD care packages, increase in client base due to support being provided due to inability for familial care supports not able to continue or at the same level.
Transitions of Care:				
: Learning Disability	0.612	-	0.612	Known individuals planned to transition from children's to adult services.
: Mental Health	0.082	-	0.082	Known individuals planned to transition from children's services or a hospital setting to adult services.
Contract Inflation:				
: Contract Inflation	3.096	-	3.096	Inflation increase for payments to care homes, real living wage provision and other contract inflation.
Lead Partnership Pressures				
: UnPACS	-	0.600	0.600	Demand Pressure
Pan Ayrshire Pressures				
: Office 365	-	0.150	0.150	Contribution towards the O365 project.
: Community Equip Store	-	0.019	0.019	Contribution to increased equipment costs.
: Continence Supplies	-	0.033	0.033	Contribution to increased supplies costs.
: Adult Tier 3 Weight Management	-	0.155	0.155	Contribution to the project.
: Child Death Overview Lead Post	-	0.014	0.014	Contribution to the post.
: Integrated Infant Feeding Team	-	0.057	0.057	Contribution to the project.
: Prison / Police Custody Contract	-	0.022	0.022	Contribution to the contract inflation increase.
: Appropriate Adult Service	-	0.002	0.002	Contribution to the contract inflation increase.
: NEST Admin Support	-	0.010	0.010	Contribution to the post.
: TEC	-	0.022	0.022	Contribution to the project.
: Orthotics	-	0.011	0.011	Contribution to the project.
: Substitute Prescribing - MAT Standards	-	0.073	0.073	Contribution to the demand and cost increase.
: Foxgrove	-	0.067	0.067	Contribution to the project.
Other Areas				
: PPE	0.200		0.200	Increased PPE costs which are no longer funded by Covid funding.
: Care at Home Staff	1.881		1.881	Increased costs following the Care at Home review.
: Interim Care	(0.551)		(0.551)	Removal of the Interim Care funding.
: Free Personal and Nursing Care (FPNC)	0.388		0.388	To meet the cost of the FPNC rates.
: Whole Family Wellbeing Fund	0.954		0.954	Funding for the project
TOTAL PRESSURES 2023-24	9.316	2.712	12.028	
: Resource Transfer Inflation	(0.430)	0.430	-	Inflationary increase to historic resources passed from health to community services when hospital beds are decommissioned and to Integration funding.

Appendix C

North Ayrshire Health and Social Care Partnership

2023-24 Savings

Savings ref number	Description	Deliverability Status at budget setting	2023/24 Saving	Description of the Saving
Children, Families & Criminal Justice				
1	Staffing reconfiguration - children & families	Amber	273,000	Review staffing provision within children's houses with the saving phased over 2023/24 and 2024/25 – 50/50
Community Care & Health				
2	Deliver the Strategic Plan objectives for Older People's Residential Services - Reduction in Care Home Places	Amber	1,000,000	Month 10 placements are 762 and are projected to rise to 770 by the year end. The budget for 23/24 would fund an average 780 places at the current split of nursing/residential (60/40). This reflects reduced demand and investment in CAH to support more people at home. Implications – possible use of waiting list to manage numbers.
3	Care Home Respite	Amber	560,000	All respite care to be provided in-house at Anam Cara and Montrose House and any use of other respite provision funded via Carers budget. Implications – reduction in use of other care homes for respite places
4	Montrose House Capacity	Green	210,000	Amend registration from 30 beds to 20 beds across 2 staffed wings. This will be supported by introduction of intermediate care beds at Arran War Memorial Hospital.
5	Reconfigure respite provision at Anam Cara	Amber	112,000	The service is currently relocated to Taigh Mor (8 beds) on a temporary basis and this proposal would reduce capacity from 14 beds to 9 beds in one wing when it reverts to Anam Cara.
Mental Health				
6	Trindlemoss pool running costs	Green	85,000	Trindlemoss Pool has never opened due to ongoing maintenance issues. The historic budgeted running costs are £0.085m but it is expected actual costs would be much higher. The pool will not open and alternative therapies will be provided e.g. bounce therapy.
7	Trindlemoss Day Care	Green	168,932	Trindlemoss day opportunities staffing was restructured during 2021/22 and 2022/23. This saving has already been achieved and will remove the additional staffing budget.
8	Intermediate Placement Scheme - cessation of service	Green	30,000	The contract has ceased and will not be renewed.
Other Areas				
9	Carers Act Funding - Substitution of Spend	Green	500,000	There is a plan in place to invest across carer service contract, preparation of carer plans, short breaks and other support to carers. This proposal will invest £0.500m in contributions to Red Rose House, Roslin House, Anam Cara, waiving of charges and day services.
10	Payroll Turnover - increase to target (social care)	Green	1,000,000	22/23 Month 10 – projecting turnover savings £4.414m v target £2.014m resulting in a projected overachievement of target in 22/23 of £2.4m. Saving based on less than 50% of this year's overachievement
11	Income Generation - 5% Increase to fees and charges	Green	46,600	Implement a 5% increase to fees and charges and a 5% increase to the maximum charge. The impact will be limited where service users are already paying the maximum charge. Social care charges are means-tested with the exception of community alarms
12	Staffing Reconfiguration - Finance and Transformation	Green	35,000	Saving released through management and admin structure change

TOTAL SOCIAL CARE SAVINGS

4,020,623

Health:

Savings ref number	Description	Deliverability Status at budget setting	Approved Saving 2023/24 £m	Description of the Saving
13	Payroll Turnover - Health Lead Partnership	Green	392,245	22/23 Month 10 – projecting turnover savings £2.182m v target £0.481m resulting in a projected overachievement of target in 22/23 of £1.701m. The saving is based on less than 25% of this year's overachievement
14	Payroll Turnover - Health Non Lead Partnership	Green	250,000	22/23 Month 10 – projecting turnover savings £1.789m v target £1.183m resulting in a projected overachievement of target in 22/23 of £0.606m. The saving is less than 50% of this year's overachievement.
15	Reprovisioning of Continuing Care beds	Amber	300,000	Currently provided through Cumbrae Lodge Care Home in Irvine but the provider does not want to continue to provide the service. Plans are being developed to relocate the service to Taigh Mor in Beith with an anticipated saving of £0.3m.

TOTAL HEALTH SAVINGS

942,245

TOTAL NORTH HSCP SAVINGS

4,962,868

NHS Ayrshire and Arran 2% Baseline Uplift 2023-24

	East	North	South	Total
Base budgets by IJB	205,654,273	164,578,522	97,522,512	467,755,307
Primary Medical Services	(29,973,461)	(18,917,262)	(18,880,953)	(67,771,676)
Less Action 15		(2,623,619)		(2,623,619)
District Nurse Posts	(117,809)	(132,167)	(110,395)	(360,371)
Perinatal and Infant Mental Health Services		(302,991)		(302,991)
Funding uplift for Alcohol and Drug Partnerships	(326,117)	(364,842)	(304,743)	(995,703)
School Nurse commitment Tranche 1	(135,341)	(151,835)	(126,824)	(414,000)
CAMHS improvement - Intensive Psychiatric CareUnits		(121,697)		(121,697)
CAMHS improvement - Intensive Home TreatmentTeam		(147,512)		(147,512)
CAMHS improvement - LD, Forensic and Secure		(51,629)		(51,629)
CAMHS improvement - Out of Hours unscheduled care		(86,294)		(86,294)
CAMHS improvement - CAMHS Liaison Teams		(129,073)		(129,073)
CAMHS improvement - Neurodevelopmental		(225,693)		(225,693)
Mental Health Outcomes Framework		(1,492,428)		(1,492,428)
Tranche 2 - Family Nurse Partnership			(210,000)	(210,000)
Less COVID-19	0	0	0	0
Schedule 5 devolved prescribing	(25,682,061)	(30,412,505)	(24,220,396)	(80,314,962)
East Lead Prescribing	(2,178,123)			(2,178,123)
Less East Central FHS	(58,543,815)			(58,543,815)
Long COVID support fund				0
Naloxone for Police Scotland		(25,948)		(25,948)
Primary Care Improvement Fund - Tranche 1	(4,088,679)			(4,088,679)
Improvement to SARCS	(47,500)			(47,500)
Family Nurse Partnership - Tranche 1			(1,682,478)	(1,682,478)
GDS element of the Public Dental Service	(2,037,750)			(2,037,750)
Integration Authorities - Multi-disciplinary Teams	(696,000)	(828,000)	(750,000)	(2,274,000)
Funding for band 2-4	(454,496)	(340,555)	(283,949)	(1,079,000)
Dental Health Support workers and OH	(233,739)			(233,739)
Combat Stress	(1,424,090)			(1,424,090)
				-
Revised HSCP Baseline	79,715,292	108,224,472	50,952,773	238,892,537
Uplift 2%	1,594,306	2,164,489	1,019,055	4,777,851

SCOTTISH GOVERNMENT FUNDING LETTERS



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Chief Executives, NHS Scotland

Copy to: NHS Chairs
NHS Directors of Finance
Integration Authority Chief Officers
Integration Authority Chief Finance Officers

Issued via email

15th December, 2022

Dear Chief Executives

Scottish Government Budget 2023-24

Following the announcement of the Scottish Government's Budget for 2023-24 by the Deputy First Minister in Parliament today, I am writing to provide details of the indicative funding settlement for Health Boards. A breakdown of this is provided in **Annex A** to this letter.

The Deputy First Minister has set out this budget in the context of the current cost of living crisis and funding parameters set by the Chancellor of the Exchequer in November 2022. This budget sets out the next steps to deliver the Health and Social Care commitments outlined in the Programme for Government, taking into account the current economic environment and recent Emergency Budget Review.

As in previous years, the position will be subject to any amendments agreed through the Scottish Parliament's Budget Bill process, as well as recognising the further work that we will undertake with you specifically in relation to Covid-19 and pay funding arrangements. I will keep you up to date with any changes to our planning assumptions.

Budget Uplift

Compared to 2022-23 budgets, Boards will receive a total increase of 5.9% for 2023-24. This includes recurring funding for pay in 2022-23 and a baseline uplift of 2% for 2023-24. Within this total, those Boards furthest from NRAC parity will receive a share of £23.2 million, which will continue to maintain all Boards within 0.8% of parity.

In terms of pay, given the challenging and uncertain outlook for inflation, the need to conclude some pay deals for the current year and the associated implications for spending baselines, the Government has not set out a public sector pay policy alongside the 2023-24 Budget and we will say more on 2023-24 pay (covering Agenda for Change and other staff groups) at an appropriate point in the new year. As part of Boards recurring adjustments for 2022-23, amounts have been included based on pay offers for Agenda for Change and Medical and Dental staffing in 2022-23. The Agenda for Change pay deal remains subject to agreement, and we will work with Directors of Finance to finalise this position once the outcome is known. I will write to Boards in 2023 to confirm finalised baseline budgets following the conclusion of this work.

Health & Social Care Levy Funding

I can confirm that the £69.1 million allocated in 2022-23 to support Boards with the costs of the additional National Insurance levy in 2022-23 will remain with Boards. Following the change in policy by UK Government, this funding is not ringfenced and it is to be determined locally how this resource is utilised.

Covid-19 Funding

Whilst the scale of Covid-19 costs has reduced significantly in 2022-23 and projected to reduce further in 2023-24, we recognise that there are specific legacy costs that will require additional funding support in the new financial year. This includes funding for:

- Vaccinations staffing and delivery;
- Test & Protect activities including Regional Testing facilities;
- Additional PPE requirements; and
- Some specific Public Health measures.

Following today's budget we will seek to provide early clarity as to the total funding to be provided to support these costs. However, beyond the above, NHS Boards and Integration Authorities should expect to meet remaining costs from baseline funding and should continue to drive these costs down as far as possible.

Policy Funding

In addition to the baseline uplift outlined, funding aligned to policy commitments and recovery of health and social care services will be allocated to Boards and Integration Authorities in 2023-24. It is our intention to provide early indication of allocations, where possible, and to align this to the planning guidance that will be issued in relation to Annual Delivery Plans, setting out the priorities for health and social care in the coming year.

Recognising the level of funding that is provided through in-year non-recurring allocations, and to maximise flexibility in delivery, we intend to review funding arrangements ahead of 2023-24. As part of this work, we will seek to bundle and baseline funding where this is appropriate. We will work closely with both Territorial and National Boards to establish a suitable approach.

Health and Social Care Integration

In line with previous years, 2023-24 NHS payments to Integration Authorities for delegated health functions must deliver an uplift of 2% over 2022-23 agreed recurring budgets and make appropriate provision for 2022-23 pay.

The Health and Social Care Portfolio will transfer net additional funding of £95 million to Local Government to support social care and integration, which recognises the recurring commitments on adult social care pay in commissioned services (£100 million) and inflationary uplift on Free Personal Nursing Care rates (£15 million). This is offset by non-recurring Interim Care money ending (£20 million).

The overall transfer to Local Government includes additional funding of £100 million to deliver a £10.90 minimum pay settlement for adult social care workers in commissioned services, in line with Real Living Wage Foundation rate.

The funding allocated to Integration Authorities should be additional and not substitutional to each Council's 2022-23 recurring budgets for services delegated to IJBs and, therefore, Local Authority social care budgets for allocation to Integration Authorities must be at least £95 million greater than 2022-23 recurring budgets.

Capital Funding

The Health Capital settlement for 2023-24 is in line with the expectations of the Capital Spending Review. Therefore I can confirm that Boards' Capital Resource Limit will be in line with that for 2022-23, plus additional funding will be provided for legally committed projects. The capital programme and commitments is subject to ongoing review by the National Infrastructure Board and the Capital Investment Group, and Boards will be advised at the earliest opportunity on any further allocations for projects in development during 2023-24.

2023-24 Financial Planning

As previously confirmed, where Boards are indicating that financial support is required in 2022-23, we have asked Boards to submit financial recovery plans in the new year, setting out a return to financial balance in the next three years. I expect that Boards are taking proactive steps to develop these plans.

We will be requesting that financial plans for 2023-24 are submitted in the new year and will be issuing guidance to this effect shortly. As noted in my letter on 12 September, all Boards are expected to be engaging with the Sustainability and Value (S&V) programme, reflecting this work at a local level to support delivery of a cost reduction target of 3% per annum and productivity and related improvements in line with the four aims. The S&V board is now meeting regularly as are the working groups taking forward specific ideas. Value propositions have been set out to bring various elements of this work together which will be shared in due course.

Longer term work is required as we move out of recovery, towards transformation and renewal of our health services to deliver world-class, safe, person-centred, and sustainable healthcare for the people of Scotland. This will build on and prioritise specific areas of work in a joined-up way, whilst working in parallel to develop longer term transformation and renewal of our health services.

It is clear that there is significant financial challenge in 2023-24 and we will continue to work closely with Chief Executives to address this. I thank you again for your support to date and your continued engagement moving into the next financial year.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R McCallum', with a long horizontal stroke extending to the right.

Richard McCallum
Director of Health Finance and Governance

Annex A – Board Funding Uplifts

	2022-23 Allocation	Recurring Allocations*	22-23 Pay**	Total 2022-23 Allocation	Uplift***	2023-24 Total Allocation	Uplift from 2022-23	NRAC Funding	Distance from NRAC Parity	HSC Levy Funding (retained by Boards) ****	Uplift from 2022-23 (inclusive of HSC Levy)
	£m		£m	£m	£m	£m	%	£m	%	£m	%
NHS Territorial Boards											
Ayrshire and Arran	806.8	(0.6)	27.4	833.5	16.7	850.2	5.4%	0.0	-0.4%	4.4	6.0%
Borders	234.8	(0.1)	8.0	242.6	6.0	248.6	5.9%	1.1	-0.8%	1.3	6.5%
Dumfries and Galloway	334.1	(0.2)	11.3	345.3	6.9	352.2	5.4%	0.0	1.9%	1.8	6.0%
Fife	749.4	(0.5)	25.5	774.3	16.5	790.8	5.5%	1.0	-0.8%	4.0	6.1%
Forth Valley	598.1	(0.3)	20.3	618.1	13.0	631.1	5.5%	0.6	-0.8%	3.2	6.1%
Grampian	1,072.2	(0.9)	36.4	1,107.7	22.2	1,129.9	5.4%	0.0	-0.4%	5.8	6.0%
Greater Glasgow and Clyde	2,504.0	(1.4)	85.0	2,587.6	51.8	2,639.4	5.4%	0.0	1.7%	13.6	6.0%
Highland	725.6	(0.5)	27.8	752.9	15.3	768.2	5.9%	0.2	-0.8%	3.9	6.4%
Lanarkshire	1,346.8	(0.8)	45.7	1,391.8	32.3	1,424.1	5.7%	4.5	-0.8%	7.3	6.3%
Lothian	1,639.3	(1.3)	55.7	1,693.7	49.6	1,743.3	6.3%	15.7	-0.8%	8.9	6.9%
Orkney	57.1	(0.1)	1.9	59.0	1.2	60.2	5.5%	0.1	-0.8%	0.3	6.0%
Shetland	57.0	0.0	1.9	59.0	1.2	60.1	5.5%	0.0	2.3%	0.3	6.1%
Tayside	856.5	8.7	29.1	894.3	17.9	912.2	6.5%	0.0	-0.7%	4.7	7.1%
Western Isles	84.5	(0.0)	2.9	87.3	1.7	89.0	5.4%	0.0	11.5%	0.5	6.0%
Territorials Total	11,066.1	2.0	379.0	11,447.1	252.2	11,699.2	5.7%	23.2		60.0	6.3%
NHS National Boards											
National Waiting Times Centre	68.1	0.0	6.2	74.3	1.5	75.8	11.3%			0.9	12.8%
Scottish Ambulance Service	305.9	5.6	16.2	327.7	6.6	334.2	9.3%			2.0	10.0%
The State Hospital	40.0	0.0	1.7	41.7	0.8	42.5	6.3%			0.3	7.0%
NHS 24	78.4	5.5	5.0	88.9	1.8	90.7	15.7%			0.7	16.7%
NHS Education for Scotland	492.3	1.4	13.8	507.5	10.1	517.6	5.1%			2.8	5.7%
NHS National Services Scotland	355.3	5.6	10.4	371.2	7.4	378.6	6.6%			1.5	7.0%
Healthcare Improvement Scotland	30.4	1.1	1.4	32.9	0.7	33.6	10.4%			0.2	11.0%
Public Health Scotland	52.1	0.2	3.5	55.8	1.1	56.9	9.3%			0.7	10.8%
Nationals Total	1,422.6	19.5	58.0	1,500.1	30.0	1,530.1	7.6%			9.1	8.3%
Total NHS Boards	12,488.7	21.5	437.0	12,947.2	282.2	13,229.3	5.9%			69.1	6.5%

* Includes recurring allocations from 2021-22

** Includes estimated funding for Agenda for Change and Medical & Dental pay uplift in 2022-23.

*** Includes NRAC parity adjustments.

**** Included in Boards 2022-23 Baseline Budgets

An Leas-phrìomh Mhinistear agus Ath-shlànachadh
Cobhid
Deputy First Minister and Cabinet Secretary for Covid
Recovery
John Swinney MSP



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Copy to: Councillor Steven Heddle
The Leaders of all Scottish local authorities

15 December 2022

Dear Shona,

Today I formally set out the Scottish Government's proposed Budget for 2023-24 in a statement to the Scottish Parliament. I write now to confirm the details of the local government finance settlement for 2023-24.

As discussed when I met with you, the Resources Spokesperson, and Group Leaders on 1 December, we are facing the most challenging budget circumstances since devolution. This is primarily due to over a decade of austerity eroding financial settlements from Westminster, compounded by the impact of Brexit and the disastrous mini-budget. Scottish and local government are experiencing unprecedented challenges as a result of the UK Government's economic mismanagement, resulting in rising prices and soaring energy bills, with inflation estimated to be running at a 41 year high of 11.1% at the time of the Chancellor's Autumn Statement.

My Cabinet colleagues and I have engaged extensively with COSLA Leaders and spokespersons over the course of the year and there is collective understanding that this economic context is also having a significant impact upon local authorities. Councils, like the Scottish Government and rest of the public sector, are working hard to support people through the cost crisis. In this regard we are hugely grateful to councils for their hard work and we fully appreciate that no part of public life has been immune from taking deeply difficult decisions to live within the current fiscal reality.

I have already taken the unprecedented step of making a statement to Parliament to reprioritise over £1.2 billion of funding as part of my Emergency Budget Statement. Despite the scale of that challenge the Scottish Government actively chose to protect Councils during

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that exercise and increased the funding available to councils whilst most other portfolios were required to make significant savings.

The Scottish Government's revenue raising powers offer limited flexibility to deal with challenges of this magnitude. I wrote to the Chancellor on 19 October to highlight the impact of inflation on the Scottish Government's budget and to call for additional funding to help us deal with these inflationary pressures and to support public services.

As we face these challenges, and in the absence of meaningful change in direction by the UK Government, we need to work together to ensure that we deliver for people within the financial constraints we have. I very much welcomed the open discussion on 1 December about how we focus our efforts on our shared priorities, and to that end we are offering to jointly develop an approach to working within this budget which delivers our ambitions.

The Local Government Settlement

Before turning to that offer, I will first set out how I have sought to support local government through the budget itself.

The Resource Spending Review guaranteed the combination of General Revenue Grant and Non-Domestic Rates Income at existing levels between 2023-24 and 2025-26 including the baselining of the £120 million that was added in Budget Bill 2022-23. The Budget delivers those commitments in full, despite the fact that the UK Government's Autumn Statement reversed their previous position on employer National Insurance Contributions resulting in negative consequentials. This decision has conferred around £70 million of additional spending power for local government.

The difficult decisions in the Emergency Budget Statement provided one-off additional funding to support enhanced pay deals for local government staff. We recognise the role that increasing pay for local authority employees, especially those on lower incomes, plays in helping more people cope with the cost crisis, but the fact remains that every additional pound we spend on recurring pay deals, must be funded from elsewhere within the Scottish Government budget. I therefore hope that councils will welcome the fact that the budget baselines the additional £260.6 million allocated in 2022-23 to support the local government pay deal and also delivers additional funding to ensure that payment of SSSC fees for the Local Government workforce will continue to be made on a recurring basis.

Despite the challenging budget settlement I have sought to increase funding as much as I can. I have been able to increase General Revenue Grant by a further £72.5 million, taking the total increase to over £550 million. I have also ensured that we have maintained key transfers worth over £1 billion and added a further £102 million of resource to protect key shared priorities particularly around education and social care.

The Resource Spending Review also confirmed the outcome of the 2021 Capital Spending Review and this has been supplemented by £120.6 million mentioned as part of the support to the local government pay deal plus a further £50 million to help with the expansion of the Free School Meals policy.

With regards to that wider settlement, we are providing £145 million to be used by councils to support the school workforce. The Cabinet Secretary for Education and Skills has written separately to COSLA on this matter.

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I am also very grateful for the work undertaken through the Early Learning and Childcare Finance Working Group to develop and scrutinise detailed analysis of the delivery costs for the 1140-hour commitment. This is crucial to ensuring we meet our shared commitment to providing transparency and value for money in a significant programme of public sector investment. The Early Learning and Childcare settlement for 2023-24 takes account of significant declines in the eligible population in recent years and makes provision for important policy and delivery priorities based on feedback from COSLA and local government colleagues.

As set out in separate detailed communications, the Health and Social Care Portfolio will transfer net additional funding of £95 million to Local Government to support social care and integration, which recognises the recurring commitments on adult social care pay in commissioned services (£100 million) and inflationary uplift on Free Personal Nursing Care rates (£15 million). This is offset by the non-recurring interim care money ending (£20 million).

The overall transfer to Local Government includes additional funding of £100 million to deliver a £10.90 minimum pay settlement for adult social care workers in commissioned services, in line with Real Living Wage Foundation rate.

The funding allocated to Integration Authorities should be additional and not substitutional to each Council's 2022-23 recurring budgets for services delegated to IJBs and therefore, Local Authority social care budgets for allocation to Integration Authorities must be at least £95 million greater than 2022-23 recurring budgets.

The consolidation of funding into the new £30.5 million homelessness prevention fund not only reflects the importance local and national government jointly place on homelessness prevention and earlier intervention, but also simplifies the homelessness funding landscape. This provides more flexibility for council and greater clarity for citizens who want to understand how national and local government are working jointly to improve outcomes.

In total, including the funding to support the devolution of Empty Property Relief, the budget increases the local government settlement by over £550 million relative to the Resource Spending Review position.

I am conscious of the position you set out to me, and the challenges which councils will still face, like all parts of the public sector, in meeting current and emerging demands from within this budget. Therefore, I am offering to continue to work with you with real urgency in the coming weeks to determine how we might jointly approach these challenges and ensure sustainable public services to support our shared priorities now and in the future.

Delivering for People and Communities by Working Together Flexibly

Through the Covid Recovery Strategy, Scottish Government and Local Government, committed to work together to address the systemic inequalities made worse by Covid, to make progress towards a wellbeing economy, and accelerate inclusive person-centred public services.

We must sustain this focus on the outcomes we care most deeply about, in particular:

- i) tackling child poverty,

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- ii) transforming the economy to deliver net zero, and
- iii) sustaining our public services.

No single part of the public service landscape can deliver these outcomes alone. We need to work in partnership to deliver outcomes for people and places across Scottish and local government as our two spheres of government, recognising our joint accountability for change. Local service providers have the critical relationships with people and communities and must be empowered and enabled to organise services around their needs, rather than the funding stream, policy area or body delivering. By doing so, we will collectively reduce complexity and barriers for people, deliver improved outcomes and reduce inequalities among communities in Scotland, and enable the fiscal sustainability of key public services.

Strong local leadership will make this approach work in practice, supported by a national vision and learning from good practice. Community Planning Partnerships are the mechanism in which we need to see a collective and intensive effort to align available resources into prevention and early intervention focused on delivering shared outcomes for people and place. Local authorities have the leading, critical role in CPPs, but CPPs also involve a range of public bodies which must play their part, alongside local third sector and community bodies.

The Scottish Government is committed to building trust and maximising benefits for our citizens and communities. We will act to:

- align budgets to maximise impact on outcomes;
- remove barriers which hinder flexibility in funding, and in the design and delivery of services around people, helping to embed the service changes flowing from this;
- require our partner public bodies and agencies to work collaboratively within CPPs to deliver shared outcomes, take action to address local priorities and align local funding, this will be supported by our Place Director network;
- enable third sector partners to participate and contribute in local plans, including through flexible funding.

Local authorities are key partners in this endeavour. Through COSLA, we will invite local authorities to work with us to:

- prioritise spending to agreed key outcomes for which we are jointly accountable, with clarity as to the way in which we will work together to secure and measure success;
- ensure that joint plans of activity across Community Planning Partnerships can deliver those outcomes in a way which reflects the needs of a local communities, and to robustly account for delivery of these plans;
- share resources across CPPs to deliver these activities in whatever way is most effective;
- continue to share and learn from best practice nationally and locally to embed person centred approaches that work for individuals and communities, and reduce barriers and duplication in our joint systems.

We will seek to agree jointly how to put this commitment into operation practically over the coming months and to develop robust assurance that demonstrates delivery of critical priorities and reform. We need to be data driven and transparent, reflecting the accountability which comes with responsibility. Scottish and Local Government need to agree metrics and mechanisms for monitoring impact and outcomes, so that intervention and resource can be

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targeted where it is most needed to secure improvement. This will include seeking to reduce unnecessary reporting.

This approach is aimed at building trust and relationships and as well as adopting it through this budget, it will be reflected in the partnership agreement that will underpin the New Deal for Local Government set out in the Resources Spending Review. In order to offer flexibility across funding and work towards removal of ring fencing, the Scottish Government will need clear commitment from local government about delivery of agreed joint outcomes.

The Cabinet Secretary for Social Justice, Housing and Local Government would welcome an initial discussion on this when you meet next week at the Strategic Review Group, in order to pave the way for work at pace among our officials.

Non-Domestic Rates and Other Local Taxation Measures

As Leaders will be aware, the 1 April 2023 marks the date of the next Non-Domestic Rates revaluation, and the first to reflect the reforms introduced by the independent Barclay Review of Non-Domestic Rates. These reforms, including the move to three-yearly revaluations and a one-year tone date, will ensure that property values more closely align with prevailing property market conditions in Scotland.

The Budget freezes the poundage and acknowledges the impact of the revaluation by introducing a number of transitional reliefs to ensure that any properties which see significant increases in their rates liabilities following the revaluation do so in a phased manner. The Barclay Review also recommended a number of reforms to the Non-Domestic Rates appeals process which are critical to ensuring the deliverability of the three-yearly revaluation.

The new two-stage appeals process will commence on 1 April 2023 alongside the transfer of functions of Valuations Appeals Committees to the Scottish Courts and Tribunals Service. The Non-Domestic Rates (Scotland) Act 2020 and subsequent regulations have, amongst other things, provided Assessors and Councils with greater information-gathering powers and have also increased the transparency of the process for ratepayers including, for the first time, the provision of draft values on 30 November 2022. These reforms are intended to reduce the reliance on the formal appeals process to deliver accurate rateable values and the Act also provided a legal basis for the pre-agreement of values.

Many of the reforms of the Barclay Review seek to incentivise behaviour changes to deliver a more effective and efficient system. Reflecting the ability to pre-agree values and the importance of building resilience in the new appeals system to support the transition to more frequent revaluations, Ministers plan to make administrative changes to the funding treatment of appeals associated with public sector bodies, including councils.

The current system essentially sees the public sector challenge other parts of the public sector with private sector advisor fees effectively extracting resources from public services. The conclusion of the process determines funding allocations outside the remit of the annual budget framework with successful public bodies benefiting financially to the detriment of other ratepayers and public services. The volume of public sector appeals also serves to delay access to justice for other appellants.

Ministers do not believe that this offers value for money for the public. Whilst the right to propose and appeal will remain, to incentivise the use of the pre-agreement powers and

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discourage the continued reliance on the formal appeals process, from 1 April 2023, all bodies, including councils, who receive their funding through the Scottish Government budget process, will see the financial incentive for proposing and appealing removed.

Where a property occupied by a public body is subject to a successful proposal or appeal, the financial benefit from the reduction in rateable value will result in a downward re-determination of revenue allocations at a subsequent fiscal event. On this basis, Ministers will be encouraging all public bodies to begin the process of pre-agreement with their local assessors ahead of 1 April 2023 to ensure that values are accurate prior to the start of the revaluation and that this approach be adopted by default for future revaluations.

The Non-Domestic Rates (Scotland) Act also had the effect of abolishing Empty Property Relief as agreed with the Scottish Green Party a part of the 2019-20 Budget process. Unoccupied properties will therefore be liable for full rates from 1 April 2023 if relief is not available under a local scheme. To effectively devolve responsibility for the relief and provide greater fiscal empowerment for council, as agreed by the Settlement and Distribution Group, the budget provides an additional £105 million of General Revenue Grant, significantly more than the cost of maintaining the national relief in light of the subsequent decision to freeze the poundage.

In addition, following consultation with members of the Institute of Revenues, Rating and Valuation, we will bring forward regulations intended to empower councils to tackle rates avoidance more effectively. In combination, the funding transfer and the proposed new powers will provide significant additional fiscal flexibility to councils to administer support for unoccupied properties in a way that is tailored to local needs.

Furthermore, I can confirm that the Scottish Government will not seek to agree any freeze or cap in locally determined increases to Council Tax, meaning each council will have full flexibility to set the Council Tax rate that is appropriate for their local authority area. I do hope that councils will reflect carefully on the cost pressures facing the public when setting council tax rates.

We are also committed to expanding councils' ability to raise additional revenues and discussions among our respective officials have commenced to identify a structured approach to future potential local taxes. At the same time, councils now have the power to establish local workplace parking levy schemes and our work to introduce a local visitor levy bill in this parliamentary session is on track.

Finally, I am conscious that, while it is not directly applicable to Local Government pay negotiations, many stakeholders have used Public Sector Pay Policy as a reference point in previous years. For this reason, I feel it is important to highlight to you that we have taken the decision not to announce pay uplifts or publish a Public Sector Pay Policy for 2023-24.

There are a number of reasons for this, not least among them the desire to approach pay negotiations differently for 2023-24, the imperative for reform and the need to ensure the sustainability of public sector pay and workforce arrangements. This does not change our view that our job in the midst of a cost crisis is not to press down on pay, particularly the most vulnerable. We will be sharing further guidance in relation to 2023-24 pay at an appropriate point in the new year which is likely to be considered by Trade Union colleagues relevant in Local Government pay negotiations, if you agree I will ask my officials to engage

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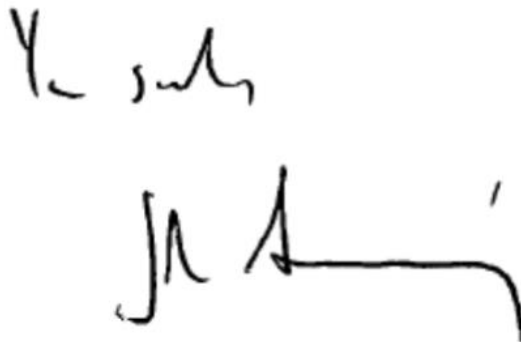


with COSLA officers as this develops to determine if you might wish to formally endorse or adopt it.

I am under no illusions about the challenging fiscal environment we face across all of our public services over the next few years but I have sought to protect the local government settlement as far as possible with an overall settlement of over £13.2 billion. The budget goes significantly beyond the commitments made in the Resource Spending Review. It provides substantive additional funding and it does not pass on the negative consequential for employer national insurance contributions resulting from of the Autumn Statement. Importantly, it provides a number of fiscal and policy flexibilities. Alongside the settlement, I hope my offer to build on the Covid Recovery Strategy will be warmly and urgently received, to enable us to make urgent progress on the New Deal.

I want us to work in partnership, to build on the Covid Recovery Strategy and agree an approach which improves delivery of sustainable public services, designed around the needs and interests of the people and communities of Scotland, at its heart.

I would welcome confirmation that you are supportive of the proposed joint work outlined above and I look forward to working with COSLA and Leaders in the months ahead to deliver on our shared priorities.



JOHN SWINNEY

DIRECTION

Reference No.		
From	North Ayrshire Integration Joint Board	
To	NHS Ayrshire & Arran	
	Local Authority	
	Both	✓

1.	IJB Report Reference	<i>Include hyperlink to report.</i>	
2.	Date Direction Issued by IJB	16/03/2023	
3.	Date Direction takes effect	01/04/2023	
4.	Does this direction supercede, amend or revoke a previous direction – if yes, include the reference numbers(s)	Yes	
		No	✓
5.	Description of services/functions covered by the direction	All services delegated to the North Ayrshire Integration Joint Board via the approved Integration Scheme.	
6.	Full text of direction	North Ayrshire Council and NHS Ayrshire and Arran are to note the balanced budget position and plans approved by North Ayrshire IJB on 16 th March 2023 for the financial year 2023-24. Partners should use resources available to invest in pressures as noted in Appendix B (totalling £12.028m) and the savings approved by the IJB (totalling £4.963m), as noted in Appendix C of the report.	
7.	Budget allocated by Integration Joint Board to carry out direction	The Partnership budget for 2023-24 totals £323.619m – which consists of £202.211m NHS Ayrshire and Arran (including estimated set aside of £35.547m) and £121.408m North Ayrshire Council.	
8.	Review/Monitoring Arrangements	Performance will be monitored through the routine budget monitoring process, including any in-year changes to the funding from North Ayrshire Council and NHS Ayrshire and Arran.	
9.	Date of Review of Direction (if applicable)	August 2023 (following first financial monitoring report to IJB).	
10.	Lead Partnership Arrangements	The budget includes all pan-Ayrshire services delegated to and managed by North Ayrshire under the Mental Health lead partnership arrangements.	