

Subject: **Revenue Budget 2024-25 and beyond**

Purpose: To update the IJB on the financial position for the Partnership for 2024-25, 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 2024-25 for the Partnership inclusive of all pressures, savings and reserves, noting that the funding position is subject to confirmation by NHS Ayrshire and Arran;
 (b) approves the new hourly rates for commissioned providers and Personal Assistants, and;
 (c) notes the risks associated with this budget.

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	√

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 2024-25. The Council budget was set on 28 th February and NHS AA will set their budget on 25 th March; if the funding assumption from NHS AA changes from the planning assumption set out, 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	<p>The table below summarises the overall financial position for 2024-25:</p> <table border="1"> <thead> <tr> <th></th> <th>Social Care (NAC) £m</th> <th>Health (NHS AA) £m</th> <th>Total £m</th> </tr> </thead> <tbody> <tr> <td>Funding Increase</td> <td>5.841</td> <td>0.000</td> <td>5.841</td> </tr> <tr> <td>Service Pressures – Appendix B</td> <td>15.532</td> <td>0.599</td> <td>16.131</td> </tr> <tr> <td>Budget Gap</td> <td>9.691</td> <td>0.599</td> <td>10.290</td> </tr> <tr> <td>Funded by:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>- Savings – Appendix C</td> <td>9.255</td> <td>1.035</td> <td>10.290</td> </tr> <tr> <td>(Surplus)/Deficit</td> <td>0.436</td> <td>(0.436)</td> <td>-</td> </tr> </tbody> </table>		Social Care (NAC) £m	Health (NHS AA) £m	Total £m	Funding Increase	5.841	0.000	5.841	Service Pressures – Appendix B	15.532	0.599	16.131	Budget Gap	9.691	0.599	10.290	Funded by:				- Savings – Appendix C	9.255	1.035	10.290	(Surplus)/Deficit	0.436	(0.436)	-
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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 2024-25 to approve any appropriate action to mitigate or manage these areas.																												
1.5	The proposed integrated budget for the IJB is £349.537m (inclusive of the estimated Set Aside budget of £35.453m). A summary of the 2024-25 budget and net budget increase is detailed within Appendix A.																												
2.	BACKGROUND																												
2.1	<p>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.</p> <p>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.</p> <p>In recent years, the process has moved away from that outlined in the Integration Scheme, 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.</p>																												
2.2	PARTNER FUNDING																												
2.2.1	North Ayrshire Council																												
	Based on the 2024-25 Finance Settlement, the Council confirmed a net contribution to the Partnership of £5.292m through its agreed budget. Some elements of this were already included in the HSCP base budget and other amounts have been assumed by the HSCP but are yet to be received. The reconciliation between the amount																												

confirmed by the Council and the amount included in the HSCP budget is in the table below.

As a condition of the settlement, funding allocated to the IJB should be in addition to the 2023-24 recurring baseline position. A summary is noted below:

Description	All Scotland (£m)	NAC (£m)
Real Living Wage uplift	230.0	6.477
Free Personal and Nursing Care	11.5	0.270
Adult social care – baselining adjustment previous years		0.073
Fostering and Kinship – baseline adjustment		0.004
SDS – baseline adjustment		0.005
Scottish Disability Assistance - baseline adjustment		0.012
Baseline adjustment re-employers superannuation		(1.000)
Per the HSCP budget plans		5.841
Reconciling Items to the Council Budget Paper		
Amounts already included in HSCP base budget		6.062
Real Living Wage uplift - not yet in settlement		(6.477)
Scottish Disability Assistance – not yet in settlement		(0.134)
Per Council Budget paper		5.292

For years 2025-26 and 2026-27 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.

2.2.2 NHS Ayrshire and Arran

Compared to 2023-24 budgets, territorial NHS Boards will receive a total increase of 4.3% for 2024-25 to cover costs related to the 2023-24 pay deals, as well as the baselining of £100 million sustainability and NRAC funding provided in 2023-24.

The Partnership receives an appropriate share of the pay award funding, and this is already included in our base budget calculation; the sustainability and NRAC funding is not shared with the IJB.

The funding letter also notes that additional funding is expected to be provided when the 2024-25 pay award is settled, the expectation is that the IJB will receive an appropriate share of any pay award funding.

The Health and Social Care Portfolio will transfer net additional funding of £241.5 million to Local Government to support social care and integration. The overall transfer to Local Government includes additional funding of £230 million to deliver a £12 per hour minimum pay settlement for adult social care workers in private and third sectors, in line with the Real Living Wage Foundation rate. In addition, an inflationary uplift on Free Personal Nursing Care rates (£11.5 million) is provided. These amounts are reflected in the North Ayrshire Council figures above.

The funding allocated to Integration Authorities for Free Personal and Nursing Care and adult social care pay in third and private sectors should be additional and not substitutional to each Council's 2023-24 recurring budgets for adult social care

	<p>services that are delegated. Where there is evidence funding is not passed across to be used for the policy intent, the Scottish Government reserves the right to look at reclaiming funding allocated.</p>
	<p>In previous years territorial health boards have received a baseline uplift on core budgets, for example in 2023-24 this was 2%, and on that basis there was a specific directive from Scottish Government that payments to IJBs for delegated functions delivered the same uplift. As noted, for 2024-25 the Scottish Government has committed the £100 million sustainability funding for non-pay costs, but beyond this and the NRAC funding provided in 2023-24, Boards will be expected to manage pressures within existing envelopes and there will be no new baseline funding uplift.</p> <p>On this basis, there is currently no funding uplift assumed from NHS Ayrshire and Arran for 2024-25 and this is reflected in the calculations below. This has not been formally approved and the Health Board will meet on 25th 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.</p> <p>The NHS AA financial position for 2024-25 is very challenging and the Board remains on level 3 of the NHS Scotland Support and Intervention Framework and in formal escalation for finance, with enhanced monitoring and support.</p>
<p>2.2.3</p>	<p>The benefits of a delegated funding approach from both partners are:</p> <ul style="list-style-type: none"> • 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 policy areas to be prioritised (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. • 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.
<p>2.3</p>	<p>2023-24 FINANCIAL POSITION</p>
	<p>The overall projected outturn position for 2023-24, as at month 10, is a projected year-end overspend of £4.171m (1.3% of the annual budget).</p> <p>The main areas of pressure for the core budget during 2023-24 are residential placements for children, supplementary staff in wards and Unplanned Activities (UnPACs) within the lead partnership for mental health.</p> <p>The savings plan for 2023-24 anticipates that a total of £4.963m of savings will be delivered in-year; it is expected that all of these savings will be achieved with the exception of £0.273m relating to a staffing reconfiguration in Children and Families.</p>

Many of the underlying overspend areas will continue into 2024-25 and services require to address these or there will continue to be a reliance on other budgets underspending or non-recurring draws on unearmarked reserve balances. These actions are included within our new Transformation Plan 2024-2027.

3. PROPOSALS

3.1 2024-25 REVENUE BUDGET PLANS

The NAHSCP 2023-24 integrated budget is expected to be £314.084m (excluding Set aside) and £349.537m (including Set Aside budget of £35.453m).

A summary of the 2024-25 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 3.1.1 to 3.1.5 provide an overview of the pressures and savings.

3.1.1 BUDGET PRESSURES

Service cost and demand pressures are detailed within Appendix B.

Total net budget pressures for health and social care services total £16.131m. 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.

The pressures are noted below with full detail in Appendix B:

Category	Social Care (NAC)	Health (NHS A&A)	TOTAL
	£m	£m	£m
Pay pressures	2.491	0.070	2.561
Demographic Pressures	0.569	0.000	0.569
Transition Pressures	0.540	0.000	0.540
Contract Inflation	5.265	0.000	5.265
Lead Partnership Pressures	0.000	0.173	0.173
Pan Ayrshire Pressures	0.000	0.336	0.336
Other Pressures	5.415	0.020	5.435
Impact of 23-24 draw on reserves	1.252	0.000	1.252
Total New Pressures	15.532	0.599	16.131

Provision has been made for Health pan-Ayrshire 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.

3.1.2	LIVING WAGE																
	<p>The Living Wage will increase from £10.90 per hour to £12.00 per hour from April 2024.</p> <p>There has been political agreement nationally that this uplift will be applied in the same way as the £10.50 and £10.90 uplifts in the last two financial years. This will mean an 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.</p> <p>After the weightings are applied this will increase the hourly rates being paid to providers and personal assistants as follows:</p> <table border="1" data-bbox="274 707 1308 974"> <thead> <tr> <th></th> <th>2023-24 Rate Per Hour</th> <th>2024-25 Rate Per Hour</th> </tr> </thead> <tbody> <tr> <td>Care at Home and Housing Support</td> <td>£20.00</td> <td>£22.00</td> </tr> <tr> <td>Sleepovers</td> <td>£13.32</td> <td>£14.69</td> </tr> <tr> <td>Personal Assistant Day Time Hourly Rate</td> <td>£14.65</td> <td>£16.11</td> </tr> <tr> <td>Personal Assistant Sleepover Hourly Rate</td> <td>£13.64</td> <td>£15.04</td> </tr> </tbody> </table> <p>The 2024/25 rates align with those which are proposed by East Ayrshire and South Ayrshire, ensuring a consistent pan-Ayrshire funding approach for our commissioned providers.</p>		2023-24 Rate Per Hour	2024-25 Rate Per Hour	Care at Home and Housing Support	£20.00	£22.00	Sleepovers	£13.32	£14.69	Personal Assistant Day Time Hourly Rate	£14.65	£16.11	Personal Assistant Sleepover Hourly Rate	£13.64	£15.04	
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3.1.3	BUDGET GAP																
	<p>A summary of the budget gap and overall savings requirement is outlined below:</p> <table border="1" data-bbox="274 1290 1425 1534"> <thead> <tr> <th></th> <th>Social Care (NAC) £m</th> <th>Health (NHS AA) £m</th> <th>Total £m</th> </tr> </thead> <tbody> <tr> <td>Funding Increases</td> <td>5.841</td> <td>0.000</td> <td>5.841</td> </tr> <tr> <td>Service Pressures</td> <td>15.532</td> <td>0.599</td> <td>16.131</td> </tr> <tr> <td>Budget Gap</td> <td>9.691</td> <td>0.599</td> <td>10.290</td> </tr> </tbody> </table>		Social Care (NAC) £m	Health (NHS AA) £m	Total £m	Funding Increases	5.841	0.000	5.841	Service Pressures	15.532	0.599	16.131	Budget Gap	9.691	0.599	10.290
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3.1.4	BUDGET SAVINGS																
	<p>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.</p>																

RAG Deliverability Status	Social Care (NAC) £m	Health (NHS A&A) £m	Total £m
Red	0.000	0.000	0.000
Amber	0.423	0.100	0.523
Green	8.832	0.935	9.767
TOTAL	9.255	1.035	10.290

The IJB are recommended to approve the savings proposals.

3.1.5 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 2024-25. 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
2023-24 Baseline Budget	69.560
Pay Pressures	0.070
Demand Pressures	0.173
Budget Gap/Savings Requirement	0.243
Savings – Payroll Turnover	(0.243)
Net position	69.560

The appropriate share of pressures and savings has been included here. These are detailed elsewhere in the report. Pay for NHS staff remains subject to agreement for 2024-25 and it has been assumed that additional funding will be allocated to support the pay deal when settled.

3.2 ACUTE SET ASIDE BUDGET

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 a 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.

Ayrshire Finance Leads have developed and agreed on a new model for costing the set aside arrangements, based on actual bed usage and average costs. A baseline level of usage has been agreed based on the average actual use across years 2016/17 to 2019/20, the last four years prior to the pandemic. A pan-Ayrshire Joint Commissioning Plan is currently under development; this will outline the level of acute unscheduled care provision that each of the IJBs want to commission from the Health Board.

The NHS AA Chief Executive has requested the below support from the 3 IJBs:

The development of a joint strategic commissioning plan to enable the setting of directions to provide to NHS Ayrshire and Arran for Unscheduled Care, aligned with the Set Aside resources. Seeking the support from the 3 IJBs in the review, and onward approving and monitoring of the delivery of a Strategic Commissioning Plan in line with the provisions laid out in the Integration Schemes, as outlined below:

- The NHS Board will consult with the Ayrshire Integration Joint Boards to ensure that any overarching Strategic Plan for Acute Services and any plan setting out the capacity and resource levels required for the Set Aside budget for such Acute Services is appropriately coordinated with the delivery of Services across the Ayrshire and Arran area. The parties shall ensure that a group including the Director for Acute Services and Chief Officers of the three Ayrshire Integration Joint Boards will meet regularly to discuss such issues.
- The initial Set Aside base budget for each Integration Joint Board will be based on their historic use of Acute Services. The actual unit cost which would apply as part of any change to activity or service redesign is dependent on the scale of change planned and requires agreement in advance by all Parties. Any redesign of service requires to be agreed across the three Integration Joint Boards and be reflected in the Strategic Plans.
- In year pressures in respect of Set Aside budgets will be managed in year by the Health Board, with any recurring over or underspend being considered as part of the annual budget setting process.

In this joint strategic commissioning plan each IJB will consider and outline a clear framework for commissioning, at a strategic level, the urgent and unscheduled care service funded from the 'set aside' budget.

There is an ambition that the commissioning plan will indicate an expectation of service delivery that will see sustained and affordable improvement in relation to performance outcomes for the citizens of Ayrshire and assure best value to support the financial balance of urgent and unscheduled care provision through a review and system wide redesign of the preferred models of care.

Following approval by the 3 IJBs, the Plan will be enacted operationally through the mechanism of Directions by the Local Authorities and NHS Ayrshire and Arran. Given the critical performance and financial challenges, NHS Ayrshire and Arran would request the plan to be considered and approved during 2024-25. As set out in Integration Schemes the in-year pressures in respect of Set Aside budgets will be managed in-year by the Health Board.

The budget for set aside resources for 2024-25 is £35.453m. This is based on the 2023-24 figure which reflects the agreed baseline level of usage at 23-24 prices.

3.3 FINANCIAL RISKS

There are a number of ongoing financial risk areas that may impact on the 2024-25 budget during the year, these include:

- Current overspend areas, especially in low volume / high-cost services e.g. Children's residential placements, UNPACs, and supplementary staffing across community, mental health and learning disability wards.

- High levels of inflation over several years which have impacted on costs incurred directly by the Partnership and on our partner providers.
- Growing demand for services.
- Staff recruitment and retention challenges across a number of service areas.
- The provider market and the ongoing ability to source packages of care for service users.
- The expectation that performance will continue to be maintained or improved despite the significant resource challenges.
- Ongoing delivery costs of Scottish Government policy directives, particularly where these are not fully funded or inflation-protected.
- The Local Government and NHS pay awards are not settled for 2024-25; as outlined in the report, a 3% increase has been assumed for the social care workforce and for NHS it is anticipated that additional funding will be allocated once the pay award has been settled. If the pay awards are not fully funded then this will present an in-year cost pressure.
- Unearmarked reserve balances do not meet the recommended threshold of 2% of annual spend and this reduces the ability to absorb in-year variances.
- The ongoing review of the Integration Scheme.
- Progress with the work to develop set aside arrangements and the risk sharing arrangements agreed as part of this.
- The wider system financial challenges and impact across the whole system, for example the financial position of NHS AA and the decisions taken to reduce the Board's deficit may have impacts on other parts of the health and care system.

These risks will be monitored during 2024-25 and any financial impact reported through the financial monitoring report.

3.4 IJB RESERVES

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:

- 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 £6.29m.

The projected outturn position at period 10 for the IJB is a year-end overspend of £4.171m, with further detail on this included in the financial management report elsewhere on the agenda.

The IJB reserves position projected to 31st March 2024 is summarised in the table below. This reflects a significant in-year draw on both earmarked and unearmarked reserves.

General Fund Reserve	Earmarked Reserves	Total
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	Unearmarked	External Funding	HSCP	
	£m	£m	£m	£m
Opening Balance - 1 April 2023	6.448	6.997	4.219	17.664
Audit Adjustment	(0.627)	(0.309)	-	(0.936)
Corrected Opening Balance	5.821	6.688	4.219	16.728
2023-24 Draw Per the Budget Paper	-	(1.252)	-	(1.252)
Current Reserve balances	5.821	5.436	4.219	15.476
Estimated 2023-24 Draws	(2.171)	(3.159)	(2.365)	(7.695)
Projected Balance – 31 March 2024	3.650	2.277	1.854	7.781

The projected 'free' general fund balance of £3.65m is proposed to be held as a contingency balance, this equates to around 1.2% of the IJB budget for 2024-25 and therefore does not meet the lower target of 2%.

The final position for reserves will be outlined in the year-end outturn report in June 2024 and in the Annual Accounts. Any movement in the year-end outturn position will be adjusted in the free general fund balance.

3.5 2025/26 and 2026/27

3.5.1 As in previous years, a Medium-Term Financial Outlook has been prepared to identify what the financial position may look like moving into 2025-26 and 2026-27.

3.5.2 This has not been published in full at the present time as the Scottish Government indicated in the Scottish Budget that its Medium-Term Financial Strategy will be updated and published in May 2024. Following this, a full update report will be brought to IJB in September 2024, covering the period 2025-26 to 2027-28.

3.5.3 However, the modelling which has been carried out across best, medium and worst case scenarios has identified the following potential positions for 2025/26 and 2026/27:

	2025-26				2026-27			
	Social Care (NAC) £m	Health - Lead (NHS A&A) £m	Health - Non Lead (NHS A&A) £m	Total £m	Social Care (NAC) £m	Health - Lead (NHS A&A) £m	Health - Non Lead (NHS A&A) £m	Total £m
POTENTIAL BUDGET GAP (DIFFERENCE BETWEEN ALL COST PRESSURES AND POTENTIAL FUNDING)								
: Based on Best Case Scenario	0.352	(1.125)	(1.063)	(1.836)	7.008	(1.192)	(1.136)	4.680
: Based on Medium Case Scenario	0.989	(0.559)	(0.501)	(0.071)	7.676	(0.396)	(0.346)	6.934
: Based on Worst Case Scenario	2.784	1.159	1.206	5.149	9.561	1.183	1.223	11.967

3.5.4 Our budget position for 2024/25 has proven to be close to the worst-case scenario which was previously projected for that year and it would be prudent to assume a similar position for the following years. Cost pressures have continued to be assumed on a consistent basis with 2024/25 and previous years.

3.5.5 On that basis, it is highly likely that the IJB will continue to face significant budget gaps which will require to be addressed in order to set a balanced budget, especially in 2026/27. The significant shortfall in that year can be linked in the expected increase in local government employer pension contributions from 6.5% in 2024/25 and 2025/26 to 17.5% in 2026/27.

3.5.6	Approval of the balanced budget position for 2024/25 which is outlined in this report will allow the Partnership time to deliver on the new Transformation Plan; this will form the basis of many of the cost efficiencies which will be required to deliver financial balance beyond 2024/25.
3.6	<u>Anticipated Outcomes</u>
	<p>There are a number of outcomes anticipated in relation to the 2024-25 Budget:</p> <ul style="list-style-type: none"> • The proposed plans will deliver a balanced budget for 2024-25. • Financial resources will be effectively targeted to improve the health and care outcomes for the people of North Ayrshire. • Transformational Change for financial and service sustainability will feature at the forefront of the IJB and NAHSCP agenda throughout 2024-25 and beyond. The Transformation Plan 2024-27 is elsewhere on the agenda for approval.
3.7	<u>Measuring Impact</u>
	<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.

4.	IMPLICATIONS
4.1	<p><u>Financial</u></p> <p>It is essential that the IJB and NAHSCP operate within the 2024-25 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 £10.290m of savings during 2024-25 alongside dealing with a number of other known pressures 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 Scottish Government Finance Settlement letters.</p>
4.2	<p><u>Human Resources</u></p> <p>There will be full consultation with the Trade Unions as appropriate.</p>
4.3	<p><u>Legal</u></p> <p>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</p>

would result in both partners complying with the Scottish Government directives re delegated funding for Integration Authorities.

4.4

Equality/Socio-Economic

All budget proposals are assessed for any potential impacts using Equalities and Children’s Rights Impact Assessment (ECRIA) Screenings. If any potential impacts are identified, a full assessment is carried out. There were 16 screenings completed, which combined 2 proposals on payroll savings into one and 2 proposals on removing vacant posts into one. There were potential impacts in terms of the Fairer Scotland duty in two of the screenings, which are believed to be minimal so a full assessment was not carried out for these. There were 4 proposals which progressed to a full assessment, with implications outlined below.

Ref	Proposal	Groups	Potential Impacts
12	Care Home Places	Age - Older people Disability Carers	Longer waiting times affecting quality of care; carers responsible for supporting service user for longer, potentially impacting their employment capabilities.
13	HBCCC Specialist Continuing Care	Age - Older people Disability Carers/ families Sex	Risk of provision of specialist care for future patients, loss of availability of male only provision, additional time and cost for family visitors.
14	Children and Families service redesign	Age –Young People Care experience Fairer Scotland Children’s Rights	Risk of continued access to specialist care. Young people are more likely to have experience of care, a guardian with substance use issues, ACEs, and poverty than the general populace, so could cause further disadvantage to these groups. Children’s rights impacts – article 3, 18, 19, 33, 39
15	Montrose House	Age - Older people Disability Carers	Longer waiting times affecting quality of care; carers responsible for supporting service user for longer, potentially impacting their employment capabilities.

The outcome in the assessments reflect that the proposals should still proceed, with mitigations for impacts. Full assessments are available should IJB members wish to view these.

4.5

Risk

Failure to operate within the delegated budget would impact on the overall financial sustainability and reputation of the partnership and would expose both funding partners, North Ayrshire Council and NHS Ayrshire and Arran to additional financial risk.

4.6

Community Wealth Building

Effective delivery of services as per the 2024-25 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.

4.7

Key Priorities

The 2024-25 budget proposals support delivery of the HSCP Strategic Plan Priorities.

5.	CONSULTATION
5.1	The budget plans detailed in this report have been produced in consultation with relevant budget holders, the Partnership Senior Management Team and IJB members. The funding assumptions align with information shared and agreed with the Head of Finance at North Ayrshire Council and the NHS AA Director of Finance.

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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**North Ayrshire Health and Social Care Partnership
2024-25 Total Budget**

	2024/25 Budget		
	NAC	NHS AA	Total
	£m	£m	£m
Baseline Budget	150.349	157.894	308.243
Baseline Funding Increase	5.841	-	5.841
2024-25 Budget excluding set aside	156.190	157.894	314.084
Draft set aside budget	-	35.453	35.453
2024-25 Budget including set aside	156.190	193.347	349.537

North Ayrshire Health and Social Care Partnership 2024-25 Budget Pressures

	Social Care £m	Health £m	TOTAL £m	Basis of budget pressure
Pay Award	2.491	0.070	2.561	Provision of 3% for NAC/Social Care staff.
Demographic Pressures				
: Physical Disabilities	0.165	-	0.165	Historic increase in PD care packages.
: Mental Health	0.124	-	0.124	Historic increase in MH care packages
: Learning Disabilities (Older Clients & Carers)	0.280	-	0.280	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				
: Mental Health	0.074	-	0.074	Known individuals planned to transition from children's services or a hospital setting to adult services.
: Learning Disability	0.466	-	0.466	Known individuals planned to transition from children's to adult services.
Contract Inflation	5.265	-	5.265	Inflation increase for payments to care homes, real living wage provision and other contract inflation.
Lead Partnership Pressures				
: UnPACs	-	0.173	0.173	Inflation increase for Unplanned Activities budget
Pan Ayrshire Pressures				
: Community Phlebotomy	-	0.044	0.044	Full year contribution to expanded team.
: Tier 3 Weight Management	-	0.022	0.022	Additional contribution to ensure full-year budget provision for new service.
: O365	-	0.073	0.073	Increased licences and costs
: Breastfeeding Peer Support service	-	0.005	0.005	Additional contribution to ensure full-year budget provision for new service.
: NEST expansion	-	0.066	0.066	Agreed expansion to NEST team.
: Prison Pharmacy contract	-	0.093	0.093	Unavoidable increase driven by new Pharmacy contract.
: Foxgrove	-	0.033	0.033	Additional contribution to ensure full-year budget provision for new service.
Other Pressures				
: Joint Investigative Interview (JII) Team	0.092	-	0.092	Contribution to pan-Ayrshire service.
: Care at Home	0.812	-	0.812	Reconfiguration of Care at Home provision.
: Children's Residential Placements	4.000	-	4.000	To support demand for residential placements pending the transformation programme.
: Care Home Respite	0.100	-	0.100	To ensure the provision of emergency respite.
: Short breaks for carers	0.050	-	0.050	To support short breaks for unpaid carers.
: Equipment store	0.041	-	0.041	To provide permanent funding for a temporary post.
: Walking Aids	-	0.020	0.020	To support adequate provision.
: Governance team	0.050	-	0.050	To provide capacity to respond to Freedom of Information and Subject Access Requests.
: Free Personal and Nursing Care (FPNC)	0.270	-	0.270	To meet the cost of the FPNC rates.
Impact of 2023-24 draw on reserves	1.252	-	1.252	
TOTAL PRESSURES 2023-24	15.532	0.599	16.131	

North Ayrshire Health and Social Care Partnership 2024-25 Savings

Social Care:				
Description	Deliverability Status at budget setting	2024/25 Saving	2025/26 Saving	Description of the Saving
Children, Families & Criminal Justice				
Service redesign	Amber	0.123	0.034	Restructure areas of specialist service provision including substance use and corporate parenting, embedding the roles and functions of those teams within our locality-based early intervention approaches and strategic planning including engagement.
Community Care & Health				
Review of Day Care provision	Amber	0.100	0.100	Carry out a review and streamline day care provision.
Sensory Impairment Team	Green	0.062		Remove the dedicated management post and realign the team into core social work teams.
Care Home places	Green	0.375		Reduce the number of funded care home places by 15, leaving budgetary provision for 765 places at average cost.
Charging for community alarm provision to sheltered housing tenants	Amber	0.200		Introduce a charge for community alarm provision in council sheltered housing units to ensure an equitable approach across all housing tenures.
Montrose House capacity	Green	0.111		Restrict the capacity at Montrose House care home to the current level of residency.
Support Services and Partnership-wide savings				
Voluntary Early Release	Green	0.174		Recurring savings achieved by the release of back-office staff through the council's voluntary early release scheme.
Carers Strategy funding	Green	0.384		Utilise the remaining Carer's Strategy funding to invest in respite provision and short breaks for carers and to support existing investments in services which support unpaid carers.
Increase to charging	Green	0.131		Increase charges for non-residential care by 10% and charges for residential care by 5%
Remove vacant posts	Green	0.280		Remove a number of vacant posts across support services.
Employers' superannuation contributions	Green	7.238		Align the budget to the new employer superannuation contribution rates from 1st April 2024.
Payroll Turnover	Green	0.077		Increase targets for payroll turnover through the recruitment process.
TOTAL SOCIAL CARE SAVINGS		9.255	0.134	
Health:				
Description	Deliverability Status at budget setting	2024/25 Saving	2025/26 Saving	Description of the Saving
Hospital Based Complex Continuing Care (HBCCC) provision	Green	0.500		Align the budget to the level of ongoing need for HBCCC provision.
Increase recharge to East Ayrshire for beds at Woodland View	Green	0.021		Apply an inflationary increase to the recharge to East Ayrshire HSCP.
Community Recovery and Rehab provision	Amber	0.100		Review and streamline a range of current provisions to remove duplication.
Enhanced ICT	Green	0.100		Carry out a review of the service delivery model and release recurring staffing savings.
Payroll Turnover	Green	0.314		Increase targets for payroll turnover through the recruitment process.
TOTAL HEALTH SAVINGS		1.035	0.000	
TOTAL NORTH HSCP SAVINGS		10.290	0.134	

SCOTTISH GOVERNMENT FUNDING LETTERS 2024-25



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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

19 December 2023

Dear Chief Executives

Scottish Government Budget 2024-25

Following the announcement of the Scottish Government's Budget for 2024-25 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 the total is provided in **Annex A** to this letter.

The Deputy First Minister noted in her response to the UK Government's Autumn Statement that it delivered a worst-case scenario for Scotland's finances. The financial pressures across health and social care are, by far, the most challenging since devolution. We have worked to protect NHS Budgets and social care funding where other parts of the public sector have faced reductions. All health consequentials have been passed through to the Portfolio, but these were not at a level expected by the Scottish Government, particularly given the non-recurring nature of 2023-24 pay consequentials, and we recognise the continued pressures health and social care services face in the aftermath of the pandemic and changing demographic profiles.

As in previous years, the budget announced will be subject to any amendments agreed through the Scottish Parliament's Budget Bill process. In addition, we will undertake further work with you specifically in relation to pay costs and waiting times funding. I will keep you up to date with any changes to our planning assumptions.

Budget Uplift

Compared to 2023-24 budgets, territorial NHS Boards will receive a total increase of 4.3% for 2024-25 to cover costs related to the 2023-24 pay deals, as well as the baselining of £100 million sustainability and NRAC funding provided in 2023-24. For clarity, the 4.3% uplift relates to 2023-24 non-recurring funding now being made on a recurring basis. National Boards will receive a 3.8% uplift to fund 2023-24 pay deals.

In terms of pay, funding arrangements for Boards will be revisited by the Scottish Government following the outcome of the pay negotiations in the new financial year. As part of Boards recurring adjustments for 2023-24, amounts have been included based on pay offers for Agenda for Change and Medical and Dental staffing in 2023-24. Pay for NHS staff remains subject to agreement for 2024-25, and we will work with Directors of Finance to finalise this position once the outcome is known. We will write to Boards in 2024 to confirm finalised baseline budgets following the conclusion of this work, but at this stage it should be assumed that additional funding will be allocated to support a deal.

We have committed the £100 million sustainability funding for non-pay costs, but beyond this and the NRAC funding provided in 2023-24, Boards will be expected to manage pressures within existing envelopes. Funding ensures no Territorial Board is further than 0.6% from parity.

Covid-19 Funding

Whilst the scale of Covid-19 costs has reduced significantly in 2023-24, we recognise 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 2024-25. 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.

We are aware there has been a rise in the volume of allocations over the past few years and we are committed to reducing this. We are also aware timing of some allocations being later in the year leads to uncertainty and difficulties in service planning without funding certainty. We are committing to putting out 80% of allocations in the first quarter, where necessary these may be a % of the full allocation value.

Health and Social Care Integration

Formal notification of the terms and approach to the Local Government funding settlement will be given in the Circular and Local Government Budget Letter. The Health and Social Care Portfolio will transfer net additional funding of £241.5 million to Local Government to support social care and integration. The overall transfer to Local Government includes additional funding of £230 million to deliver a £12 per hour minimum pay settlement for adult social care workers in private and third sectors, in line with the Real Living Wage Foundation rate. In addition, an inflationary uplift on Free Personal Nursing Care rates (£11.5 million) is provided.

The funding allocated to Integration Authorities for Free Personal and Nursing Care and adult social care pay in third and private sectors should be additional and not substitutional to each Council's 2023-24 recurring budgets for adult social care services that are delegated. This means that, when taken together, Local Authority adult social care budgets for allocation to Integration Authorities must be £241.5 million greater than 2023-24 recurring budgets to ensure funding from Health and Social Care Portfolio contributes to meeting outcomes in this area. Where there is evidence funding is not passed across to be used for the policy intent, the Scottish Government reserves the right to look at reclaiming funding allocated.

We have progressed baselining prior year Real Living Wage funding totalling £333.5 million to Local Government. A further £52.3 million has been baselined for other commitments including uprating free personal nursing care.

Capital

a. Capital Budget

The health capital budget increases from £578 million to £754 million, however if the health research element is excluded (which is a ring-fenced budget that cannot be used for capital investment), the budget reduces by £59 million from £373 million to £314 million. This is lower than our planning assumptions, which were shared with Chief Executives, Chairs and Directors of Finance in August.

The settlement allows for formula capital to be maintained at 2023-24 levels, all major projects in construction to be completed (Baird and Anchor, Parkhead Health Centre, QEUH rectification and Jubilee Phase 2), as well as support for the national replacement programmes for Ambulances and Radiotherapy equipment. Beyond these

core areas outlined above, we will not be providing any funding, including in relation to our intention to increase formula capital so that it doubles over the Capital Spending Review period (2021-22 to 2025-26).

In respect of 2023-24, we are asking all Boards to review their capital expenditure for the remainder of the year and to defer any areas where spend is discretionary.

b. New Developments and Capital Planning

We are aware that most Boards are developing infrastructure plans and individual projects which will require Scottish Government funding to progress. Given the challenging settlement we are managing, we will not be funding development costs for any new projects, as we do not anticipate starting construction of any new project over the next two years at least. We understand the local challenges this will present in some instances, so the Health Capital Finance team will arrange a discussion with all affected Boards in the New Year to confirm arrangements. However, in the meantime, NHS Boards should immediately stop any project development spend, otherwise these costs may need to be funded from local formula capital budgets which should instead be directed towards maintenance of the existing estate and essential equipment and digital replacement.

Now that we have clarity on the capital funding position, a Directors' Letter on Whole System Planning that focusses on maintaining your current estate, will be issued in the New Year.

c. Small Scale Projects

The Scottish Government has always looked to provide capital support for relatively small scale, but essential investments, that could not be funded through formula capital. At this point, our ability to fund such investments is extremely limited and Boards should not anticipate receiving additional funding in 2024-25, even if funding has previously been agreed.

It is clear that there is significant financial challenge in 2024-25 above levels we have seen before 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.

2024-25 Financial Planning

I wrote to all Boards previously outlining my expectations for 2024-25 plans, being:

- a clear programme of work and supporting actions to achieve the target of 3% recurring savings on baseline budgets,; and
- an improved forecast outturn position compared to your forecast outturn position reported at the start of 2023-24.

Further to this, I confirmed for Boards in receipt of brokerage in previous years that this would be capped for 2024-25. There is no central budget available for brokerage and any funding given for this limits investment in other areas.

Financial savings

I am aware the 3% savings target alone will not be enough to return to breakeven or in some cases the brokerage cap. There are a number of areas of work underway to support NHS Boards and collectively improve the financial position as set out below.

15 box grid

I have communicated previously the 15 box grid approved by Board Chief Executive on 14 November. This sets out 15 areas of focus for Boards to progress. There are various national programmes of work supporting these areas to be implemented at a local level.

The Financial Delivery Unit will continue to co-ordinate and assist Boards to identify further actions or areas that will support delivery of your 3% recurring savings target.

NHS Scotland Planning and Delivery Board (NHSSP&DB)

The NHSSP&DB has been established to direct and co-ordinate a range of national work including strategic planning, national programmes and national improvement. Work will continue to rationalise national programmes and agree priorities to simplify the landscape and have a stronger focus on affordability. As agreed, decisions will be taken on a Once for Scotland basis working alongside Board Chief Executives and the other functional professionals groups.

CHOICES

As set out at the Board Chief Executive meeting on 12 December, we will progress the development of the CHOICES options which will provide the framework in which decisions around the following key areas will be made:

- Workforce
- Innovation
- Service and infrastructure optimisation

Further guidance will follow in respect of the above and will take account of the discussions you have been having with the NHS Scotland Chief Operating Officer and members of my team.

It is clear that there is significant financial challenge in 2024-25, above levels we have seen before, and we will continue to work closely with Chief Executives and colleagues across the whole system. 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 underneath.

RICHARD MCCALLUM

Director of Health and Social Finance, Digital and Governance

Annex A – Board Funding Uplifts

	2023/24 Allocation	Recurring Allocations*	Updated Allocation	Uplift**	2024/25 Total Allocation	Uplift from 2023/24	NRAC Funding	Distance from NRAC Parity
	£m		£m	£m	£m	%	£m	%
NHS Territorial Boards								
Ayrshire and Arran	850.2	33.1	883.3	0.2	883.5	3.9%	0.2	-0.6%
Borders	248.6	10.4	259.0	1.5	260.4	4.8%	1.5	-0.6%
Dumfries and Galloway	352.2	12.5	364.7	0.0	364.7	3.6%	0.0	1.1%
Fife	790.8	31.3	822.1	7.2	829.2	4.9%	7.2	-0.6%
Forth Valley	631.1	25.7	656.8	2.1	658.9	4.4%	2.1	-0.6%
Grampian	1,129.9	44.4	1,174.2	2.2	1,176.4	4.1%	2.2	-0.6%
Greater Glasgow and Clyde	2,639.4	93.8	2,733.1	0.0	2,733.1	3.6%	0.0	1.3%
Highland	768.2	39.0	807.1	0.0	807.1	5.1%	0.0	-0.6%
Lanarkshire	1,424.1	57.9	1,482.0	6.9	1,489.0	4.6%	6.9	-0.6%
Lothian	1,743.3	72.0	1,815.3	10.2	1,825.5	4.7%	10.2	-0.6%
Orkney	60.2	2.5	62.8	0.8	63.6	5.6%	0.8	-0.6%
Shetland	60.1	2.2	62.4	0.0	62.4	3.7%	0.0	1.9%
Tayside	912.2	39.0	951.2	0.0	951.2	4.3%	0.0	-0.3%
Western Isles	89.0	3.8	92.9	0.0	92.9	4.3%	0.0	12.6%
Territorials Total	11,699.2	467.5	12,166.7	31.1	12,197.9	4.3%	31.1	
NHS National Boards								
National Waiting Times Centre	75.8	6.0	81.8	0.0	81.8	7.9%		
Scottish Ambulance Service	334.2	15.0	349.2	0.0	349.2	4.5%		
The State Hospital	42.5	2.0	44.5	0.0	44.5	4.6%		
NHS 24	90.7	0.7	91.4	0.0	91.4	0.8%		
NHS Education for Scotland	517.6	32.6	550.2	0.0	550.2	6.3%		
NHS National Services Scotland	378.6	1.7	380.3	0.0	380.3	0.4%		
Healthcare Improvement Scotland	33.6	0.2	33.8	0.0	33.8	0.5%		
Public Health Scotland	56.9	0.6	57.5	0.0	57.5	1.0%		
Nationals Total	1,530.1	58.8	1,588.9	0.0	1,588.9	3.8%		
Total NHS Boards	13,229.3	526.3	13,755.6	31.1	13,786.7	4.2%		

* Includes recurring allocations from 2022-23

** Includes NRAC parity adjustments.

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Councillor Morrison
COSLA President
Verity House
19 Haymarket Yards
Edinburgh
EH12 5BH

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

19 December 2023

LOCAL GOVERNMENT SETTLEMENT 2024-25

Today I formally set out the Scottish Government's proposed Budget for 2024-25 to the Scottish Parliament. Further to the budget statement I write now to confirm the details of the local government finance settlement for 2024-25.

This draft budget prioritises supporting people through the cost-of-living crisis, investing in our frontline public services, and tackling the climate emergency head-on. It focuses on our three missions:

- Community - Delivering efficient and effective public services
- Equality - Tackling poverty and protecting people from harm
- Opportunity - Building a fair, green and growing economy

This Budget comes at a difficult fiscal period for Scotland. The economic conditions for the 2024-25 Scottish Budget are set to remain challenging as inflationary and pay pressures continue to impact on households, businesses and public bodies. The funding provided by the UK Government in the Autumn Statement fell far short of what we needed. Scotland needed more money for infrastructure, public services and fair pay deals. Instead, the Autumn Statement delivered a real terms reduction in the total block grant. The UK Government have not inflation-proofed their Capital Budget which is forecast to result in a 9.8% real terms cut in our UK capital funding over the medium term between 2023-24 and 2027-28.

It is also important to recognise the positive change in the relationship between the Scottish Government and local government. On 30 June of this year we signed the Verity House Agreement which set out our vision for a more collaborative approach to delivering our shared priorities for the people of Scotland. We agreed to change the way we work together, building a relationship on mutual trust and respect; focusing on achievement of better

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outcomes; and consulting and collaborating as early as possible in policy areas where local government has a key interest.

We committed to regularly reviewing councils' powers and funding, with the expectation that services will be delivered at a local level unless agreed otherwise; and to develop a framework for collecting and sharing evidence to ensure progress is maintained.

We also undertook to agree a new Fiscal Framework governing how local authorities' funding is allocated, reducing ring-fencing and giving greater control over budgets to meet local needs. On Thursday 14 December we jointly published an update on the development of this fiscal framework and our officials will continue to work together to develop this further. We also wish to work with COSLA through the development of that Fiscal Framework to ensure the distribution arrangements for the settlement continue to meet the needs of our remotest communities and changing population. In this regard, I am open to considering adjusting the funding floor percentage ahead of the Local Government Order and would welcome any views on this or other elements of distribution as part of the consultation to the order due to publish on Thursday 21 December."

As part of our discussions with you on the new fiscal framework we will also seek to increase discretion for local authorities to determine and set fees and charges locally. This will include continuing our joint work to agree next steps following the recently closed consultation on building warrant and verification fees, and a consultation on planning fees to launch in early 2024. We also intend to explore with local government options in respect of other fees and charges which are currently levied locally but set nationally, with a view to further empowering councils in these areas.

The intention is that the indicative allocations to individual local authorities for 2024-25 will be published in a Local Government Finance Circular on Thursday 21 December. That circular will begin the statutory consultation period on the settlement.

The total funding which the Scottish Government will make available to local government in 2024-25 through the settlement will be over £14 billion for the first time should all 32 councils agree to freeze council tax. This includes:

- An additional £6m to support the expansion of Free School Meals;
- An additional £11.5m to support the uprating of Free Personal and Nursing Care rates;
- Additional funding of £230m to deliver a £12 per hour minimum pay settlement for adult social care workers in commissioned services via agreed contract uplifts;
- An additional £6.8m for Discretionary Housing Payments
- £145.5m to continue to maintain teachers and support staff (on which further detail will follow) as well as £242m to support teacher pay uplifts;

This excludes funding for teacher pension contributions. As you are aware there will be an increase in the employer contribution rate in the Scottish Teachers' Pension Scheme. The rate is set to increase from 23% to 26% from 1 April 2024, following the conclusion of the 2020 scheme valuation. The UK Government have publicly stated that the funding will be allocated to individual UK Government departments in Spring 2024. Scottish Ministers will make decisions on funding allocations once the UK Government funding position is clearer and the implications for consequentials are understood.

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Discussions with COSLA are also underway to finalise the costs of delivering the £12 per hour minimum pay commitment for PVI providers delivering children's social care, bringing this in line with ELC and adult social care. Following discussions with COSLA, and approval through the formal financial governance process, our aim is to provide additional funding in 2024-25 for children's social care.

The funding allocated to Integration Authorities for Free Personal and Nursing Care and adult social care pay in commissioned services should be additional and not substitutional to each Council's 2023-24 recurring budgets for adult social care services that are delegated. This means that, when taken together, Local Authority adult social care budgets for allocation to Integration Authorities must be £241.5 million greater than 2023-24 recurring budgets to ensure funding from Health and Social Care Portfolio contributes to meeting outcomes in this area. Where there is evidence funding is not passed across to be used for the policy intent, the Scottish Government reserves the right to look at reclaiming this.

Within the Verity House approach, Scottish Government and Local Government are committed to developing a joint overarching framework of outcomes, accountability and monitoring. It is envisaged that this framework will be finalised by spring 2024. In the meantime, this settlement includes almost £1 billion of funding which has been baselined into the General Revenue Grant, as part of our commitment under the Verity House Agreement to remove ring-fencing and increase funding flexibilities to local authorities, subject to agreeing the detail set out below. As I have advised the COSLA President, Vice President and Resources Spokesperson in our pre-budget engagement, the baselining exercise has required us to restate the fiscal position for prior years to meet Parliamentary expectation on budget presentation. In light of this restatement, I have asked my officials to provide the necessary data to ensure that the reconciliations are clearly understood by COSLA.

The baseline proposals will deliver flexibilities across Social Care, Education, Social Justice, Net Zero and Justice. The detail of the individual lines is set out in the Annex to this letter.

In return, our expectation is that Councils will continue to deliver all statutory and contractual commitments associated with the relevant funding. In relation to the funding for Social Care being baselined we expect the continued payment of the living wage to adult social care staff in commissioned services, with Councils benefitting from flexibility on how that is delivered locally.

Alongside this, we expect that local government will continue in good faith to engage in a range of discussions about future policy direction. Given the joint work required to progress the delivery of the National Care Service, and the positive progress made so far, we expect this to continue, with every effort being made to reach agreement on outstanding matters in relation to arrangements for the chairs of local boards, direct funding and consistency of delegation.

Our offer to baseline £564.1m of education funding is conditional upon the agreement that, by the end March 2024, the assurance framework being sought by the Cabinet Secretary for Education and Skills is in place and that the new joint Education Assurance Board has been

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established. In light of the £521.9 million of early learning and childcare (ELC) funding which is being baselined, I am also seeking your agreement to commit publicly to exploring options for a national indicative rate or range of rates for the ELC PVI sector to secure their financial sustainability in future years.

Further discussion on flexibility on other Education funding lines will take place within the Education Assurance Board once it is operational. Our expectation is also that Councils will continue to honour the existing joint agreement on provision of free school meals on a universal basis to primary 4, 5 and special school pupils, building upon our earlier agreement with respect to universal provision to primary 1 to 3 pupils.

This baselining is an initial step in the process of embedding the Verity House Agreement and is not a one-off event. I have emphasised the need for further movement in Budget 2025-26 to my Cabinet colleagues and over the coming months we will be identifying further lines which could be considered and put forward for baselining supported by the outcomes, accountability and monitoring framework to be agreed in the coming months.

The Scottish Government is committed to working in partnership with Local Government to deliver a national freeze on Council Tax in 2024-25. We have engaged closely with you to discuss the parameters and principles for identifying funding to support this commitment and will continue discussions during the coming months to reach agreement. Consequently, we have set aside £144 million to fund a freeze in Council Tax across each of Scotland's 32 local authorities. The funding earmarked is equivalent to a 5% increase in Council Tax nationally, taking into account the average rise to Council Tax in 2023-24, whilst recognising that inflationary pressures have eased in the last 12 months.

The funding represents the Council Tax revenue that might have been raised (net revenue), and excludes the forgone revenue associated with the increased cost of the Council Tax Reduction scheme, and other deductions (gross revenue), which Council Tax rises would have caused. On this basis we will seek the agreement of councils to freezing their Council Tax in 2024-25, and as I have indicated this week, I remain open to continued dialogue as to how we might best achieve that.

In respect of the statutory accounting framework and discussions on its robustness over the past number of years, I can also confirm that I have no plans in the immediate future to commence the Capital Accounting Review which was proposed in the Resources Spending Review in May 2022.

Should all councils agree to freeze Council Tax, the 2024-25 Local Government Settlement of over £14 billion offers an increase equivalent to 6.0% in cash terms since the 2023-24 budget. It continues to provide local government with a funding settlement that is both fair and affordable, under the most challenging of circumstances. Critically, in the face of a worst-case scenario Autumn Statement and amongst all the difficult decisions in the Budget, we have increased the Local Government Settlement's share of the discretionary budget.

I acknowledge that this Budget cannot deliver the resources all our partners will want. I am under no illusions about the challenging fiscal environment we face across all of our public services, not only this year but in years to come. This Budget addresses key priorities, targets resources on low-income households and paves the way for future investment in this

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Parliament. It treats local authorities fairly and consistently with other portfolios. Scottish Ministers have had to take difficult decisions which have allowed us to prioritise funding and invest in the areas which have the greatest impact on the quality of life for the people who call Scotland home.

I look forward to working with COSLA in the year ahead to deliver our shared priorities and to continue to fully implement the Verity House Agreement.



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FUNDING BASELINED IN 2024-25

Funding Line	Proposal (£m)
Local Heat and Energy Efficient Strategies	2.4
Community Justice Partnership Funding	2.0
Living Wage	333.5
Blue Badge	0.72
Free Personal and Nursing Care	42.3
Former Housing Support Grant	1.0
Free period products in schools and public places	4.9
Early Learning and Childcare Specific Revenue Grant	521.9
Free School Meals	42.2
Total (£m)	£950.92

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