

Subject: IJB 2020-21 Budget

Purpose: To update the IJB on the financial position for the partnership for 2020-21, including the proposed delegated funding, service budget pressures and plans developed to set a balanced budget.

Recommendation: That the Board approves the budget for 2020-21 for North Ayrshire Health and Social Care Partnership inclusive of all related budget virements, pressures and savings, noting that the funding position is subject to confirmation by NHS AA.

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

1.	EXECUTIVE SUMMARY
1.1	The report outlines the funding allocations from NAC and NHS AA, the service pressures, resulting budget gap and the savings plan for 2020-21. The budget for NAC was set on 5 March and NHS AA will set their budget on 30 March, the funding assumption from NHS AA reflected in the report is based on the expected funding settlement, if this changes the plans for the IJB will require to be re-visited.
1.2	The intention was to bring a refreshed 3 year Medium Term Financial Plan to the IJB for approval, this has not been possible due to the one year Scottish Government finance settlement for Local Government and NHS Boards. This report instead focusses on balancing the budget for 2020-21 and gaining approval for the pressures and savings plans prior to the start of the new financial year. The MTFP will be refreshed and brought to the IJB for approval by June 2020.
1.3	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.

1.4	<p>The table below summarises the overall financial position for 2020-21:</p> <table><tr><td></td><td>Social Care (NAC) £m</td><td>Health (NHS A&A) £m</td><td>Total £m</td></tr><tr><td>Funding Increase *</td><td>1.612</td><td>2.894</td><td>4.506</td></tr><tr><td>Funded Pressures</td><td>(4.657)</td><td>(3.710)</td><td>(8.367)</td></tr><tr><td>Budget Gap</td><td>(3.045)</td><td>(0.816)</td><td>(3.861)</td></tr><tr><td>% Baseline Budget</td><td>3.1%</td><td>0.6%</td><td>1.6%</td></tr></table> <p>The approval of the savings plans included in Appendix C will fully address the budget gap and result in approved balanced budget for 2020-21.</p> <p>* NAC funding increase includes £1.119m of non-recurring funding.</p>		Social Care (NAC) £m	Health (NHS A&A) £m	Total £m	Funding Increase *	1.612	2.894	4.506	Funded Pressures	(4.657)	(3.710)	(8.367)	Budget Gap	(3.045)	(0.816)	(3.861)	% Baseline Budget	3.1%	0.6%	1.6%
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1.5	A number of financial risks areas are highlighted in the report and the IJB are asked to note these at this stage, the IJB may be asked during 2020-21 to approve any appropriate action to mitigate or manages these areas.																				
1.6	A specific risk is the delegation of funding on a non-recurring basis by North Ayrshire Council. Whereby the permitted share of £50m flexibility nationally has not been taken by the Council for 2020-21 but the funding is allocated on a non-recurring basis to the IJB to allow the Council flexibility in future years to remove. This poses a greater risk for robust medium term financial planning and requires the IJB to balance the budget for 2020-21 to fund recurring pressures and costs whilst acknowledging the risk that £1.119m of resource is non-recurring in nature.																				
1.7	The proposed integrated budget for the IJB is £277.790m (inclusive of the estimated Set Aside budget of £30.997m). A summary of the 2020-21 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. 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>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 will reflect an element of protection and ring fencing of funds for IJBs.</p>																				

2.2	NATIONAL POSITION – SCOTTISH GOVERNMENT FUNDING
2.2.1	Scottish Government Medium Term Health and Social Care Financial Framework
	<p>The Scottish Government published its Medium Term Health and Social Care Financial Framework in October 2018. This looked at current Health and Social Care expenditure, future demand, the future shape of health and social care expenditure and reforming health and social care.</p> <p>The focus of the financial framework is in the main health and social care expenditure commitments, as set out below:</p> <ul style="list-style-type: none"> • Baseline allocations to frontline Health Boards will be maintained in real terms with additional funding over and above inflation being allocated to support the shift in the balance of care. • Over the course of the next five years, hospital expenditure will account for less than 50% of frontline NHS expenditure. This relates to the policy commitment to ‘shift the balance of care’ with a greater proportion of care provided in a setting close to a person’s home rather than in a hospital. • Funding for primary care will increase to 11% of the frontline NHS budget by 2021-22. Half of this will be invested directly into GP services with the remainder in primary care services provided in the community; and • The share of frontline NHS budget dedicated to mental health, and to primary, community and social care will increase every year of the parliament. These services are managed by Integration Authorities. <p>The Scottish Government Medium Term Health and Social Care Financial Framework will be taken into consideration alongside the development of the IJB’s Medium Term Financial Plan.</p>
2.2.2	Finance Settlement Conditions
	<p>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 2020-21 (copies in Appendix E).</p> <p>The specific requirements are as follows:</p> <ul style="list-style-type: none"> • In 2020-21, NHS payments to Integration Authorities for delegated health functions must deliver an uplift of at least 3% over 2019-20 recurring budgets, representing a pass through of the baseline uplift for Territorial Health Boards. • In addition to this and separate from the Board Funding uplift, the Health Portfolio will invest a further £100m in Local Authorities for investment in health and social care integration, and continued support for school councillors. This will take the total funding transferred from the health portfolio to £811m in 2020-21. • The additional £100m for local government includes funding to continue the delivery of the Living Wage (£25m), uprating of free personal and nursing care payments (£2.2m), the implementation of the Carer’s Act (£11.6m), along with further support for school counselling support (£4m). • The funding allocated from Councils should be additional and not substitutional to the 2019-20 recurrent budgets for social care services that are delegated. This means that, when taken together, Local Authority social care budgets for allocation to Integration Authorities and funding for school counselling services must be £100m greater than 2019-20 recurring budgets. • In addition to the baseline funding uplift, a total of £461m will be invested to improve patient outcomes during 2020-21 including in Primary Care, Waiting Times Improvement, Mental Health and CAMHS and Trauma Networks. Full

	<p>details of the method of allocation and agreed outcomes will be communicated by individual Scottish Government policy areas.</p> <ul style="list-style-type: none"> • There is an additional £12.7m being made available nationally to tackle the harm associated with drugs and alcohol, with further information to follow on the investment of this funding. It is expected that in addition to this, investment by Health Boards and Integration Authorities will increase by 3% over and above the 2019-20 agreed recurring budgets for alcohol and drugs services. • In 2020-21 Integration Authorities will be responsible for more than £9.4bn of expenditure previously managed by Health Boards and Local Authorities and Integration Authorities must be empowered and supported by their partners to use the totality of the resources to better meet the needs of their local populations. • On 28 February 2020 the Scottish Government announced that similar to 2019-20, flexibility would again be available to Local Authorities to offset their adult social care allocations to Integration Authorities by up to £50m in 2020-21 based on local need (a reduction of up to 2% of adult social care allocations). <p>The expectations and the interpretation of what that means for IJBs is clear for 2020-21, as the funding allocations and conditions around the funding to be passed to IJBs follows on from the directives attached to the 2019-20 budget. However, despite this clarity the timescales for the Scottish Government budget process for 2020-21 has been challenging.</p> <p>It is anticipated that the Scottish Government will again seek assurance from partnerships that these conditions are being met.</p>
2.3	NORTH AYRSHIRE POSITION – PARTNER FUNDING
2.3.1	North Ayrshire Council
	<p>North Ayrshire Council set their budget on 5 March 2020 where they approved an additional contribution for the IJB of £3.257m for 2020-21. The additional funding includes a share of the £96m nationally transferred from the health portfolio (£2.713m) as well as the full year impact and adjustments to previously allocated funding (£0.544m).</p> <p>The partnership engaged with the Council budget process providing estimates of cost pressures and area of service redesign to deliver savings, this informed the financial settlement for the partnership.</p> <p>Based on the Finance Settlement £100m of ring fenced funding is required to be passed through to the IJB by local authorities, this includes the £4m of funding for school councillors not delegated to the IJB. The subsequent letter issued on the 28 February 2020 outlined that flexibility will be available again for Council's to apply a maximum reduction of 2% on the adult social care budget (a maximum of £50m nationally).</p>

A summary of the additional £96m funding is noted below:

Policy Area	National Allocation £'m	North Ayrshire Allocation £'m
Living Wage	25	0.705
Uplift to Free Personal Care	2.2	0.055
Carer's Act	11.6	0.341
General pressures	57.2	1.612
TOTAL	96	2.713

It is expected that for the policy areas where funding is allocated, i.e. the Living Wage, Free Personal Care and the Carer's Act the cost of delivering on these priority areas will match the funding allocation. Therefore, the uncommitted element of funding for general pressures is £1.612m for North Ayrshire.

The flexibility to offset this allocation against a maximum of 2% reduction on adult social care allocations was communicated from the Scottish Government on 28 February, therefore within a timescale that permitted North Ayrshire Council to take this into consideration when setting their budget for 2020-21. In many other areas across Scotland Council's had already approved funding allocations to IJBs prior to the flexibility being permitted.

The total flexibility permitted in North Ayrshire is £1.119m, representing 2% of the 2019-20 baseline allocation for adult social care services. In line with the flexibility permitted, North Ayrshire Council have approved the budget allocation to the IJB for 2020-21 with this element to be allocated on a non-recurring basis, providing the Council with flexibility to re-visit the allocation in future years.

The overall funding increase from North Ayrshire Council is summarised below:

	Funding Uplift £'m
Scottish Government Policy Areas (SLW, Carer's Act, FPC)	1.101
General Pressures Uplift	0.493
General Pressures Uplift (£50m – NON RECURRING)	1.119
Other Funding Allocations – (FPC u65's, Criminal Justice Grant)	0.544
TOTAL	3.257

Similar flexibility was permitted in 2019-20 and for that year £1.389m of flexibility was available, in line with this North Ayrshire Council retained £0.918m of the funding allocated as part of the additional investment in health and social care integration. Whilst the funding has been passed through in full for 2020-21 the non-recurring nature of the funding presents a difficulty to the IJB as this results in further uncertainty of funding in subsequent years and does not align with the evidence that the cost and demand pressures for the IJB are recurring and increasing at pace.

Included within other funding allocations is a funding reduction to the ring-fenced grant for Criminal Justice Services. This funding reduction alongside the requirement to fund inflationary cost increases for the service from within the ring-fenced grant will be challenging for the service during 2020-21. The service are working through the

	<p>potential impact and where this cannot be mitigated will follow this up with a report to the IJB.</p> <p>For years 2021-22 and 2022-23 the financial planning assumption from the Council is that that financial pressures facing the IJB will be fully met by savings, i.e. a flat cash financial settlement is assumed.</p> <p>In addition to the delegated funding allocation to the IJB the Council budget includes £1.486m, set aside to support repayment of the IJB debt to the Council, this budget allocation remains unchanged for 2020-21.</p>
2.3.2	NHS Ayrshire and Arran
	<p>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 2019-20 and again is not the bottom up approach traditionally adopted under the Integration Scheme.</p> <p>In relation to the Scottish Government directive, the elements which impact on the IJB Health funding allocation are noted below:</p> <ul style="list-style-type: none"> • In 2020-21, NHS payments to Integration Authorities for delegated health functions must deliver an uplift of at least 3% over 2019-20 recurring budgets, representing a pass through of the baseline uplift for Territorial Health Boards. • Investment by Health Boards and Integration Authorities for alcohol and drugs services will increase by 3% over and above the 2019-20 agreed recurring budgets. • There will be further in-year allocations related to investment in improving patient outcomes, including the Primary Care Improvement Plans and Mental Health investment which will be allocated later in the year, in addition there is an expectation that a further reduction will be applied to the non-baseline funding for the Outcomes Framework.
	<p>NHS payments to Integration Authorities for delegated health functions must deliver an uplift of 3% over 2019-20 agreed recurring budgets. This in practice means a pass through of the Health Board uplift to Integration Authorities, on the understanding that the Integration Authorities.</p> <p>Discussions have taken place with Health Board colleagues in relation to the funding for 2020-21, whilst no formal communication or confirmation has been received there is an expectation that the Health Board plans will reflect the pass through of the 3% to the IJB. 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 30 March to set their budget, including agreeing funding allocations for partnerships. The assumption in this financial position is that this will be basis of the funding allocation, 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>Assuming the 3% 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.</p>

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

- There are significant in-year allocations of funding, 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, eg prescribing;
- There is a separate uplift basis other than the general board uplift, eg 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	
2019-20 Budget	146.846	As per period 9 monitoring report.
Less:		
In-year allocations	(3.227)	Action 15, Mental Health Bundle, Health Visitors, Veterans, ADP, Winter Plan
Risk Sharing	(29.461)	Prescribing
Different Uplift	(17.683)	General Medical Services (GMS)
Revised Baseline	96.475	
3% Uplift	2.894	

The expectation is that on a managed basis a baseline funding uplift of £2.894m will be passed through to the IJB from the Health Board.

The 2019-20 baseline budget excludes the Douglas Grant and Redburn Wards as although these are now operationally managed by the North HSCP the IJB have not accepted the delegated budget as following due diligence there is a budget shortfall in these wards which requires to be addressed prior to fully accepting financial responsibility for the wards.

Further detail on the uplift calculation and the reconciliation of this from a managed HSCP basis to IJB delegated basis is included as Appendix D.

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 (eg 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 Plan, 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 2019-20 FINANCIAL POSITION

The IJB financial position has been challenging during 2019-20 with a projected overspend from early in the year, this led to a Financial Recovery Plan being approved by the IJB during the year to help work towards financial balance. The overall projected outturn position for 2019-20 as at period 10, is a projected year-end overspend of £1.541m, whilst still an overall overspend, this is a significant improvement in-year. The recovery plan was targeted at actions to reduce the overspend for the current year but also focused on actions which would address underlying recurring deficits in services to allow the IJB to move into the new financial year in a financially sustainable position.

The financial benefits from the recovery plan have not been fully realised during 2019-20 due to being implemented part way through the year. Further work has been undertaken to establish, for the main areas where there has been a significant variation and movement during the year. to establish the impact on the opening financial position for those services next financial year. The summary position for these opening projections is noted below:

Service Area	2019-20 Proj @p9 £m	2020-21 Opening £m	Comments
Care at Home	over (0.5m)	under 0.2m	Significantly reduced costs of purchased care, remaining o/s in-house services
H&CC unfunded pressures	over (0.7m)	over (0.7m)	Unfunded posts, non-front line care CAH & CH costs, system costs
Care Homes	under 0.4m	under 1.2m	20-21 based on circa 810 funded places (840 in budget for 19-20), currently 782, can reduce and fund additional places
LD Care Packages	over (1.4m)	over (1.0m)	Reductions from reviews and two high cost packages transferred to another LA
Adult Community Care Packages (MH & PD)	over (0.1m)	under 0.5m	Significant movement in care packages due to people leaving the service
Children's Res Placements	over (1.1m)	under 0.1m	Position if all current places remained for the full year, plans to discharge 7 during 2020-21

There requires to be a re-alignment of the opening budget moving into 2020-21, this will allow services to start the year with a deliverable position and also make the reporting of any variations from plans to the IJB far clearer next year.

The required budget re-alignment for older people's services is illustrated below:

OLDER PEOPLE	£m
Care at Home	0.165
H&CC Unfunded Pressures	(0.658)
Care Homes	1.182
SURPLUS	0.689

- This requires virements across the 3 areas with the surplus to be retained in Care at Home services to provide additional capacity.
- This approach retains some capacity in care homes and care at home services above the current level, which can be targeted at reducing the waiting lists for these services.

The required budget re-alignment for adult services is illustrated below:

ADULTS	£m
Learning Disabilities	(1.044)
MH and PD Packages	0.474
SHORTFALL	(0.570)

- Adult care packages for Learning Disabilities, Mental Health and Physical Disabilities will be managed as one budget and resource next year
- Remaining shortfall to be addressed by consideration of pressures and savings against these service areas for 2020-21, some savings will remain on the plan to be delivered with the financial benefit contributing to financial balance instead of additional savings to be removed from the budget.

Addressing the underlying deficits in services moving into 2020-21 secures a financially sustainable position overall for the partnership and also will help to de-clutter financial monitoring and reporting for next year.

3.2 2020-21 REVENUE BUDGET PLANS

NAHSCP 2020-21 integrated budget is expected to be £246.793m (excluding Set aside) and £277.790m (including Set Aside budget).

A summary of the 2020-21 total budget and net funding increase is detailed within Appendix A. The pressures and savings are detailed separately in Appendix B (pressures) and C (savings). Sections 3.2.1 to 3.2.4 provide an overview of the pressures and savings.

3.2.1 BUDGET PRESSURES

NAHSCP service cost and demand pressures are detailed within Appendix B.

Budget pressures for health and social care services total £8.367m. These have been developed in partnership with finance supporting front line services to identify current and emerging financial pressures taking into account 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 absolutely unavoidable. The pressures have been subject to a rigorous challenge process, both within the service, within the HSCP directorate, by finance and by peers. The pressures recommended for approval have been through this challenge process and are deemed to be unavoidable and therefore recommended for approval.

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

Category	Social Care (NAC) £m	Health (NHS A&A) £m	TOTAL £m
Pay pressures	1.440	2.872	4.312
Cost and Demand pressures	2.263	0.308	2.571
Service Developments	-	0.653	0.653
Inflation	0.954	-	0.954
Review 2019-20 Pressures		(0.123)	(0.123)
TOTAL	4.657	3.710	8.367

The pay pressure for NHS staff has significantly increased for 2020-21 to £2.9m (from £1.8m in 2019-20). The three year pay settlement for Agenda for Change will move into its final year in 2020-21, this resulted in a 3% increase in pay each year but also a reduction in the number of pay points in incrementing to the top of each grade. The NHS budgets were previously based on an average assumption re salary points for posts, this approach moving forward would result in shortfalls across budgets with more staff being at the top of the pay scale. The NHS finance team have carried out a detailed zero based budgeting exercise, similar to that carried out in the Council each year, to ensure salary budgets are aligned to the salaries of staff in post. This has resulted in a significant increase in the pay budget which requires to be funded to ensure the core budgeted establishment for staff is funded next year.

A new pressure of £0.5m has been identified for Unscheduled Care Investment, further detail on the plans for the targeting of this resource will be shared with the IJB early in the new financial year.

During 2019-20 provision was 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. Following a review of these pressures £0.123m has been identified as not being required for 2020-21, of this the pressure in relation to Prison Medical Contract VAT (£19k) is no longer required, the remainder of the reduction (£104k) relates to Ayrshire Urgent Care and the potential delay in further negotiations and contracts being agreed. A six month delay has been assumed for 2020-21, this pressure may require to be reinstated in 2021-22.

In addition to the above pressures there are the Scottish Government priorities as outlined in the table in paragraph 2.3.1. It is assumed that the costs associated with these pressures will be matched by the additional funding provided.

The IJB budget for 2019-20 included a number of unfunded pressures for areas where the pressures were not recommended to be specifically provided for in the budget. This is because the service could potentially be re-designed to reduce the cost, there were uncertainties around the value of the pressure or the costs were be managed in-year either by developing a financial recovery plan or within the overall in-year financial position.

The pressures were noted as including:

- GP practices in difficulty – this pressure did not impact during 2019-20 but will remain a financial risk in future years
- Ward 1 Woodland View – no ability to reduce current costs of service, therefore pressure provided for on a recurring basis in the 2020-21 budget
- Daldorch income – pan-Ayrshire recurring pressure, provision in budget
- Paid as if at work – included in pay pressures for 2020-21
- Health Visitor pay regrade – included an element of pressure in pay pressures for 2020-21, part of the cost will remain to be balanced by a turnover target set at a level assessed as being achievable (£150k)
- Intermediate Care and Rehab investment – included in pressures at significantly reduced cost, as service are integrating with existing teams and have identified other areas to offset the cost

All previously highlighted unfunded pressure areas have not been addressed as part of the budget for 2020-21 and the only outstanding areas remaining are the known areas of financial risk in relation to service deliver and demands for services.

The Living Wage will increase from £9 per hour to £9.30 per hour from 1 April 2020. This increases the rates being paid to providers and self-directed support recipients as follows:

	2019-20 Rate Per Hour	2020-21 Rate Per Hour
Care at Home & Housing Support	£16.81	£17.22
Sleepovers	£11.09	£11.46
Personal Assistant Day Time Hourly Rate	£12.26	£12.66
Personal Assistant Sleepover Hourly Rate	£11.36	£11.73

3.2.2 BUDGET GAP

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

	Social Care (NAC) £m	Health (NHS A&A) £m	Total £m
Funding Increase	1.612	2.894	4.506
Funded Pressures	(4.657)	(3.710)	(8.367)
Budget Gap/Savings Requirement	(3.045)	(0.816)	(3.861)
% Budget	3.1%	0.6%	1.6%

Whilst there is no specific statutory responsibility for the IJB to set a balanced budget by a specific date, there is an implicit requirement outlined in the Integration Scheme and in terms of best practice for financial planning and management a balanced budget should be approved and set prior to the start of the new financial year.

3.2.3 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	2.527	-	2.527
Green	0.518	0.816	1.334
TOTAL	3.045	0.816	3.861

As previously referenced in relation to the financial impact of the 2019-20 position, the budget reductions for savings in Learning Disability services have been reduced by a total of £0.615m to allow part of the benefit from savings to assist with getting services into a sustainable financial position. Whilst these savings will not be removed from the service budget as is the case for all other savings, they do still require to be delivered to address the recurring overspend in this service area and their delivery is assumed to offset the opening deficit position for these services.

The IJB are recommended to approve the savings proposals. If any are deemed as not acceptable and hence not approved then alternative proposals will be required to be developed and brought forward for approval at a future meeting. There is an implicit obligation on the IJB to approve a balanced deliverable budget. If this is not achieved this poses a significant financial risk to the IJB and the Council and Health Board as funding partners.

Prescribing remains the responsibility for the Health Board to fund as under the terms of the Integration Scheme the Board underwrite the prescribing risk across all three Ayrshire IJBs. Prescribing is a volatile budget and the approach is to minimise risk across years with the Health Board retaining responsibility for any under or overspends, as such no pressures or savings are detailed for prescribing.

3.2.4 MENTAL HEALTH SERVICES

The North partnership lead on acute Mental Health services across Ayrshire and therefore require to ensure that the services have plans to balance the budget moving into 2020-21.

In 2019-20 the Scottish Government financial settlement included a requirement that resource for Mental Health services was protected and that there was a real-terms increase in spend on mental health services before the application of any additional funding for investment. This condition was met for 2019-20 and whilst there has not been a similar directive issued for next year the North partnership 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
2019-20 Baseline Budget	46.584
3% Baseline funding uplift	1.398
Total Pressures (all pay related)	1.714
Budget Gap/Savings Requirement	0.316

Savings outlined to address this budget gap are included in Appendix C. Significant savings have been delivered to date from the review of Mental Health inpatient services at the Ailsa site and there may be further savings which can be released over and above those already on the plan. Any further potential savings will be finalised early in 2020-21 and agreement will require to be reached across the three Ayrshire partnerships on how any resource should be distributed. And crucially how plans can be aligned across the three IJBs to ensure there is the investment required in Community Mental Health services to sustain the reduced footprint and redesign of the inpatient services.

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.

This has not been achieved in Ayrshire and Arran during the current financial year. However preparatory work is well underway with the support of the Scottish Government, 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.

The budget for set aside resources for 2020-21, this is assumed to be in line with the amount for 2019-20 (£30.094m) inflated by the 3% baseline uplift, this value is used in the absence of any updated information on the share of resources this is £30.997m. 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 2020-21 will be used as a shadow year for these arrangements. A further update will be provided to IJBs as this work progresses.

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 £5m. Given the current financial position of the partnership and the ongoing requirement to deliver significant savings this optimum reserves balance is aspirational. There is no recommendation as part of the 2020-21 budget to allocate any resources to reserves, however consideration should be given to this in the future and considered as part of the Medium Term Financial Plan to allow the IJB to cushion some of the impacts of demand fluctuations for services and to support financial planning over a longer time period.

The position in the North Ayrshire IJB is unique in that we hold a negative reserve balance which has accumulated from previous year overspends, the negative reserve balance is offset by a debtor on the balance sheet reflecting the debt due to North Ayrshire Council. There is currently £1.486m of resource set aside outwith the IJB delegated budget to repay this debt.

The estimated position for IJB reserves is noted below:

	General Fund Reserves £m	Earmarked Reserves £m	Total Reserves £m
Opening Balance	(5.139)	0.277	(4.862)
Planned repayment	1.486	-	1.486
Projected Outturn (at period 10)	(1.541)	-	(1.541)
Planned Use of Reserves	-	(0.277)	(0.277)
Estimated Balance 31 March 2020	(5.194)	-	(5.194)
Planned repayment	1.486	-	1.486
Estimated Balance at 31 March 2021	(3.708)	-	(3.708)

The earmarked reserve balances relate to ring-fenced funding for the ADP, Mental Health Action 15 and PCIF. The Scottish Government provided additional funding for these areas during 2019-20 with a request that any earmarked balances are utilised first before any new funding is issued, therefore it is expected that these balances will require to be utilised in full during 2019-20.

3.5 FINANCIAL RISKS

There are a number of ongoing financial risk areas that may impact on the 2020-21 budget during the year, these include:

- High risk areas of low volume / high cost services areas e.g. Learning Disability care packages, children's residential placements, complex care packages
- Progress with the work to develop set aside arrangements and the risk sharing arrangements agreed as part of this

	<ul style="list-style-type: none"> • Ongoing implementation costs of the Scottish Government policy directives, for example Free Personal Care for under 65's • 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 • North managed Health Wards where there is an impact from capacity used by other areas. For these wards the North financial assumptions include: <ul style="list-style-type: none"> • Ward 2 Woodland View – East Ayrshire partnership intention to reduce funding continuation following a decision to commission less beds, position being negotiated, current assumption is that the position can be mitigated • Lochranza – only South and East Ayrshire patients remain in this ward, assumption that from 1 April 2020 financial (and potentially operational) responsibility will transfer to South Ayrshire • Douglas Grant and Redburn – assumption that financial responsibility for wards will transfer to North Ayrshire once costs are reduced and contained within delegated budget, shared responsibility with East Ayrshire. • The potential financial impact of the HSCP response to the Covid 19 pandemic and the wider public sector financial impact, including on the Council and Health Board <p>These risks will be monitoring during 2020-21 and financial impact reported through the financial monitoring report.</p>
3.11	TRANSFORMATION PROGRAMME
	<p>The partnership Transformation Board has a key role to:</p> <ul style="list-style-type: none"> • Monitor, track and challenge the delivery of the Health and Social Care Partnership Change Programme. • Monitor track and challenge the budget position including pressures, and savings. • Provide oversight of the delivery of service transformational change priorities. <p>The Transformation Board meets monthly to oversee the change programme, the group is solutions focussed with a view to identifying and implementing actions to get any off track plans back on target. The planned 2020-21 transformation and savings plans have been reviewed and the change team resource has been aligned to the delivery of these plans and these will be monitored through the Transformation Board.</p>
4.	<u>Anticipated Outcomes</u>
	<p>There are a number of outcomes anticipated in relation to the 2020-21 Budget:</p> <ul style="list-style-type: none"> • Transformational Change for financial and service sustainability will feature at the forefront of the IJB and NAHSCP agenda throughout 2020-21 and beyond. • The proposed plans will deliver a balanced budget for 2020-21, this will enable the IJB and NAHSCP to have plans to operate within the delegated funding. • All savings need to be delivered per the agreed timetable. • Financial resources shall be effectively targeted to improve the health and care outcomes for the people of North Ayrshire. • 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 2020-21.

5.	<u>Measuring Impact</u>
	<ul style="list-style-type: none"> • A financial framework tracker is used to monitor all key budget spend areas on a monthly basis focused on highlighting those areas not performing as required, reasons why and agreeing early corrective action. • Full year financial outturn forecasts will be compiled monthly with variance analysis and relevant explanations. • Detailed monthly 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 monthly to review progress with savings and any corrective action required to bring any plans back on line. • 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	IMPLICATIONS
Financial:	<p>It is essential that the IJB and NAHSCP operate within the 2020-21 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 £3.861m of savings during 2020-21 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 balanced position to be approved, this includes addressing a number of pressure areas which were previously unfunded.</p> <p>Appendix A shows the total 2020-21 IJB Budget Appendix B shows the proposed service pressures Appendix C shows the proposed savings Appendix D shows the NHS baseline uplift for 2020-21 on a managed and IJB 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:	Equality Impact Assessments (EIAs) have been undertaken for all savings proposals. None of the new proposals require a full impact assessment.

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 2020-21 budget proposals support delivery of the HSCT Strategic Plan Priorities, there would be no adjustment required to the Strategic Plan outcomes and priorities.
Risk Implications:	Failure to operate within the delegated budget would delay the repayment of previous year's debts and add further to the requirement to repay any further overspends to NAC and NHA AA. This would impact on the overall financial sustainability and credibility of the partnership.
Community Benefits:	Effective delivery of services as per the 2020-21 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	√

8.	CONSULTATION
8.1	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.
9.	CONCLUSION
9.1	<p>The plans outlined in the report support the IJB to approve a balanced budget for 2020-21. The IJB are recommended to approve the budget for 2020-21 inclusive of all related pressures and savings. The IJB may be asked to re-visit plans if the Health Board delegated funding changes from that outlined in the report.</p> <p>The IJB will be asked to consider a 3 year Medium Term Financial Plan for the partnership in June 2020.</p>

For more information please contact:

Caroline Whyte, Chief Finance & Transformation Officer on 01294 324954 or carolinewhyte@north-ayrshire.gov.uk

Or

Eleanor Currie, Principal Manager – Finance on 01294 317814 or eleanorcurrie@north-ayrshire.gov.uk

**North Ayrshire Health and Social Care Partnership
2020-21 Total Budget**

	NAC £m	NHS AA £m	Total £m
Budget @ P9 2019-20	95.005	146.846	241.851
Adjust for Non-Recurring 2019-20 Funding	(1.299)	0.090	(1.209)
Baseline Funding Increase	0.493	2.894	3.387
Baseline Funding Increase – Non-recurring	1.119	-	1.119
SG Funding Adjustment*	1.645	-	1.645
2020-21 Budget excluding set aside	96.963	149.830	246.793
Draft set aside budget	-	30.997	30.997
2020-21 Budget including set aside	96.963	180.827	277.790

* SG Funding Adjustment:

	£m
Living Wage	0.705
Uplift to Free Personal Care	0.055
Carers Act	0.341
Whole Systems Approach	(0.025)
Community Justice Services	(0.152)
FPC for under 65's	0.696
Appropriate Adults	0.025
Total Additional Funding	1.645

Appendix B

North Ayrshire Health and Social Care Partnership 2020-21 Revenue Budget Pressures

Social Care Pressures	2020/21 £m
Pay Award, Living Wage and Pension Auto Enrolment	1.440
Demographic Pressure Older People Community Services (Care at Home)	0.458
Demand Pressure - Physical Disabilities	0.032
Demand Pressure - Mental Health	0.095
Transition Pressure - Mental Health	0.267
Demand Pressure - Learning Disabilities (Older Clients and Carers)	0.260
Transition Pressure - Learning Disability	0.737
Demand Pressure - Children	0.244
National Care Home Contract Inflationary Increase	0.641
Kinship Care - Impact of Universal Credit	0.082
Contract Inflation outwith the Living Wage and NCHC	0.313
Corporate Parenting Team	0.090
Total Service Pressures	3.217
Total Pressures Including Pay	4.657

Health Pressures	Lead Partnership £m	North Services £m	TOTAL £m
Pay Award and Pensions	1.632	1.013	2.645
Ward 1 Woodland View		0.308	0.308
AHP - Intermediate Care Rehab/Speech and Language Therapy		0.063	0.063
		0.090	0.090
Health Visitors		0.076	0.076
Paid as if at Work	0.082	0.070	0.151
Unscheduled Care Investment		0.500	0.500
<i>Pan Ayrshire Pressures - 19-20 adjustment</i>			
VAT on prison medical contract		(0.019)	(0.019)
Ayrshire Urgent Care		(0.104)	(0.104)
Total Service Pressures	0.082	0.983	1.065
Total Pressures Including Pay	1.714	1.996	3.710

TOTAL NORTH HSCP PRESSURES	8.367
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North Ayrshire Health and Social Care Partnership 2020-21 Savings

Social Care:

Ref	Description	R/A/G	2020-21 £m
Children, Families & Criminal Justice			
1	Children and Young People - External Residential Placements [impact from localities model]	Amber	0.583
2	Adoption Allowances	Amber	0.074
3	Children's Services - Early Intervention and Prevention	Amber	0.050
4	Fostering - Reduce external placements	Green	0.036
5	Community Support - Children's Care Packages	Amber	0.008
Mental Health and LD Services			
6	LD - Reduction to Sleepover Provision	Amber	0.200
7	Learning Disability Day Services	Amber	0.279
8	Trindlemoss	Green	0.150
9	Mental Health - Flexible Intervention Service	Amber	0.008
Health and Community Care			
10	Roll out of multidisciplinary teams - Community Care and Health	Amber	0.110
11	Carers Act Funding - Respite in Care Homes	Amber	0.273
12	Care at Home - Reablement Investment	Amber	0.300
13	Care at Home - Efficiency and Capacity Improvement	Amber	0.135
14	Day Centres - Older People	Amber	0.038
15	Charging Policy - Montrose House	Amber	0.050
Whole System			
16	Adults - New Supported Accommodation Models	Amber	0.063
17	Adult Community Support - Commissioning of Services	Amber	0.638
18	Charging Policy - Inflationary Increase	Green	0.050
			3.045

Health:

Ref	Description	R/A/G	2020-21 £m
19	Trindlemoss	Green	0.120
20	Packages of care	Green	0.100
21	Elderly Mental Health inpatients (lead partnership)	Green	0.216
22	MH Payroll Turnover (lead partnership)	Green	0.100
23	North Payroll Turnover	Green	0.280
			0.816
TOTAL NORTH HSCP SAVINGS			3.861

* denotes a previously approved saving

NHS Ayrshire and Arran 3% Baseline Uplift 2020-21

Overall Summary	East £	North £	South £	Total £
HSCP Managed Basis	£1,957,443	£2,894,257	£1,436,394	£6,288,094
IJB Delegated/Population Basis	£2,127,107	£2,173,508	£1,987,480	£6,288,094

IJB Managed Basis Calculation				
	East	North	South	Total
HSCP Annual Budget 19/20 @ M9	183,046,164	146,845,975	87,326,804	417,218,944
Less Prescribing	- 25,006,336	- 29,460,424	- 23,423,001	- 77,889,761
Less GMS	- 15,481,134	- 17,683,029	- 14,720,508	- 47,884,672
Less East Central FHS	- 48,108,485			- 48,108,485
Less East Central PMS	- 16,403,505			- 16,403,505
Less PCIF	- 5,133,721			- 5,133,721
Less Combat Stress/War pensions	- 1,424,090			- 1,424,090
Less Action 15		- 1,124,783		- 1,124,783
Less Mental Health Bundle		- 1,492,428		- 1,492,428
Less Family Nurse Partnership			- 755,191	- 755,191
GP OOH	- 369,663			- 369,663
Public Dental Service	- 1,950,000			- 1,950,000
Veterans First Point		- 103,923		- 103,923
Dental Outcomes Framework	- 898,705			- 898,705
Additional ADP Funding	- 364,478	- 406,138	- 338,316	- 1,108,932
Vaccinations & Immunisations	- 1,026,994			- 1,026,994
Community Prescribing	- 1,530,946			- 1,530,946
Winter Plan NR Funding	- 100,000	- 100,000	- 100,000	- 300,000
South Care Home N/R			- 440,000	- 440,000
South Biggart Funds			- 300,000	- 300,000
Community Store NC DEL			630,000	630,000
Revised HSCP Baseline	65,248,107	96,475,249	47,879,789	209,603,145
Uplift at 3%	1,957,443	2,894,257	1,436,394	6,288,094

IJB Baseline Calculation				
	East	North	South	Total
HSCP Annual Budget 19/20 @ M9	183,046,164	146,845,975	87,326,804	417,218,944
Less Hosted Services per budgets	- 4,719,198	- 215,571	- 1,393,536	- 6,328,305
Less Lead Services per budgets	- 86,956,720	- 49,304,885		- 136,261,605
Subtotal				
Recharges Lead	44,785,744	49,904,794	41,571,067	136,261,605
Recharges Hosted	2,079,954	2,317,694	1,930,657	6,328,305
Base budgets by IJB	138,235,943	149,548,008	129,434,993	417,218,944
Less Prescribing	- 25,006,336	- 29,460,424	- 23,423,001	- 77,889,761
Less GMS	- 15,481,134	- 17,683,029	- 14,720,508	- 47,884,672
Less East Central FHS	- 15,812,043	- 17,619,373	- 14,677,070	- 48,108,485
Less East Central PMS	- 5,391,417	- 6,007,661	- 5,004,427	- 16,403,505
Less PCIF	- 1,687,324	- 1,880,187	- 1,566,210	- 5,133,721
Less Combat Stress/War pensions	- 468,062	- 521,562	- 434,465	- 1,424,090
Less Action 15	- 369,688	- 411,944	- 343,152	- 1,124,783
Less Mental Health Bundle	- 490,523	- 546,591	- 455,314	- 1,492,428
Less Family Nurse Partnership	- 248,212	- 276,583	- 230,396	- 755,191
GP OOH	- 121,499	- 135,386	- 112,778	- 369,663
Public Dental Service	- 640,916	- 714,173	- 594,911	- 1,950,000
Veterans First Point	- 34,157	- 38,061	- 31,705	- 103,923
Dental Outcomes Framework	- 295,382	- 329,144	- 274,179	- 898,705
Additional ADP Funding	- 364,478	- 406,138	- 338,316	- 1,108,932
Vaccinations & Immunisations	- 337,547	- 376,129	- 313,318	- 1,026,994
Community Prescribing	- 483,674	- 591,367	- 455,905	- 1,530,946
Winter Plan NR Funding	- 100,000	- 100,000	- 100,000	- 300,000
South Care Home N/R			- 440,000	- 440,000
South Biggart Funds			- 300,000	- 300,000
Community Store NC DEL			630,000	630,000
Revised IJB Baseline	70,903,551	72,450,257	66,249,337	209,603,145
Uplift at 3%	2,127,107	2,173,508	1,987,480	6,288,094

Directorate for Health Finance and Governance
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Chief Executives, NHS Scotland

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

Issued via email

6 February 2020

Dear Chief Executives

Budget 2020-21 – Indicative Allocation

Following the announcement of the Scottish Government's Budget for 2020-21 by the Minister for Public Finance and Digital Economy in Parliament today, I am writing to provide details of the funding settlement for Health Boards. A breakdown of the total is provided in **Annex A** to this letter.

The Portfolio settlement will make a significant contribution to the central purpose of the National Performance Framework - enhancing population wellbeing through our core work delivering the healthy and active outcome. In addition, there is a wider benefit from investment in the health and sport portfolio, particularly in relation to outcomes for an inclusive and sustainable economy, reducing poverty and inequality, growing and sustaining inclusive and resilient communities, and promoting a bright future through our children and early years.

The settlement will support continued delivery of the core priorities set out in the Programme for Government, which focus on; waiting times improvement, primary care, investment in mental health and delivering further progress in the integration of health and social care, as well as continuing to shift the balance of spend towards community health services. It also recognises the wider inflationary pressures faced by Boards and Integration Authorities.

Baseline Funding

All Territorial Boards will receive a baseline uplift of 3%. In addition to this, those Boards furthest from NRAC parity will receive a share of £17 million, which will continue to maintain all Boards within 0.8% of NRAC parity.

The National Waiting Times Centre, Scottish Ambulance Service, The State Hospital and NHS 24, along with the NHS National Services Division and Scottish National Blood Transfusion Services (within NHS National Services Scotland) will also receive a baseline uplift of 3%. NHS National Services Scotland, Healthcare Improvement Scotland, and NHS Education for Scotland will receive funding uplifts of 2%, which includes funding towards pay costs. The new budget for Public Health Scotland includes funding transferred from NHS Health Scotland and NHS National Services Scotland.

This position continues to assume that the £15 million of National Board savings is fully delivered in 2020-21 and that further progress is made in National Boards collaborating to deliver service improvement and further savings.

Investment in Improving Patient Outcomes

In addition to the baseline funding uplift, a total of £461 million will be invested in improving patient outcomes in 2020-21, as set out below:

Improving patient outcomes	2019-20 Investment in reform (£m)	2020-21 Investment in reform (£m)	Increase for 2020-21 (£m)
Primary Care	155	205	50
Waiting Times Improvement	106	136	30
Mental Health and CAMHS	61	89	28
Trauma Networks	18	31	13
TOTAL	340	461	121

When combining the £121 million increase in investment in reform with an increase of £333 million in baseline funding for frontline NHS Boards, the total additional funding for frontline NHS Boards will amount to £454 million (4.2 per cent) in 2020-21. Further detail is set out in **Annex A**.

Full details of the method of allocation and evidence of delivering against agreed outcomes will be set out by individual policy areas.

Core Areas of Investment

Primary Care

Investment in the Primary Care Fund will increase to £205 million in 2020-21. This will support the implementation of the GP contract and development of new models of primary care - where multidisciplinary teams of nurses, doctors, pharmacists, AHPs and other clinicians work together to meet the needs of their communities. This includes £10 million to be invested in GP premises.

Waiting Times Improvement Plan

Investment of £136 million will be provided to support waiting times improvement and reform. Work will continue to develop Annual Operational Plan submissions, with specific focus on inpatient and day cases, as well as wider plans to deliver sustainable solutions, including progress against the development of the elective centres. Included in this funding is £10 million for winter 2020-21, to allow Boards maximum opportunity to plan as appropriate.

Mental Health and CAMHS

Funding of £89 million will be directed to a range of partners for investment to support mental health, and children and young people's mental health. In the year ahead we will build on previous support to Territorial and National Boards through ongoing delivery of the Mental Health Outcomes Framework, the NHS Workforce Development Programme and support to improve access to high quality mental health services. We will also continue to fund the additional CAMHS staff recommended by the Children & Young People's Mental Health Taskforce from within £5.1 million administered by NHS Education Scotland. This will see a continuation in the Scottish Government's specific investment in Boards to support mental health service delivery. The Minister for Mental Health and her officials will discuss investment plans in more detail with you in the coming months.

The Mental Health Services budget also includes funding to be directed to Integration Authorities for the recruitment of 800 additional mental health workers as outlined in action 15 of the Mental Health Strategy. There will also be investment in perinatal and infant mental health overseen by the Programme Board led by Hugh Masters. Nonetheless the bulk of service provision is funded through NHS Boards' baseline funding, and we expect NHS Boards and Integration Authorities to prioritise spending in these areas in response to increasing demand and in line with Programme for Government commitments to deliver a shift in the balance of overall spending.

Trauma Networks

This funding will increase from £18 million to £31 million, taking forward the implementation of the major trauma networks.

Alcohol and drugs

The Portfolio budget includes an additional £12.7 million to tackle the harm associated with the use of illicit drugs and alcohol. The Minister for Public Health, Sport and Wellbeing and his officials will discuss investment plans in more detail with Boards and Integration Authorities in the coming months. It is expected investment by Boards and Integration Authorities will increase by 3% over and above 2019-20 agreed recurring budgets to address these issues.

Reform Funding

This budget prioritises baseline funding, along with increased investment in particular areas of reform that will improve patient outcomes. We will however work with colleagues to agree investment in specific programmes of work, such as in relation to radiology and laboratories services, as well as in-year funding to support the strategies of NHS 24 and Scottish Ambulance Service, which will have a wider benefit to the service.

Health and Social Care Integration

In 2020-21, NHS payments to Integration Authorities for delegated health functions must deliver an uplift of at least 3% over 2019-20 agreed recurring budgets.

In addition to this, and separate from the Board Funding uplift, the Health Portfolio will invest a further £100 million in Local Authorities for investment in social care and integration, and continued support for school counsellors. This will take the total funding transferred from the health portfolio to £811 million in 2020-21. The additional £100 million for local government includes a contribution to continued delivery of the Living Wage (£25 million), uprating of free personal and nursing care payments (£2.2 million), implementation of the Carers Act in line with the Financial Memorandum of the Carers Bill (£11.6 million), along with further support for school counselling services whether or not delegated under the Public Bodies (Joint Working) (Scotland) Act 2014 (£4 million).

The funding allocated to Integration Authorities should be additional and not substitutional to each Council's 2019-20 recurring budgets for social care services that are delegated. Similarly, the £4 million for school counselling services must be additional. This means that, when taken together, Local Authority social care budgets for allocation to Integration Authorities and funding for school counselling services must be £100 million greater than 2019-20 recurring budgets.

In 2020-21 integration will bring together, under the direction of Integration Authorities, more than £9.4 billion of expenditure previously managed separately by NHS Boards and Local Authorities for social care, community health care and some hospital services. Integration Authorities must be empowered and supported by their Local Authority and NHS Board partners to use the totality of these resources, including any targeted investment already committed for specific purposes, to better meet the needs of their local populations.

Capital Funding

Boards should assume an unchanged initial capital formula allocation, with additional investment planned for the elective centres and Baird and Anchor Centre in Aberdeen.

Three Year Financial Plan

We will continue to engage with Boards to finalise Annual Operational Plans and three year planning assumptions. This will set out a number of principles to be delivered in relation to finance and wider performance and I hope the information contained in this letter will assist in the finalising of plans.

Yours sincerely



RICHARD MCCALLUM

Interim Director of Health Finance and Governance

Annex A – Board Funding Uplifts

	Total 2019-20			2020-21 Total
NHS Territorial Boards	Allocation	Uplift	Uplift	allocation
	£m	£m	%	£m
Ayrshire and Arran	740.2	22.2	3.0%	762.4
Borders	213.4	6.4	3.0%	219.8
Dumfries and Galloway	306.9	9.2	3.0%	316.1
Fife	679.3	22.2	3.3%	701.5
Forth Valley	541.5	17.3	3.2%	558.7
Grampian	984.0	29.5	3.0%	1,013.5
Greater Glasgow and Clyde	2,295.8	68.9	3.0%	2,364.7
Highland	645.3	20.7	3.2%	666.0
Lanarkshire	1,231.2	36.9	3.0%	1,268.1
Lothian	1,482.6	57.4	3.9%	1,540.1
Orkney	51.1	1.5	3.0%	52.6
Shetland	52.3	1.6	3.0%	53.9
Tayside	784.9	23.5	3.0%	808.5
Western Isles	77.7	2.3	3.0%	80.0
	10,086.2	319.7	3.2%	10,405.9
NHS National Boards				
National Waiting Times Centre	58.3	1.7	3.0%	60.0
Scottish Ambulance Service	270.3	8.1	3.0%	278.4
The State Hospital	36.5	1.1	3.0%	37.6
NHS 24	70.6	2.1	3.0%	72.7
NHS Education for Scotland*	444.8	16.7	3.8%	461.5
NHS Health Scotland / Public Health Scotland**	18.9	0.4	2.0%	47.9
NHS National Services Scotland**	345.6	9.1	2.6%	327.7
Healthcare Improvement Scotland	25.8	0.5	2.0%	26.3
	1,270.7	39.8	3.1%	1,312.1
Total NHS Boards	11,357.0	359.5	3.2%	11,718.0
Improving Patient Outcomes	340.0	121.0	-	461.0
Total Frontline NHS Boards***	10,861.9	453.8	4.2%	11,315.7

* The uplift for NHS Education for Scotland includes recurring funding for training grades.

** Budget for Public Health Scotland of £47.9 million reflects budget for new public health body and includes transfer of £27.1 million from NHS National Services Scotland.

*** Frontline NHS Boards comprise the 14 NHS Territorial Boards, National Waiting Times Centre, Scottish Ambulance Service, State Hospital, and NHS 24.



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Councillor Alison Evison
COSLA President
Verity House
19 Haymarket Yards
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EH12 5BH

Copy to: The Leaders of all Scottish local authorities

6 February 2020

Dear Alison

Today the Scottish Government set out proposed Budget, and tax plans and public sector pay policy for 2020-21, and introduced the associated Budget Bill. Further to the announcement the Scottish Government write now to confirm the details of the local government finance settlement.

Details of the indicative allocations to individual local authorities for 2020-21 are also published today in Local Government Finance Circular 1/2020 which begins the statutory consultation period on the settlement.

In coming to the decision to announce the Scottish Budget before the outcome of the UK Budget is known, the Scottish Government listened carefully to the representations COSLA made on behalf of local government of the damaging impact any further delay would have on the delivery of vital public services and also the practical challenges this would pose around the setting and collection of council tax.

The delay to the UK Budget means that we do not know what total Budget funding will be available to Scotland next year, as we do not yet have confirmation of Barnett consequentials that will flow from changes in UK Departmental expenditure or the updated economic and tax forecasts that are needed to finalise the Block Grant Adjustments that impact on over 30% of our Resource DEL budget. For the purposes of this Budget, the Scottish Government has taken an appropriately cautious approach in estimating the likely outcomes of the UK Budget on 11 March for both revenue and capital budgets, noting that the proposed timetable for the Budget Bill is for parliamentary consideration to conclude on 5 March. If the settlement from the UK government is significantly different from the assumptions the Scottish Government have made, we may need to revisit the allocations contained in this letter.

The Budget announced today prioritises our shared objectives of improving wellbeing, supporting inclusive economic growth, responding to the Global Climate Emergency and



tackling child poverty and remains firmly anchored in the jointly agreed National Performance Framework.

The Scottish Government's budget for 2020-21 is bold and ambitious, delivering on our key commitments. Prioritising these commitments has required fresh consideration of all areas of expenditure, as we continue to deal with the effects of UK Government austerity, with Scotland's discretionary resource budget from the UK Government for 2020-21 still set to be considerably lower in real terms than it was in 2010.

The total revenue funding to be provided through the settlement for 2020-21 will be £10,572.8 million, which includes distributable non-domestic rates incomes of £2,790 million.

The Capital settlement has been set at £763.1 million and this includes the continuing expansion of Early Years provision and the addition of a Heat Networks Early Adopters Challenge Fund.

The total funding which the Scottish Government will provide to local government in 2020 -21 through the settlement in funding for core services is therefore £11,336 million, and includes;

- £201 million revenue and £121.1 million capital to support the expansion in funded Early Learning and Childcare (ELC) entitlement to 1,140 hours by 2020;
- In addition to the £160 million available in 2019-20, a further £100 million to be transferred from the health portfolio to the Local Authorities in-year for investment in health and social care and mental health services that are delegated to Integration Authorities under the Public Bodies (Joint Working) (Scotland) Act 2014. This brings the total transferred from the health portfolio to support health and social care integration to £811 million in 2020-21. The additional £100 million for local government includes a contribution to continued delivery of the real Living Wage (£25 million), uprating of free personal and nursing care payments (£2.2 million), implementation of the Carers Act in line with the Financial Memorandum of the Carers Bill (£11.6 million), along with further support for school counselling services whether or not delegated under the Public Bodies (Joint Working) (Scotland) Act 2014 (£4 million);
- Baselining of the £90 million added at Stage 1 of the Budget Bill for 2019-20;
- The ongoing £88 million to maintain the pupil:teacher ratio nationally and secure places for all probationers who require one under the teacher induction scheme;
- Provision for the Teachers Pay (£156 million) and Pensions (£97 million);
- £5.3 million for Barclay implementation costs; and
- A new capital £50 million Heat Networks Early Adopters Challenge Fund to support local authorities who are ready to bring forward investment-ready heat networks.

As confirmed last week local authorities will continue to have the flexibility for 2020-21 to increase Council Tax by up to a maximum of 3% in real-terms (4.84% cash). This local discretion will preserve the financial accountability of local government, whilst also potentially generating around £135 million to support services.

The revenue allocation delivers a real-terms increase for local government for 2020-21 compared to 2019-20. Taken together with the additional spending power that comes with the flexibility to increase Council Tax (worth around £135 million next year) the total revenue funding would deliver a real-terms increase in the overall resources to support local government services of £435.9 million or 4.3%.

In 2020-21 integration will bring together, under the direction of Integration Authorities, more than £9.4 billion of expenditure previously managed separately by NHS Boards and Local

Authorities for social care, community health care and some hospital services. Integration Authorities must be empowered and supported by their Local Authority and NHS Board partners to use the totality of these resources, including any targeted investment already committed for specific purposes, to better meet the needs of their local populations.

Individual local authorities will, in return for this settlement, be expected to deliver certain specific commitments.

The funding allocated to Integration Authorities should be additional and not substitutional to each Council's 2019-20 recurring budgets for social care services that are delegated. Similarly, the £4 million for school counselling services must be additional. This means that, when taken together, Local Authority social care budgets for allocation to Integration Authorities and funding for school counselling services must be £100 million greater than 2019-20 recurring budgets.

We will also continue to take forward our ambitious programme of educational reform that will deliver an education system led by communities, schools and teachers. The Scottish Government, in partnership with local authorities, will empower schools to make key decisions over areas such as the curriculum, budgets and staffing while continuing to deepen collaboration across the education sector. In recognising that teachers are central to achieving our ambition of delivering excellence and equity in Scottish education we will continue to commit an overall funding package of £88 million in the local government finance settlement to support both maintaining the pupil teacher ratio at a national level and ensuring that places are provided for all probationers who require one under the teacher induction scheme.

Each local authority area will continue to benefit from Pupil Equity Funding (PEF) which forms part of the overall commitment from the Scottish Government to allocate £750 million through the Attainment Scotland Fund, over the term of the Parliament to tackle the attainment gap. £120 million in Pupil Equity Funding is going directly to headteachers to provide additional support to help close the attainment gap and overcome barriers to learning linked to poverty. PEF is additional to the £62 million Attainment Scotland funding, which is outwith the local government finance settlement. Money from the Attainment Scotland Fund will continue to provide authorities and schools with additional means to provide targeted literacy, numeracy and health and wellbeing support for children and young people in greatest need.

The Heat Networks Early Adopters Challenge Fund will be a competitive fund to provide enabling and financial support to assist the build and installation of exemplar local authority-led heat network projects. The Challenge Fund will offer capital funding up to an intervention rate of 50 per cent and will be available for new and existing heat networks who are able to demonstrate progress towards greenhouse gas emissions reductions and wider socio-economic benefits. There will also be a smaller development funding call within the Challenge Fund to help develop early stage project proposals to become investment-ready in future years. The detailed terms and conditions for the Heat Networks Early Adopters Challenge Fund will be drawn up in consultation with COSLA and we anticipate that it will launch early in the financial year.

The Scottish Government remains committed to a competitive non-domestic rates regime, underlined by the proposals outlined in this Scottish Budget. The poundage in Scotland has been capped below the Consumer Price Index inflationary increase at 49.8 pence, a 1.6 per cent increase. The Scottish Government are also introducing some further support for intermediate sized properties which will ensure around 95 per cent of properties in Scotland now pay a lower poundage than they would in other parts of the United Kingdom. Full details of this and all other reliefs are set out in Local Government Finance Circular 1/2020.

In these unprecedented times with all the uncertainty imposed upon us by the UK Government the Scottish Government believe, taking into account all the circumstances, the allocations set out in this local government finance settlement is the best that could be achieved and continues to provide a fair settlement to enable local authorities to meet our shared priorities of improving wellbeing, supporting inclusive economic growth, responding to the Global Climate Emergency and tackling child poverty.



KATE FORBES

Directorate for Health Finance and Governance
Richard McCallum, Interim Director



Scottish Government
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Chief Executives, Local Authorities
Chief Executives, NHS Boards
Chief Officers, Integration Authorities

Copy to: Directors of Finance, Local Authorities
Directors of Finance, NHS Boards
Chief Finance Officers, Integration Authorities

Issued via email

28 February 2020

Dear Colleagues

Budget 2020-21

The Scottish Government's Budget for 2020-21, which was announced in Parliament on 6 February by the Minister for Public Finance and Digital Economy, confirmed that the Health Portfolio will transfer a further £100 million to Local Authorities for investment in social care and integration, and for continued support for school counselling services. This will take the total funding transferred from the health portfolio to £811 million in 2020-21.

The distribution of the additional £100 million for Local Authorities is set out in the **Annex**, and includes a contribution to continued delivery of the Living Wage (£25 million), uprating of free personal and nursing care payments (£2.2 million), implementation of the Carers Act in line with the Financial Memorandum of the Carers Bill (£11.6 million), along with further support for school counselling services whether or not delegated under the Public Bodies (Joint Working) (Scotland) Act 2014 (£4 million).

The funding allocated to Integration Authorities should be additional and not substitutional to each Council's 2019-20 recurring budgets for social care services that are delegated. Similarly, the £4 million for school counselling services must be additional. This means that, when taken together, Local Authority social care budgets for allocation to Integration Authorities and funding for school counselling services must be £100 million greater than 2019-20 recurring budgets.

Similar to last year, flexibility will be available to Local Authorities to offset their adult social care allocations to Integration Authorities by up to 2% and a maximum of £50 million in 2020-21 based on local needs.

The Scottish Government and COSLA have agreed joint work to support ongoing local plans to manage the deficit position with a small number of Integration Joint Boards (IJBs) and their partner Health Boards and Local Authorities. The aim of this support is to ensure that structural deficits in funding do not impact on the operational budgets of IJBs, giving them the time and space to redesign and reform services to deliver within agreed budget parameters.

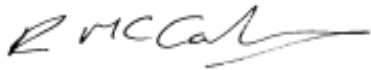
Finally, the Scottish Government and COSLA have agreed joint political oversight to drive improved performance in health and social care through a combination of enhanced joint accountability and a streamlined improvement and development offer for IJBs. This will be achieved by working with Local

Government and NHS Boards to agree a shared national and local approach to accountability for delivery. This will take account of standards, data and measures and we have agreed to work together to develop a small number of deliverable outcomes to help ensure Integration Authorities use their total resources to focus on delivery of key areas for improvement, including reducing delays in care. This work will be progressed quickly using normal mechanisms and we will keep you informed of progress.

Yours sincerely

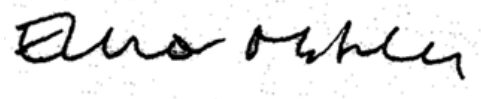
RICHARD MCCALLUM

Interim Director of Health Finance and Governance

A handwritten signature in black ink, appearing to read 'R McCallum', with a stylized flourish at the end.

ELINOR MITCHELL

Director of Community Health and Social Care

A handwritten signature in black ink, appearing to read 'Elinor Mitchell', with a stylized flourish at the end.

Annex

Allocation of £100m from Health and Social Care Budget	
	Total (£m)
Aberdeen City	3.51
Aberdeenshire	3.99
Angus	2.29
Argyll and Bute	1.74
Clackmannanshire	0.87
Dumfries and Galloway	3.14
Dundee City	2.77
East Ayrshire	2.26
East Dunbartonshire	1.93
East Lothian	1.80
East Renfrewshire	1.63
Edinburgh, City of	8.28
Eilean Siar	0.62
Falkirk	2.75
Fife	6.62
Glasgow City	10.98
Highland	4.24
Inverclyde	1.63
Midlothian	1.45
Moray	1.80
North Ayrshire	2.70
North Lanarkshire	5.69
Orkney	0.43
Perth and Kinross	2.96
Renfrewshire	3.20
Scottish Borders	2.24
Shetland	0.36
South Ayrshire	2.41
South Lanarkshire	5.75
Stirling	1.57
West Dunbartonshire	1.63
West Lothian	2.77
SCOTLAND	96.00
School Counselling (to Education)	4.00
Total	100.00

DIRECTION

From North Ayrshire Integration Joint Board

1.	Reference Number	19032020-XX	
2.	Date Direction Issued by IJB	19 March 2020	
3.	Date Direction takes effect	1 April 2020	
4.	Direction to	North Ayrshire Council	
		NHS Ayrshire & Arran	
		Both	√
5.	Does this direction supercede, amend or cancel a previous direction – if yes, include the reference numbers(s)	Yes	
		No	√
6.	Functions covered by the direction	All services as set out in the Integration Scheme.	
7.	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 19 March 2020 for the financial year 2020-21. Use resources available to invest in pressures as noted in Appendix B (totalling £8.367m) and the savings approved by the IJB (totalling £3.861m), as noted in Appendix C of the report.	
8.	Budget allocated by Integration Joint Board to carry out direction	Partnership budget for 2020-21 is £277.790m, which consists of £180.827m NHS Ayrshire and Arran (£30.997m of which set aside) and £96.963m North Ayrshire Council. Partners will continue to transfer resources within the IJB budget in line with standing arrangements, for example Resource Transfer, ICF, Integration Funding.	
9.	Performance Monitoring Arrangements	Performance will be monitored through routine budget monitoring process, including any in-year changes to the funding from North Ayrshire Council and NHS Ayrshire and Arran.	
10.	Date of Review of Direction (if applicable)	August 2020 (following financial monitoring report to IJB)	