

Subject: **IJB 2022-23 Budget**

Purpose: To update the IJB on the financial position for the partnership for 2022-23, 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 2022-23 for North Ayrshire Health and Social Care Partnership inclusive of all pressures and savings, noting that the funding position is subject to confirmation by NHS Ayrshire and Arran; and
(b) notes the risks associated with this budget.

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

1.	EXECUTIVE SUMMARY
1.1	The report outlines the funding allocations from North Ayrshire Council and NHS Ayrshire and Arran, the service pressures, resulting budget gap and the savings plan for 2022-23. The Council budget was set on 2 March and NHS AA will set their budget on 28 March; the funding assumption from NHS AA reflected in the report is based on the expected funding settlement and if this changes the plans for the IJB will require to be re-visited.
1.2	The Scottish Government finance settlement set out a number of conditions and requirements for Health Boards and Councils in relation to funding delegated to Integration Authorities. The delegated funding outlined in the report (indicative for NHS AA) meets those Scottish Government requirements.

1.3	<p>The table below summarises the overall financial position for 2022-23:</p> <table><tr><td></td><td>Social Care (NAC) £m</td><td>Health (NHS AA) £m</td><td>Total £m</td></tr><tr><td>Scottish Government Funding Increase</td><td>(16.137)</td><td>(1.457)</td><td>(17.594)</td></tr><tr><td>Committed to delivering Scottish Government policies</td><td>10.895</td><td>1.457</td><td>12.352</td></tr><tr><td>Uncommitted Funding Increase</td><td>(5.242)</td><td>-</td><td>(5.242)</td></tr><tr><td>Baseline uplift</td><td>-</td><td>(2.626)</td><td>(2.626)</td></tr><tr><td>Net Funded Pressures</td><td>4.946</td><td>3.605</td><td>8.551</td></tr><tr><td>Budget Gap</td><td>(0.296)</td><td>0.979</td><td>0.683</td></tr><tr><td>% Baseline Budget</td><td>(0.3%)</td><td>0.6%</td><td>0.26%</td></tr></table> <p>The approval of the savings plans included in Appendix C will fully address the budget gap with no requirement to draw on IJB reserves.</p>		Social Care (NAC) £m	Health (NHS AA) £m	Total £m	Scottish Government Funding Increase	(16.137)	(1.457)	(17.594)	Committed to delivering Scottish Government policies	10.895	1.457	12.352	Uncommitted Funding Increase	(5.242)	-	(5.242)	Baseline uplift	-	(2.626)	(2.626)	Net Funded Pressures	4.946	3.605	8.551	Budget Gap	(0.296)	0.979	0.683	% Baseline Budget	(0.3%)	0.6%	0.26%
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1.4	<p>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 2022-23 to approve any appropriate action to mitigate or manages these areas. The main risks include the ongoing response to the Covid-19 pandemic, the pending pay award for Local Government and NHS staff and the negotiated uplifts for the National Care Home Contract.</p>																																
1.5	<p>The proposed integrated budget for the IJB is £314.855m (inclusive of the estimated Set Aside budget of £34.850m). A summary of the 2022-23 budget and net budget increase is detailed within Appendix A.</p>																																
1.6	<p>The budget assumes that all ongoing Covid related costs during 2022-23 will be fully funded from the separate recently announced Scottish Government funding.</p>																																
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>The process as outlined in the Integration Scheme has been eroded in recent years with Scottish Government directives and expectations in relation to funding levels to be passed on to IJBs. Whilst the IJB are required to engage with the partner bodies in relation to budget pressures and savings, the overall funding allocation reflects an element of ring fencing and settlement conditions in relation to funding for IJBs.</p>																																
2.2	NATIONAL POSITION – SCOTTISH GOVERNMENT FUNDING																																

2.2.1	Scottish Government Medium Term Financial Strategy
	<p>The Scottish Government Medium-Term Financial Strategy (December 2021) covers the period to 2026-27. It compares the funding and spending scenarios to assess the scale of the challenge and the opportunities over the Resource Spending Review period. The role of the MTFS is to set out Scotland's fiscal outlook over the next five years, including financial opportunities and risks that may impact on the fiscal position. In line with the recommendations of the Budget Process Review Group, the document does not set out new spending plans or explain how prioritisation decisions will be made to meet policy objectives. These decisions are made in the Scottish Government budget.</p> <p>The Resource Spending Review Framework published in December 2021 notes that the Feeley Report on Adult Social Care has estimated that approximately 36,000 people in Scotland would benefit from but do not currently access social care support, and the cost of that unmet need is estimated at £436 million. The report also emphasised the need for continued investment in social care and referred to the Health and Social Care Medium Term Financial Framework (MTFF) published in 2018. The MTFF projected that, if the system does not adapt or change, social care expenditure could be expected to grow by 4% per annum. This reflected inflationary and demographic effects, which are intensified in a service which supports the very elderly. This projection pre-dates the pandemic which exacerbated pressures on social care, so the underlying assumptions will need to be revisited. However, it illustrates potential growth in social care costs and funding required over the spending review period driven by the demographic and workforce pressures.</p> <p>The Scottish Budget for 2022-23 highlighted:</p> <ul style="list-style-type: none"> • Investment of over £1.6 billion in social care and integration and lays the groundwork for the delivery of a National Care Service. • £61 million to address drugs deaths. • Investment of £290 million in mental health, including £120 million for the Mental Health Recovery and Renewal Fund • Investment in the Health and Sport Portfolio will increase to over £16 billion, with a further £869 million of funding to address pressures related to COVID-19.
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 2022-23 (copies in Appendix E).</p> <p>The specific requirements are as follows:</p> <ul style="list-style-type: none"> • £174.5 million for continued delivery of the real Living Wage within Health and Social Care; • £15 million for uprating of free personal and nursing care payments; • £20.4 million for implementation of the Carers Act; • Additional investment of £124 million to provide care at home; • £20 million to support Interim Care; • Scottish Disability Assistance funding to support processes for gathering supporting information on behalf of clients applying for the new forms of Child Disability Payment. • Mental Health Recovery and Renewal – funding for additional Mental Health Officer (MHO) capacity. • £22m for Adult Social Work Capacity - to relieve pressure on the adult social care sector by increasing social work workforce capacity.

- An additional £200 million to support investment in health and social care.
- Mental Health and CAMHS Funding of £246 million for Improving Patient Outcomes. It will support the commitment to increase direct mental health funding by at least 25% over the parliamentary term. It will incorporate recurring funding of £120 million, which was provided in 2021-22 to support the delivery of the Mental Health Transition and Recovery Plan.
- Health Boards and their partners are expected to prioritise mental health and to deliver the Programme for Government commitment that at least 10% of frontline health spending will be dedicated to mental health and at least 1% will be directed specifically to services for children and young people by the end of this parliamentary session.
- Trauma Networks funding will increase from £37.8 million to £44.3 million, taking forward the implementation of the major trauma networks.
- Alcohol and drugs - the total 2022-23 Portfolio budget of £85.4 million includes £50 million to be targeted towards reducing drugs deaths. This is part of the delivery of the National Drugs Mission, with a commitment to provide a total of £250 million of additional funding by 2025-26.

It is anticipated that the Scottish Government will again seek assurance from partnerships that funds are being spent in line with priorities and that funding conditions are being met.

2.3 NORTH AYRSHIRE POSITION – PARTNER FUNDING

2.3.1 North Ayrshire Council

Based on the 2022-23 Finance Settlement, the Council confirmed a net contribution to the Partnership of £9.931m through its agreed budget. The budget also noted that further resources have yet to be distributed. These are noted at 2.2.2 above and relate to Social Care investment (£200m nationally) and to additional funding (£22m nationally) for adult social work capacity. These have been included in the table below and show the reconciliation to the Council agreed budget.

As a condition of the settlement, funding allocated to the IJB should be in addition to the 2021-22 recurring baseline position. A summary is noted below:

Description	All Scotland (£m)	NAC (£m)
Living Wage	174.500	4.819
Free Personal and Nursing Care	15.000	0.345
Carers Act	20.400	0.574
Care at Home	124.000	3.418
Interim Care	20.000	0.551
Implementation of National Trauma Training Programme	1.600	0.050
Scottish Disability Assistance	3.216	0.083
Mental Health Recovery & Renewal	3.710	0.091
Per Council Budget paper	362.426	9.931
Funding announced after settlement:		
Social Care Investment	200.000	5.600
Adult Social Work Capacity	22.000	0.606
Additional Funding from Council	584.426	16.137

For years 2022-23 and 2023-24 the financial planning assumption of North Ayrshire Council is that, out with specific funding to be passed through by Scottish Government,

	<p>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 2022-23.</p>
2.3.2	<p>NHS Ayrshire and Arran</p> <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 2021-22 and again is not the bottom-up approach outlined in 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"> • NHS payments to Integration Authorities for delegated health functions must deliver an uplift of 2% over 2021-22 agreed recurring budgets and make appropriate provision for increased employer national insurance costs. • In addition there are monies for Primary Care, Waiting Times, MH and CAMHS, Trauma Networks and Drugs Deaths to be allocated in-year. We are currently awaiting further information on these allocations. • Outcomes framework increases remains static at to £74.1m. <p>The 2% uplift is based on the payroll assumptions for the Scottish Public Sector Pay Policy. Any pay award agreed above this public sector pay policy assumption may result in the funding for NHS Boards, and IJBs, being revisited during the year in line with the outcome of pay negotiations.</p>
	<p>Discussions have taken place with Health Board colleagues in relation to the funding for 2022-23; there is an expectation that the Health Board plans will reflect the pass through of the 2% increase plus 0.56% for National Insurance, 2.56% in total 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 28 March to set their budget, including agreeing funding allocations for partnerships. If the Health Board decision does not reflect this position this will require to be updated and brought back to the IJB for further consideration.</p> <p>Assuming the 2.56% 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> <p>The baseline budget requires to be appropriately adjusted to not apply the uplift where:</p> <ul style="list-style-type: none"> • There are significant in-year allocations of funding, as these allocations do not form part of the Health Board baseline funding to which the annual uplift is applied, for example Action 15 Mental Health funding. • There are separate risk sharing arrangements in place, e.g. prescribing. • There is a separate uplift basis other than the general board uplift, e.g. GMS. <p>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.</p>

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

	£m	
2021-22 Budget	165.396	As per period 9 monitoring report adjusted for non-recurring budget transfers.
<i>Less:</i>		
In-year allocations	(6.711)	Including Action 15, Mental Health Bundle, District Nurses, Veterans, ADP, Winter Plan, CAMHS Improvement Funding Streams.
Covid Funding	(1.363)	Covid Funding
Risk Sharing	(30.593)	Prescribing
Different Uplift	(20.137)	General Medical Services (GMS)
Revised Baseline	102.592	
2.56% Uplift	2.626	

The expectation is that on a managed basis a baseline funding uplift of £2.626m will be passed through to the IJB from the Health Board.

In addition, the Health Board will pass through additional funding for Multi-Disciplinary Teams (£1.109m) and for Health Care Support Workers (£0.348m), totalling £1.457m.

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

- The IJB can manage the budget process in terms of developing pressures and savings (including providing for those pressures not planned to be funded by partners), providing greater transparency and governance re decision making.
- Allows resource to be allocated by the IJB in line with the priorities in the Strategic Plan.
- Allows the SG directive to be followed, not only in terms of application of the uplift but also in terms of priority areas to be protected (e.g. Mental Health and Drug and Alcohol services).
- Facilitates the ongoing in-year management of the IJB financial position in relation to the funding and budget being managed on an integrated way to deliver financial balance.
- Supports future years planning and the development of a Medium-Term Financial Outlook, supporting an earlier approach to financial planning and an integrated approach to distribution of resource.
- Aligns with the proposals in the review of integration for budget planning and resource delegation for IJBs.

3. PROPOSALS

3.1 2021-22 FINANCIAL POSITION

	<p>The overall projected outturn position for 2021-22 as at period 10, is a projected year-end underspend of £1.780m. This excludes any underspends on funds that will require to be earmarked in reserves for use in future years.</p> <p>The main areas of pressure for the core budget during 2021-22 are learning disability care packages, looked after children and adult in-patients within the lead partnership. The underspend position is likely to be sustained until the financial year end, and as all Covid-19 costs are fully funded, the IJB will underspend and repay £1.486m of the debt to North Ayrshire Council as planned.</p> <p>The savings plan for 2021-22 anticipates that a total of £1.926m of savings will be delivered in-year, with £0.602m of savings potentially delayed or reduced. The savings which have been delayed are:</p> <ul style="list-style-type: none"> • External residential placements – £0.450m • Adoption Allowances - £0.066m • External Foster Placements £0.036m • Business Support - £0.050m <p>Some of the 2021-22 projected overspends will continue into 2022-23. The main areas of risk for this are:</p> <ul style="list-style-type: none"> • Children's residential placements – projected to overspend in 2022-23 by £0.628m based on reducing from 19 to 10 placements by August 2022. • LD care packages – this area is difficult to project with confidence as the 2021-22 year was not representative of a typical year of service activity. Based on the 2021-22 outturn, an estimated overspend of £0.702m in community care packages, £0.319m in direct payments and £0.563m for residential placements may continue into 2022-23. • UnPACs – projected to overspend by £1.083m in 2022-23 based on current placements. <p>Work will continue to reduce the recurring overspends. If these cannot be contained within the overall final 2022-23 outturn position, then the free general fund reserve will be required to underwrite the financial risk, noting that the UnPACs overspend is part of the Lead Partnership for Mental Health services.</p>
3.2	2022-23 REVENUE BUDGET PLANS
	<p>The NAHSCP 2022-23 integrated budget is expected to be £280.005m (excluding Set aside) and £314.855m (including Set Aside budget of £34.850m).</p> <p>A summary of the 2022-23 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.</p>
3.2.1	BUDGET PRESSURES
	Service cost and demand pressures are detailed within Appendix B.

Total net budget pressures for health and social care services total £8.551m. 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	2.156	3.020	5.176
Demographic Pressures	0.979	-	0.979
Transitions of Care	0.800	-	0.800
Contract Inflation	1.251	0.030	1.281
Pan Ayrshire Pressures	-	0.147	0.147
Resource Transfer Inflation	(0.421)	0.421	0.000
Previous draw on surplus	0.181	-	0.181
Total New Pressures	4.946	3.618	8.564
Increased recharge income	-	(0.013)	(0.013)
TOTAL NET PRESSURES	4.946	3.605	8.551

Provision has been made for Health Lead Partnership pressures recognising the North Ayrshire contribution towards pressures faced for services led by East or South. These pressures were agreed with the Ayrshire Finance Leads with an agreement that the IJBs have a shared responsibility to fund.

The pay award assumption in the budget is different for Local Government than the NHS, as there is an expectation that no additional funding would be provided for a pay award higher than the public sector pay assumption for the Local Government workforce. Therefore a 3% provision for the pay award for Social Care is provided for in the budget pressures.

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 planning discussions for 2022-23 included a number of potential pressure areas where the pressures are not recommended to be specifically provided for in the budget. This is because there are uncertainties around the value or the timing of the pressure or the costs may be managed in-year either by developing a financial recovery plan or within the overall in-year financial position.

These pressures were noted as including:

- Band 2 to Band 3 regrading for some health staff following a review of the role.
- Office 365 implementation costs for Primary Care (East Lead Partnership)
- Prison Healthcare – additional costs relating to an increased prison population from 2023 as a consequence of the planned reduced capacity at Barlinnie prison.

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.

3.2.2 SCOTTISH GOVERNMENT POLICY AREAS

As detailed above at 2.3, the finance settlement includes funding for investment in health and social care integration aligned to Scottish Government policy areas. The estimated costs associated with delivering these policies are in the table below:

Via Health	£m
Multi-Disciplinary Teams	1.109
Health Care Support Workers	0.348
TOTAL	1.457

Via Council	£m
Carers Act	0.574
Living Wage (21/22 increases)	3.019
Free Personal and Nursing Care	0.345
Implementation of National Trauma Training Programme	0.050
Scottish Disability Assistance	0.083
Care at Home	3.418
Interim Care	0.551
Mental Health Recovery & Renewal	0.091
Social Care Investment	2.158
Adult Social Work Capacity	0.606
TOTAL	10.895

Elements of the funding were allocated by the Scottish Government on a part year basis for 2021-22, including for the Living Wage, Care at Home, Interim Care and Multi-Disciplinary Teams.

The IJB approved a plan in December 2021 to focus this funding on four main areas – Maximising Capacity, Ensuring Staff Wellbeing, Ensuring System Flow and Improving Outcomes with the overarching aim being to reduce risks in community settings and supporting flow through acute hospitals.

The Living Wage will increase from £10.02 per hour to £10.50 per hour from 1 April 2022. After the agreed weightings are applied this will increase the hourly rates being paid to providers and self-directed support recipients as follows:

	2021-22 Rate Per Hour	2022-23 Rate Per Hour	% Increase
Care at Home & Housing Support	£18.58	£19.35	4.14%
Sleepovers	£12.26	£12.77	4.16%
Personal Assistant Day Time Hourly Rate	£13.57	£14.16	4.35%
Personal Assistant Sleepover Hourly Rate	£12.64	£13.19	4.35%

The cost of this rate uplift will be met from the £5.6m (£200m nationally) funding allocated to support investment in health and social care.

The Carer's Act funding is aligned to the support for unpaid carers and is intended to put in place supports identified through Carers Assessments and other supports for carers. Effective support for carers is not a new issue but the increasing pressures on carers and local carers services have been highlighted throughout the pandemic. Support for carers is also a significant focus of the Independent Review of Adult Social Care, which recommends that carers need better, more consistent support to carry out their caring roles and to take a break from caring.

We will focus on reinvigorating the Carers supports during 2022-23 with a targeted plan to ensure the resources are used in the most effective way, a further update will be brought to the IJB later in the year.

3.2.3 BUDGET GAP

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

	Social Care (NAC) £m	Health (NHS AA) £m	Total £m
Scottish Government Funding Increase	(16.137)	(1.457)	(17.594)
Committed to delivering Scottish Government policies	10.895	1.457	12.352
Uncommitted Funding Increase	(5.242)	-	(5.242)
Baseline uplift	-	(2.626)	(2.626)
Net Funded Pressures	4.946	3.605	8.551
Budget (Surplus) / Shortfall	(0.296)	0.979	0.683
% Baseline Budget	(0.3%)	0.6%	0.26%

This gap is inclusive of the draw on the reserves which was approved as part of the 21-22 budget.

3.2.4 BUDGET SAVINGS

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

RAG Deliverability Status	Social Care (NAC) £m	Health (NHS A&A) £m	Total £m
Red	-	-	-
Amber	0.060	-	0.060
Green	-	0.623	0.623
TOTAL	0.060	0.623	0.683

Adoption Allowances (£0.060m) – a saving is expected to be generated through the introduction of a new Adoption Allowances Policy.

Payroll Turnover Inflation (£0.302m) – the vacancy savings targets have been increased across Health lead partnership and non-lead partnership services. The current targets have been significantly over-recovered in both 2020-21 and 2021-22. There is no policy to deliberately delay the filling of vacancies, but this will be achieved through the natural turnover in staffing and the time taken to recruit to new posts when they are created.

Elderly Mental Health Inpatients (£0.321m) - Significant savings have been delivered to date from the review of Elderly Mental Health inpatient services at the Ailsa site. The balance of savings was agreed on a Pan Ayrshire basis to be retained within the lead partnership pending consideration of any proposals for re-investment in community services. The priority requires to be to balance the lead partnership position prior to any further investment, therefore at this time the remaining uncommitted amount of £0.321m is being proposed as a recurring saving. East and South Ayrshire partners have been consulted on this position.

The IJB are recommended to approve the savings proposals. The savings fully address the budget gap of £0.683m and there is no requirement to make a draw on the reserves carried forward from 2021-22.

3.2.5 LEAD PARTNERSHIP MENTAL HEALTH SERVICES

The North partnership lead on acute and specialist Mental Health services across Ayrshire and therefore require to ensure that the services have plans to balance the budget moving into 2022-23. 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
2021-22 Baseline Budget	51.464
2.56% Baseline funding uplift	1.317
Pay Pressures (mainly pay related)	(1.690)
Contract Inflation - SLAs	(0.030)
Budget Gap/Savings Requirement	(0.403)
Savings - Elderly Mental Health Bed Redesign	0.321
Savings – Payroll Turnover	0.082
Net position	-

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

3.3 ACUTE SET ASIDE BUDGET

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

	<p>implement the delegated hospital budget and set aside budget requirements of the legislation, in line with the statutory guidance published.</p> <p>The full implementation of the set aside arrangements is key to delivering this commitment to planning across the whole unplanned care pathway and partnerships must ensure that set aside arrangements are fit for purpose and enable this approach.</p> <p>This has not been achieved in Ayrshire and Arran during the current financial year as the priority was the response to Covid-19. However preparatory work is underway with NHS AA and the other Ayrshire partnerships to progress and develop the set aside arrangements to fully implement the legislative requirement. This includes arrangements in relation to the use of Directions, Commissioning Plans and overall progression towards Fair Share allocations of resources.</p> <p>The budget for set aside resources for 2022-23 is £34.850m. This is based on the set aside resources for 2020-21 of £33.054m inflated by the 2021-22 uplift of 2.8% and the 2.56% baseline uplift for 2022-23. This may require to be updated following the further work being undertaken by the Ayrshire Finance Leads to establish the baseline resources for each partnership and how this compares to the Fair Share of resources. It is anticipated that 2022-23 will be used as a shadow year for these arrangements. A further update will be provided to IJBs as this work progresses.</p>
3.4	FINANCIAL RISKS
	<p>There are a number of ongoing financial risk areas that may impact on the 2022-23 budget during the year, these include:</p> <ul style="list-style-type: none"> • High risk areas of low volume / high-cost services areas e.g. Learning Disability care packages, children's residential placements, complex care packages; initial 2022-23 projections for these budget areas have been noted at 3.1 • Progress with the work to develop set aside arrangements and the risk sharing arrangements agreed as part of this • Ongoing implementation costs of the Scottish Government policy directives • Lead / hosted service arrangements, including managing pressures and reporting this across the 3 IJBs • The impact on Lead Partnership and acute services from decisions taken by other Ayrshire areas • The 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 and the funding allocated by the Scottish Government aligned to our mobilisation plans. Costs associated with Covid are estimated to be £8.85m for 2021-22, which has been fully funded by the Scottish Government. Additional funding for Covid has been received in March 2022 and it is anticipated that £14.237m will be carried forward into 2022-23 as an earmarked balance to cover future costs incurred by Health and Social Care services. • The Covid recovery process and re-mobilisation of services, including the ability to change and improve services following learning from the Covid response • The impact and implementation of the National Care Service. • The Local Government and NHS pay awards are not settled for 2022-23 and negotiations are ongoing; as outlined in the report the risk is mitigated for the social care workforce by providing for a 3% increase and for NHS it is anticipated that additional funding would be allocated if the pay award settlement is higher than the current assumption

- National Care Home Contract increases are subject to ongoing negotiation and further complicated by the impact of the pandemic on care homes
- Delivery of 2021-22 savings delayed by COVID 19
- The planned review of the Care at Home service which will commence in Spring 2022

These risks will be monitored during 2022-23 and financial impact reported through the financial monitoring report.

3.5 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:

- As a working balance to help cushion the impact of uneven cash flows;
- As a contingency to manage the impact of unexpected events or emergencies; and
- As a means of building up funds, often referred to as earmarked reserves, to meet known or predicted liabilities.

The balance of reserves should be considered as part of the budget setting process. The IJB has a reserves policy in place which outlines an optimum value of reserves to be held uncommitted in contingency, this is currently set as 2% to 4% of net expenditure, based on the lower value this would be around £5.6m.

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. There is no expectation from North Ayrshire Council that the IJB increase this annual debt repayment as a consequence of any underspend in the IJB budget.

In addition, the projected outturn position at period 10 for the IJB is a year-end underspend of £1.780m, with further detail on this included in the financial management report.

The estimated position for IJB reserves is noted below:

	General Fund Reserves		Earmarked Reserves		Total
	Debt to NAC £m	Free GF £m	SG Funding £m	HSCP £m	£m
Opening Balance 01/04/21	(3.807)	4.151	6.732	0.681	7.757
Earmarked as follows:					
: Primary Care Improvement Fund			0.935		
: Mental Health Action 15			0.224		
: Alcohol and Drugs Partnership			0.336		
: Community Living Change Fund			0.513		

: Covid Funding			4.724		
: Challenge Fund				0.500	
: 2021-22 Budget Gap				0.181	
Projected Change 2021-22	1.486	1.780			
Projected Position at 31/03/22	(2.321)	5.931			

The earmarked reserve balances relate to ring-fenced funding for the ADP, Mental Health Action 15, PCIF, Community Living Change Fund and the additional Integration Funding set out in the table above, including funding to assist with ongoing Covid costs. These earmarked balances will be adjusted after the year-end to reflect the updated carry forward position.

The 2021-22 budget established a challenge fund reserve of £0.5m to assist the HSCP with developing longer term plans for delivering savings and service improvement. One of the main areas this would support would be the investment in technology solutions. The allocation and assessment of this funding would be determined by the PSMT with reporting of progress through the financial monitoring report to the IJB. There has been no spend against this in 2021-22 as services have had to prioritise their response to Covid and the funding will continue to be earmarked for this purpose.

There has been further additional funding allocated to IJBs from the Scottish Government during 2021-22 for use in future years, there is an expectation that IJBs will carry forward these funds in reserves. This will result in a significant value of earmarked reserves as at 31 March 2022.

The projected 'free' general fund balance of £5.931m is proposed to be held as a contingency balance, this equates to around 2.2% of the IJB budget for 2022-23 and meets the lower target of 2%. The final position for reserves will be outlined in the year-end outturn report in June 2022 and in the Annual Accounts. Any movement in the year-end outturn position will be adjusted in the free general fund balance.

3.6 **TRANSFORMATION PROGRAMME**

The Partnership Transformation Board has a key role to:

- 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.

The Transformation Board meets regularly to oversee the change programme and the group is solutions focussed with a view to identifying and implementing actions to get any off-track plans back on target. The planned 2022-23 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.

4. **Anticipated Outcomes**

There are a number of outcomes anticipated in relation to the 2022-23 Budget:

- The proposed plans will deliver a balanced budget for 2022-23.

	<ul style="list-style-type: none"> Financial resources will be effectively targeted to improve the health and care outcomes for the people of North Ayrshire. The level of free general fund reserves and earmarked resources for service investment provides confidence re the financial sustainability of the IJB Investment in social care capacity will improve system flow and improve outcomes for people accessing services in our communities Transformational Change for financial and service sustainability will feature at the forefront of the IJB and NAHSCP agenda throughout 2022-23 and beyond. The pan-Ayrshire work will provide further clarity on the use of resources and how we work together this move towards Fair Shares, this will facilitate improved reporting during 2022-23.
5.	<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. 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. Ongoing close monitoring and reporting of Covid-19 related costs and the remobilisation plans.
6	IMPLICATIONS
Financial:	<p>It is essential that the IJB and NAHSCP operate within the 2022-23 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 £0.683m of savings during 2022-23 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 2022-23 IJB Budget Appendix B shows the proposed service pressures Appendix C shows the proposed savings Appendix D shows the NHS baseline uplift for 2022-23 on a managed basis Appendix E shows the Scottish Government Finance Settlement letters</p>

Human Resources:	There will be full consultation with the Trade Unions as appropriate.
Legal:	The IJB has an implicit obligation to funding partners to set a balanced budget prior to the start of the new financial year. The financial position and funding as detailed out would result in both partners complying with the Scottish Government directives re delegated funding for Integration Authorities.
Equality:	Equality Impact Assessments (EIAs) are undertaken for all savings proposals. None of the proposals require a full impact assessment at present.
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 2022-23 budget proposals support delivery of the HSCP Strategic Plan 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/or NHS AA. This would impact on the overall financial sustainability and credibility of the partnership.
Community Benefits:	Effective delivery of services as per the 2022-23 budget and associated plans should allow key strategic priorities to be met which should maximise benefits for the North Ayrshire community as a whole, but also benefit those areas of the community most in need.

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

7.	CONSULTATION
7.1	The budget plans detailed in this report have been produced in consultation with relevant budget holders, the NAHSCP Senior Management Team and IJB members. The funding assumptions align with information shared and agreed with the Directors of Finance for NAC and NHS AA.
8.	CONCLUSION
8.1	The plans outlined in the report support the IJB to approve a balanced budget for 2022-23. The IJB are recommended to approve the budget for 2022-23 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.

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

2022-23 Total Budget

	NAC £m	NHS AA £m	Total £m
Baseline Budget	99.880	159.905	259.785
Baseline Funding Increase	-	2.626	2.626
SG Funding Adjustment*	16.137	1.457	17.594
2022-23 Budget excluding set aside	116.017	163.988	280.005
Draft set aside budget	-	34.850	34.850
2022-23 Budget including set aside	116.017	198.838	314.855

Scottish Government Policies											
Policy Area	Funding Increase				Committed				Uncommitted Increase		
	Social Care	Health	TOTAL		Social Care	Health	TOTAL		Social Care	Health	TOTAL
Multi Disciplinary Teams	-	1,109	1,109		-	1,109	1,109		-	-	-
Health Care Support Workers	-	348	348		-	348	348		-	-	-
Carers Act	574	-	574		574	-	574		-	-	-
Living Wage	4,819	-	4,819		3,019	-	3,019		- 1,800	-	- 1,800
Free Personal and Nursing Care	345	-	345		345	-	345		-	-	-
National Trauma Training programme	50	-	50		50	-	50		-	-	-
Scottish Disability Assistance	83	-	83		83	-	83		-	-	-
Care at Home	3,418	-	3,418		3,418	-	3,418		-	-	-
Interim Care	551	-	551		551	-	551		-	-	-
Mental Health R&R	91	-	91		91	-	91		-	-	-
Social Care investment (including uplift to £10.50)	5,600	-	5,600		2,158	-	2,158		- 3,442	-	- 3,442
Adult SW capacity	606	-	606		606	-	606		-	-	-
TOTAL	16,137	1,457	17,594		10,895	1,457	12,352		- 5,242	-	- 5,242

North Ayrshire Health and Social Care Partnership

2022-23 Budget Pressures

	Social Care £m	Health £m	TOTAL £m	
Pay Award	2.156	3.020	5.176	Provision in line with Public Sector Pay Policy for NHS and 3% provision for NAC/Social Care
Demographic Pressures:				
: Physical Disabilities	0.145	-	0.145	Historic increase in PD care packages.
: Mental Health	-	-	-	
: Children	0.145	-	0.145	Historic increase in fostering and kinship
: Learning Disabilities (Older Clients & Carers)	0.264	-	0.264	Historic trend of 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.
: Mental Health	0.079	-	0.079	Historic increase in mental health care packages
Transitions of Care:				
: Learning Disability	0.546	-	0.546	Known individuals planned to transition from children's to adult services.
: Mental Health	0.254	-	0.254	Known individuals planned to transition from children's services or a hospital setting to adult services.
Contract Inflation:				
: National Care Home Contract	0.901	-	0.901	Inflation increase for payments to care homes - assumption pending outcome of negotiations.
: Outwith the Living Wage and NCHC	0.350	-	0.350	Inflation increase for all contracts outwith care homes and those covered by the Living Wage hourly rate.
: Service Level Agreements		0.030	0.030	Inflation increase for NHS SLAs
Pan Ayrshire Pressures				
: Foxgrove revenue costs - part year		0.050	0.050	Contribution towards the Foxgrove development (North lead)
: Community Equip Store drivers		0.006	0.006	Contribution towards the increased cost of drivers (South lead).
: Huntingtons Contract		0.014	0.014	Contribution towards the revised contract (North lead).
: Trakcare post		0.017	0.017	Contribution to a new post for the implementation of Trakcare (North lead)
: Marie Curie		0.004	0.004	Contribution towards the revised contract (East lead).
: Daldorch Income		0.056	0.056	Contribution to eliminating the income target as the revised service is no longer chargeable.
Other Areas				
: Children's respite contract	0.155		0.155	Shortfall relating to the contract
: Supported Accommodation Contracts	0.468		0.468	Additional cost of the new supported accommodation developments,
: Resource Transfer Inflation	(0.421)	0.421	-	Inflationary increase to historic resources passed from health to community services when hospital beds are decommissioned and to Integration funding - based on 2% NRAC uplift.
: 21-22 Budget Gap - previously a draw on reserves	0.181		0.181	Resolving the 21-22 budget gap on a recurring basis
TOTAL GROSS PRESSURES 2022-23	5.223	3.618	8.841	
: Unscheduled Care Funding from 21-22	(0.277)		(0.277)	Balance if unused funding
: Increased Recharge Income		(0.013)	(0.013)	Inflationary increase to East for Ward 2 costs.
TOTAL NET PRESSURES 2022-23	4.946	3.605	8.551	

**North Ayrshire Health and Social Care Partnership
2022-23 Savings**

Savings ref number	Description	Deliverability Status at budget setting	Previously Agreed or New	Approved Saving 2022/23 £m
Children, Families & Criminal Justice				
1	Adoption Allowances	Amber	Previously Agreed	0.060
TOTAL SOCIAL CARE SAVINGS				0.060

Health:

Savings ref number	Description	Deliverability Status at budget setting	Previously Agreed or New	Approved Saving 2021/22 £m
2	Payroll Turnover Inflation	Green	New	0.302
3	Elderly Mental Health inpatients (lead partnership)	Green	New	0.321
TOTAL HEALTH SAVINGS				0.623
TOTAL NORTH HSCP SAVINGS				0.683

NHS Ayrshire and Arran 2.56% Baseline Uplift 2022-23

	East £'m	North £'m	South £'m	TOTAL
Baseline Budget on a managed basis	71.475	102.592	51.492	225.558
Funding Increase	1.830	2.626	1.318	5.774

	East	North	South	Total
Base budgets by IJB	200,566,160	165,396,382	98,909,225	464,871,767
Less COVID-19	- 3,847,839	- 1,363,307	- 820,875	- 6,032,021
Less Prescribing Sch 5 (Lead)	- 25,856,625	- 30,592,762	- 24,362,017	- 80,811,404
Less Prescribing Sch 5	- 2,268,852			- 2,268,852
Less East Central FHS	- 58,999,999			- 58,999,999
Primary Medical Services	- 23,488,890	- 24,136,967	- 19,422,825	- 67,048,682
Primary Care Improvement Fund - Tranche 1	- 9,877,301			- 9,877,301
Less Action 15		- 1,180,093		- 1,180,093
Tranche 1 Family Nurse Partnership			- 1,284,394	- 1,284,394
District Nurse Posts	- 117,809	- 132,167	- 110,395	- 360,371
Maternity and Neonatal Psychological Interventions		- 122,871		- 122,871
Perinatal and Infant Mental Health Services		- 302,991		- 302,991
Funding uplift for Alcohol and Drug Partnerships	- 326,117	- 364,842	- 304,743	- 995,703
Primary Care Out of Hours Transformation	- 368,779			- 368,779
Ventilation Improvement Allowance	- 368,779			- 368,779
Veterans First Point		- 104,962		- 104,962
School Nurse commitment Tranche 1	- 135,341	- 151,835	- 126,824	- 414,000
Emergency Covid Funding for Eating Disorders		- 328,213		- 328,213
Workforce Wellbeing - Primary Care and Social Care	- 48,314	- 54,051	- 45,147	- 147,512
CAMHS improvement - Intensive Psychiatric Care Units		- 121,697		- 121,697
CAMHS improvement - Intensive Home Treatment Team		- 147,512		- 147,512
CAMHS improvement - LD, Forensic and Secure		- 51,629		- 51,629
CAMHS improvement - Out of Hours unscheduled care		- 86,294		- 86,294
CAMHS improvement - CAMHS Liaison Teams		- 129,073		- 129,073
CAMHS improvement - Neurodevelopmental		- 225,693		- 225,693
Long-acting Buprenorphine (Buvidal)		- 295,023		- 295,023
Workforce Wellbeing - Primary Care and Social Care	- 51,677	- 53,103	- 42,732	- 147,512
GDS element of the Public Dental Service	- 1,950,000			- 1,950,000
Winter Planning Funding 2021/22	- 116,871	- 131,114	- 109,516	- 357,500
Remobilisation of NHS Dental Services	- 346,652			- 346,652
Primary Medical Services - Telephony Systems	- 39,579			- 39,579
ADP Frontline Services	- 157,019	- 175,664	- 146,728	- 479,412
ADP Programme for Government 2021-2022	- 410,864	- 459,652	- 383,936	- 1,254,453
Psychological Therapies		- 285,598.00		- 285,598
Mental Health Outcomes Framework		- 1,492,428.00		- 1,492,428
Dementia Post Diagnostic Support Service		- 258,145		- 258,145
District Nursing Training	- 50,489	- 56,643	- 47,312	- 154,444
Tranche 2 - Family Nurse Partnership			- 210,000	- 210,000
GP Premises Improvement	- 258,145			- 258,145
Community Link Workers £500 payments	- 5,690			- 5,690
Revised IJB Baseline	71,474,527	102,592,052	51,491,781	225,558,359
2.56% Uplift	1,829,748	2,626,357	1,318,190	5,774,294

SCOTTISH GOVERNMENT FUNDING LETTERS

Directorate for Health Finance and Governance

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Scottish Government
Riaghaltas na h-Alba
gov.scot

Chief Executives, NHS Scotland

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

Issued via email

9 December 2021

Dear Chief Executives

Scottish Government Budget 2022-23

Following the announcement of the Scottish Government's Budget for 2022-23 by the Cabinet Secretary for Finance and the 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 Cabinet Secretary has set out that this is a transitional budget, paving the way for a full resource spending review in May 2022, and taking the next steps to deliver the Health and Social Care commitments outlined in the Programme for Government. As in previous years, the position set out in this letter will be subject to any amendments agreed through the Scottish Parliament's Budget Bill process, as well as recognising the further work that we will undertake with you specifically in relation to Covid-19 funding arrangements. I will keep you up to date with any changes to our planning assumptions.

Baseline Funding

All Boards will receive a baseline uplift of 2% along with further support for increased employer national insurance costs arising from the UK Health and Social Care Levy. In addition, those Boards furthest from NRAC parity will receive a share of £28.6 million, which will continue to maintain all Boards within 0.8% of parity.

In terms of pay, initial funding has been allocated in line with the Scottish Public Sector Pay Policy for planning purposes. This will be used as an anchor point in the forthcoming Agenda for Change pay settlement and funding arrangements for Boards will be revisited by the Scottish Government in line with the outcome of the pay negotiations.

Boards should make appropriate provision for medical, dental and other staff groups, and expect to accommodate these costs within the baseline uplift.

Covid-19 Funding

We recognise the scale of anticipated Covid commitments and expenditure for 2022-23 and are keeping this under close review. To this end, we are currently seeking clarity on the level of Covid-19 funding that will be provided by HM Treasury in 2022-23. In addition however to the baseline uplift we will provide:

- an initial £30 million in 2022-23 on a recurring basis to support the permanent recruitment of Vaccination staff. Further funding will be provided following review of staffing models across NHS Boards.

- funding of £33 million for the first six months of 2022-23 for the National Contact Centre staffing and Test and Protect contact tracing staffing, £17.5 million for mobile testing units, and a further £4.1 million for the regional labs staffing in 2022-23.

We will set out more detail on overall financial support as we receive further clarity from HM Treasury and as planning arrangements are developed. We will continue to work closely with NHS Directors of Finance and Chief Financial Officers, to ensure that all appropriate steps are being taken to deliver value and efficiency across totality of spending.

Investment in Improving Patient Outcomes

In addition to the funding above, a total of £845.9 million will be invested in improving patient outcomes in 2022-23, as set out below:

Improving Patient Outcomes	2021-22 Investment in reform (£m) Restated	2022-23 Investment in reform (£m)	Increase for 2022-23 (£m)
Primary Care	250.0	262.5	12.5
Waiting times	196.0	232.1	36.1
Mental Health and CAMHS	231.1	246.0	14.9
Trauma Networks	37.8	44.3	6.5
Drugs Deaths	61.0	61.0	0.0
TOTAL	775.9	845.9	70.0

When combining the £70 million increase in investment set out above with the increase of £317.4 million in baseline funding for frontline NHS Boards, the total additional funding for frontline NHS Boards will amount to £387.4 million (3.2 per cent) in 2022-23 - see **Annex A**.

Core Areas of Investment

Further detail on funding allocations and arrangements will be set out by individual policy areas, however please note the overall funding committed:

Primary Care

Investment in the Primary Care Fund will increase to £262.5 million in 2022-23 as a first step to increasing primary care funding by 25% over the life of this Parliament. Funding will continue to support the delivery of the new GP contract as well as wider Primary Care reform and new models of care including multi-disciplinary teams and increased use of data and digital.

Waiting Times Recovery

Investment of £232.2 million is being provided to support waiting times improvement, recovery and reform. This includes £60 million for NHS Recovery and an additional support for National Treatment Centres. As in previous years this includes £10 million for winter, to allow Boards maximum opportunity to plan as appropriate.

Mental Health and CAMHS

Funding of £246 million for Improving Patient Outcomes will be directed to a range of partners for investment to support mental health and children and young people's mental health. It will help fund a range of activities which support prevention and early intervention through offering a sustained increase in investment in mental health services. It will support our commitment to increase direct mental health funding by at least 25% over this parliamentary term. It will incorporate recurring funding of £120 million, which was provided in 2021-22 to support the delivery of the Mental Health Transition and Recovery Plan, published in October 2020, including significant funding to improve Child and Adolescent Mental Health Services and to reduce waiting times.

As part of the 2022-23 budget we are investing to deliver commitments across perinatal and infant mental health, school nursing service, increased funding for suicide prevention, enhanced services for children and young people, and action on dementia, learning disabilities and autism.

Health Boards and their partners are expected to prioritise mental health and to deliver the Programme for Government commitment that at least 10% of frontline health spending will be dedicated to mental health and at least 1% will be directed specifically to services for children and young people by the end of this parliamentary session.

Trauma Networks

This funding will increase from £37.8 million to £44.3 million, taking forward the implementation of the major trauma networks.

Alcohol and drugs

The total 2022-23 Portfolio budget of £85.4 million includes £50 million to be targeted towards reducing drugs deaths. This is part of the delivery of the National Drugs Mission, with a commitment to provide a total of £250 million of additional funding by 2025-26. Funding will support further investment in a range of community-based interventions, with a focus on supporting individuals and their families within their community, as well as an expansion of residential rehabilitation and improving delivery of frontline care as part of the overarching aim of reducing harms and avoidable deaths caused by substance misuse.

Health and Social Care Integration

In 2022-23, NHS payments to Integration Authorities for delegated health functions must deliver an uplift of 2% over 2021-22 agreed recurring budgets, and make appropriate provision for increased employer national insurance costs.

The Health and Social Care Portfolio will transfer additional funding of £554 million to Local Government to support social care and integration, which recognises the recurring commitments on adult social care pay and on winter planning arrangements. In doing so, we recognise the potential range of costs associated with elements of the winter planning commitments, and that some flexibility in allocation of funding may be required at a local level.

The overall transfer to Local Government includes additional funding of £235.4 million to support retention and begin to embed improved pay and conditions for care workers, with the Scottish Government considering that this funding requires local government to deliver a £10.50 minimum pay settlement for adult social care workers in commissioned services, in line with the equivalent commitment being made in the public sector pay policy. The additional funding will also support uprating of FPNC and the Carers Act.

The funding allocated to Integration Authorities should be additional and not substitutional to each Council's 2021-22 recurring budgets for social care services and therefore, Local Authority social care budgets for allocation to Integration Authorities must be at least £554 million greater than 2021-22 recurring budgets.

Capital Funding

Territorial Boards should assume a five per cent increase in their initial capital formula allocation. National Boards formula capital will be unchanged.

2022-23 Financial Planning

As previously confirmed, we will return to three year financial planning in 2022-23. It is expected that Boards will submit these plans in line with the timescales for three year operational plans, however we will provide further updates on this in advance of the new financial year.

It is recognised that some specific cost pressures have been highlighted by NHS Boards, such as those relating to CNORIS, Office 365 and PACS reprovisioning. We will undertake further work with Directors of Finance to determine the extent of these pressures and planning assumptions that should be made.

Yours sincerely



RICHARD MCCALLUM

Director of Health Finance and Governance

Annex A – Board Funding Uplifts

NHS Territorial Boards	2021-22 Allocation	Recurring Allocations**	Total 2021- 22 Allocation	Uplift***	Uplift	2022-23 Total Allocation	NRAC Funding	Distance from NRAC Parity
	£m	£m	£m	£m	%	£m	£m	%
Ayrshire and Arran	774.5	12.0	786.4	20.3	2.6%	806.8	0.2	-0.8%
Borders	222.7	3.7	226.3	8.5	3.7%	234.8	2.7	-0.8%
Dumfries and Galloway	320.6	5.2	325.8	8.3	2.6%	334.1	0.0	1.3%
Fife	712.6	11.2	723.8	25.5	3.5%	749.4	7.0	-0.8%
Forth Valley	569.4	9.2	578.7	19.4	3.4%	598.1	4.6	-0.8%
Grampian	1,027.9	17.6	1,045.5	26.7	2.6%	1,072.2	0.0	-0.5%
Greater Glasgow and Clyde	2,398.1	43.4	2,441.5	62.4	2.6%	2,504.0	0.0	1.9%
Highland	691.9	12.6	704.5	21.2	3.0%	725.6	3.1	-0.8%
Lanarkshire	1,286.1	20.2	1,306.3	40.6	3.1%	1,346.8	7.2	-0.8%
Lothian	1,569.5	26.0	1,595.5	43.8	2.7%	1,639.3	3.0	-0.8%
Orkney	54.8	0.9	55.7	1.4	2.6%	57.1	0.0	0.6%
Shetland	54.6	0.9	55.6	1.4	2.6%	57.0	0.0	2.4%
Tayside	819.9	14.4	834.4	22.2	2.7%	856.5	0.8	-0.8%
Western Isles	81.1	1.2	82.4	2.1	2.6%	84.5	0.0	12.1%
Territorials Total	10,583.7	178.5	10,762.2	303.9	2.8%	11,066.1	28.6	
NHS National Boards								
National Waiting Times Centre	60.9	4.9	65.9	2.2	3.4%	68.1		
Scottish Ambulance Service	283.7	14.2	297.9	8.0	2.7%	305.9		
The State Hospital	38.1	0.8	39.0	1.0	2.7%	40.0		
NHS 24	73.8	2.4	76.2	2.2	2.9%	78.4		
NHS Education for Scotland	471.7	8.3	479.9	12.4	2.6%	492.3		
NHS National Services Scotland	341.4	5.4	346.8	8.5	2.4%	355.3		
Healthcare Improvement Scotland	27.5	2.2	29.7	0.7	2.5%	30.4		
Public Health Scotland	48.6	1.7	50.4	1.7	3.4%	52.1		
Nationals Total	1,345.8	39.9	1,385.8	36.8	2.7%	1,422.6		
Total NHS Boards	11,929.5	218.4	12,148.0	340.7	2.8%	12,488.7		
Improving Patient Outcomes****	775.9		775.9	70.0		845.9		
Total Frontline NHS Boards*	11,816.2	200.9	12,017.1	387.4	3.2%	12,404.4		

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

** Includes recurring allocations from 2020-21 and funding for Agenda for Change and Medical & Dental pay uplift in 2021-22.

*** Includes funding for increased employer NI contributions and NRAC parity adjustments.

**** Restated for Mental Health and NHS Recovery Funding



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HSCP Chief Finance Officers
NHS Board Directors of Finance
Cc:
HSCP Chief Officers
Local Government Directors of Finance
NHS Chief Executives

via email

25th February 2022

Colleagues

Further Covid funding 2021-22

Following the recent submission of your Quarter 3 financial returns, I am writing to confirm further funding of £981 million for NHS Boards and Integration Authorities to meet Covid-19 costs and to support the continuing impact of the pandemic. This funding is being provided on a non-repayable basis and includes provision for under-delivery of savings. While I anticipate that funding will be allocated in line with **Annexes A and B**, it will be a matter for NHS Boards and Integration Authorities to agree any revisions where appropriate to take account of local circumstances.

Within the overall funding outlined above, £619 million is being provided for Integration Authorities, which includes funding for a range of Covid-19 measures. The significant disruption to services has created a backlog of demand as well as increasing unmet need and frailty of service users. Investment is needed across day care services, care at home and to support unscheduled care, to keep people within the community, where possible and safe to do so, to avoid unplanned admissions and impacts on delayed discharges. Alongside this is the impact on mental health and services have been stepped up through, for example, Mental Health Assessment Units. This funding will also cover sustainability payments to social care providers and additional staff costs across Health & Social Care.

Where funding remains at year end 2021-22, this must be carried in an earmarked reserve for Covid-19 purposes in line with usual accounting arrangements for Integration Authorities, and I expect that this funding to be used before further allocations are made through the Local Mobilisation Planning process. This can be used to support continuation of costs which were funded in 2021-22 as a direct result of Covid-19. Use of these allocations to meet Covid-19 expenditure should be agreed by the IJB Chief Finance Officer and the NHS Board Director of Finance. The funding should be targeted at meeting all additional costs of responding to the Covid pandemic in the Integration Authority as well as the NHS Board.

/cont'd



Any proposed utilisation of the earmarked reserves to meet new expenditure that had not been funded in 2021-22 will require agreement from the Scottish Government, and it will remain important that reserves are not used to fund recurring expenditure, given the non-recurring nature of Covid funding.

Thank you for your support and engagement during 2021-22 and I look forward to continued close work with you as we take forward plans for 2022-23 and beyond.

Yours sincerely



Richard McCallum
Director of Health Finance and Governance

Annex A Funding by Board Area

Further Covid-19 Funding (£000s)	Health Board	HSCP	Total
NHS Ayrshire & Arran	14,420	42,765	57,185
NHS Borders	7,471	17,575	25,046
NHS Dumfries & Galloway	13,997	16,146	30,143
NHS Fife	20,947	43,961	64,908
NHS Forth Valley	7,531	32,355	39,886
NHS Grampian	7,533	55,697	63,230
NHS Greater Glasgow & Clyde	88,484	132,917	221,401
NHS Highland	10,947	37,604	48,551
NHS Lanarkshire	15,121	68,810	83,931
NHS Lothian	31,641	114,566	146,207
NHS Orkney	2,575	3,746	6,321
NHS Shetland	999	3,620	4,619
NHS Tayside	2,441	45,355	47,796
NHS Western Isles	1,608	3,887	5,495
NHS National Services Scotland	118,110	-	118,110
Scottish Ambulance Service	11,326	-	11,326
NHS Education for Scotland	- 1,909	-	- 1,909
NHS 24	-	-	-
NHS National Waiting Times Centre	5,436	-	5,436
The State Hospital	-	-	-
Public Health Scotland	3,071	-	3,071
Healthcare Improvement Scotland	- 176	-	- 176
Total	361,573	619,004	980,577

Please note these figures represent the total funding across several allocations (PPE, Test & Protect, Vaccinations and General Covid Funding). A detailed analysis will be provided to each NHS Territorial Board setting out the split across Board and Integration Authorities.

Annex B Total Funding by Integration Authority

Integration Authority	Further Covid-19 Funding £000s
East Ayrshire	14,143
North Ayrshire	15,891
South Ayrshire	12,731
Scottish Borders	17,575
Dumfries and Galloway	16,146
Fife	43,961
Clackmannanshire & Stirling	16,819
Falkirk	15,536
Aberdeen City	24,317
Aberdeenshire	19,675
Moray	11,705
East Dunbartonshire	9,930
East Renfrewshire	14,781
Glasgow City	73,130
Inverclyde	10,370
Renfrewshire	16,964
West Dunbartonshire	7,741
Argyll & Bute	11,881
North Highland	25,724
North Lanarkshire	32,102
South Lanarkshire	36,708
East Lothian	13,537
Edinburgh City	70,314
Midlothian	9,506
West Lothian	21,209
Orkney	3,746
Shetland	3,620
Angus	11,843
Dundee	16,784
Perth & Kinross	16,728
Western Isles	3,887
Total	619,004

Please note these figures represent the total funding across several allocations (PPE, Test & Protect, Vaccinations and General Covid Funding). A detailed analysis will be provided to each NHS Territorial Board setting out the split across Board and Integration Authorities.