

To: Renfrewshire Integration Joint Board

On: 22 March 2024

Report by: Chief Finance Officer

Heading: 2024-25 Delegated Health and Social Care Budget

Direction Required to Health Board, Council or Both	Direction to:	
	1. No Direction Required	
	2. NHS Greater Glasgow & Clyde	
	3. Renfrewshire Council	
	4. NHS Greater Glasgow & Clyde and Renfrewshire Council	X

1. Purpose

- 1.1 This report describes the financial allocation and budgets made available to the Integration Joint Board (IJB) for 2024-25 by Renfrewshire Council and NHS Greater Glasgow and Clyde (NHSGGC) and outlines the main financial pressures on health and adult social care services.

2. Recommendation

It is recommended that the IJB:

- Note the delegated Adult Social Care Budget for 2024-25 (Appendix 3)
- Note the delegated Health Budget for 2024-25 (Appendix 4) which is subject to:
 - any final adjustments in relation to recurring budget adjustments at month 12;
 - any further funding allocated by the Scottish Government in respect of the impact of the 2024-25 pay award, and
- Agree the balanced budget outlined in section 9 including the drawdown of required reserves in order to deliver a balanced budget for 2024-25.

3. Introduction

- 3.1. Renfrewshire IJB is a legal entity in its own right created by Parliamentary Order, following ministerial approval of the Integration Scheme between Renfrewshire Council and NHSGGC. It is accountable for the stewardship of public funds and ensuring that its business is conducted under public sector best practice governance arrangements, including ensuring that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively. The budget delegated by the two partner bodies is used by the IJB to commission services which are delivered by Renfrewshire Health and Social Care Partnership (HSCP). The principles of the funding allocated by the two partner organisations is set out in the Integration Scheme, however, utilisation of this funding is delegated to the IJB.
- 3.2. Under the terms of the Integration Scheme, partner organisations should make appropriate arrangements to fund pay awards, contractual uplifts, the impact of demographic changes and determine efficiency targets as part of their respective budget setting processes.

- 3.3. The role of the Section 95 Officer (Chief Finance Officer) for the IJB includes both the adherence to professional standards as well as compliance with “The Local Government (Scotland) Act 1973 section 95, which clearly states that:

“...every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that the proper officer of the authority has responsibility for the administration of those affairs.”

for the IJB this includes the requirement to ensure a balanced budget is set.

3.4. **Chief Finance Officer’s Responsibility to Set a Balanced Budget**

- 3.4.1. The CIPFA document ‘The Role of the Chief Finance Officer in Local Government’ sets out how the requirement of the above legislation (section 3.3) and professional standards should be fulfilled by the Chief Finance Officer (CFO) in carrying out their role as well as the role of the organisation in meeting these requirements.

- 3.4.2. It confirms that the following key responsibilities should form part of the CFO’s role:

- Lead development of a medium-term financial strategy and the annual budgeting process to ensure financial balance and a monitoring process to ensure its delivery.
- As holders of the ‘red card,’ the CFO must exercise a professional responsibility to intervene in spending plans in order to maintain the balance of resources so that the authority remains in sound financial health.
- Ensuring that opportunities and risks are fully considered, and decisions are aligned with the overall financial strategy.
- Providing professional advice and objective financial analysis enabling decision makers to take timely and informed business decisions.

3.5. **IJB’s Responsibility to Set a Balanced Budget**

- 3.5.1. In addition, the CIPFA document ‘The Role of the Chief Finance Officer in Local Government’ also confirms that the organisations Board in this case, the IJB, has the following key responsibilities:

- Establish a medium-term business and financial planning process to deliver the organisation’s strategic objectives, including:
 - a medium-term financial strategy to ensure sustainable finances.
 - a robust annual budget process that ensures financial balance.
- The IJB is collectively responsible for setting the strategic direction for the organisation, its implementation, and the delivery of public services.
- The IJB have collective responsibility in relation to the organisation’s financial health and long-term viability.
- The IJB collectively needs to set the tone that financial management is core to achieving strategic aims, and to demonstrate that public money is used well.

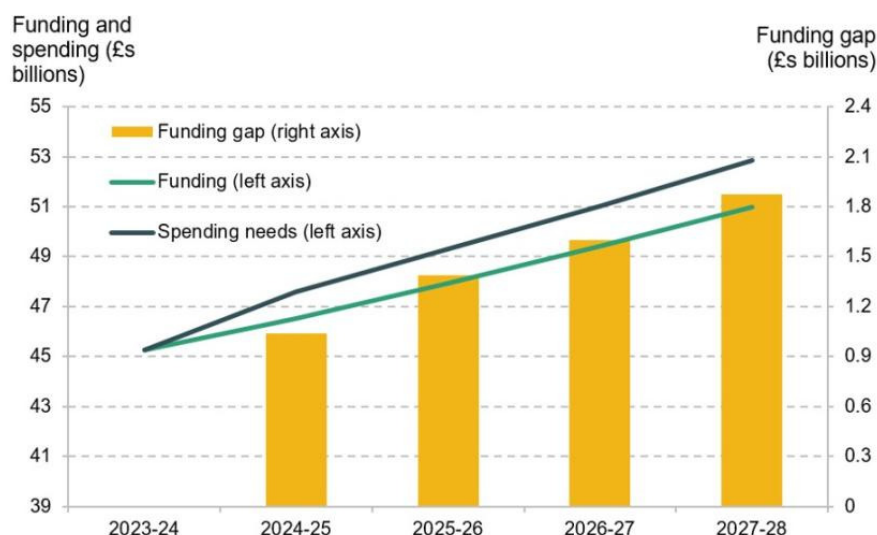
4. **2024-25 Context**

- 4.1. This report sets out the implications of the Scottish Government budget for 2024-25, the Bill for which was passed on 27 February 2024, and provides members with an overview of the IJB’s budget allocation for 2024-25.

- 4.2. On proposing the draft budget in December 2023 - the first since the signing of the [Verity House Agreement](#) in June 2023 - Deputy Finance Minister and Finance Secretary Shona Robison described the 2024-25 budget as “*the toughest since the creation of the Scottish Parliament in 1999*”. This narrative was further supported in Fraser of Allander’s

Scotland's Budget Report 2023, which described this period as *"one of the most challenging fiscal backdrops in the history of Scottish devolution."*

- 4.3. As previously highlighted to the IJB, and reinforcing the impact on public finance, there continues to be a number of factors impacting on the public sector across the UK which are having a direct impact on the financial position. This includes: the ongoing volatility of inflation and interest rates, rising energy costs, supply chain issues, the cost-of-living crisis, and recruitment challenges.
- 4.4. Budgetary pressures are further compounded by higher than budgeted for pay awards, increased demand for care at home services, increased patient acuity of need resulting in more intensive support packages, and prescribing overspends due to volume and drug price increases, all of which is contributing to a level of financial challenge never before experienced by the IJB.
- 4.5. The scale of the financial challenge has implications for the future financial viability of the IJB moving forward. It will have a significant impact on the services that can be provided and is one of the main drivers for the IJBs Sustainable Futures programme, requiring the IJB to prioritise decisions for investment and disinvestment in order to ensure the ongoing sustainability of the vital services the HSCP provides. Such decisions may limit the IJBs ability to deliver on core services and policy commitments.
- 4.6. The Medium-Term Financial Plan (MTFP) 2022-25, approved by the IJB in March 2022, projected a range of scenarios over a ten-year period from 2022-23 to 2031-32. The reliability of projections decreases over time, and projections tend to be less reliable in periods of rapid change. As we enter 2024-25, the IJB's estimated impact of cost and demand pressures, prior to mitigation is circa £23.845m exceeding the worst-case scenario projected in the MTFP.
- 4.7. In this context, similar to 2023-24 the IJB will therefore need to draw on the financial flexibilities it has available, to provide non-recurring support to deliver a balanced budget for 2024-25. Going forward, the IJB's ability to do so will be limited given the level of reserves that will be required to be drawn down in 2024-25 to ensure a balanced budget.
- 4.8. Members are asked to take these continuing exceptional circumstances into account when setting the 2024-25 budget.
- 4.9. **Medium Term Financial Strategy**
 - 4.9.1. On 25 May 2023, Deputy First Minister and Cabinet Secretary for Finance Shona Robison presented the Scottish Government's Medium Term Financial Strategy (MTFS) to parliament. This is the sixth edition of the MTFS published by the Scottish Government, and the first under the new leadership of First Minister Humza Yousaf.
 - 4.9.2. The MTFS outlined the Scottish Government's financial plans and priorities over the next five years with the aim of providing a framework for fiscal decisions, resource allocation and economic management in Scotland. The MTFS triggers the budget process and establishes the context for the setting of the budget to come. Additionally, this year's MTFS included an update to the Resource Spending Review (RSR), published in May 2022, in light of the continued tightening of the fiscal landscape since the RSR was published.
 - 4.9.3. Central to the MTFS was the projected funding gap, with spending needs predicted to exceed available funding by £1 billion in 2024-25, rising to £1.9 billion a year by 2027-28. Whilst this was an improved outlook compared with the £3.5 billion per year funding gap projected in December 2021 - reflecting an anticipated faster growth in Scottish income tax revenues – it remains a significant gap to address.



Source: Scottish Government Medium-Term Financial Strategy

- 4.9.4. The projections for day-to-day resource spending assumed that spending on health and social care services would need to increase by 4% a year in cash-terms (2.6% a year in real-terms) in order to meet rising demand and costs. However, in their analysis of the MTFs the Institute for Fiscal Studies suggested this projection may be too conservative; if spending needs were to increase at the current rate of 2.9% (rather than the projected 2.6%) over the next four years, the funding gap would grow to £2.1 billion by 2027-28.
- 4.9.5. In order to address the financial challenge, the MTFs outlined an approach based on three pillars:
- Pillar 1 - Focussing spending decisions on the Government's three missions (Equality, Opportunity, Community)
 - Pillar 2 - Supporting sustainable, inclusive economic growth and the generation of tax revenues.
 - Pillar 3 - Maintaining and developing a strategic approach to tax.
- 4.9.6. Of these, pillar 1 has the most relevance to health and social care. This pillar confirms that the Scottish Government will prioritise the programmes which have “the greatest impact on delivery of the three missions” of Equality, Opportunity, and Community. The MTFs and associated RSR update also confirms that some of the commitments from the May 2022 RSR have been reset, and others deprioritised. Included within this is the removal of the ‘universal target’ for public bodies of recurring annual efficiencies of at least 3%, replaced instead with a determination by public bodies themselves of the ‘opportunities and action’ required to achieve financial sustainability, within the parameters of their own budgets. It follows then that, depending on future budget settlements, this could potentially mean efficiencies in excess of 3% are expected.
- 4.9.7. Ten months on from the publication of the MTFs, the economic situation has seen marginal improvement. Scotland narrowly avoided falling into a recession – though notably the UK as a whole did not – inflation fell, Income Tax net revenues are projected to rise, and additional Barnett consequentials were received, all contributing to a more positive outturn than previously anticipated, though this is largely offset by increased spending pressures.

4.10. **Public Sector Pay**

- 4.10.1. Similar to 2022-23, 2023-24 once again saw protracted pay negotiations, and widespread strike action across the public sector.
- 4.10.2. The Scottish Government has opted not to announce a Public Sector Pay Policy at this time, confirming that they will publish further information on pay following the UK Spring Budget. This lack of guidance therefore adds a layer of complexity to the current budget setting cycle.
- 4.10.3. In respect of the 2023-24 pay award for local government staff, Renfrewshire Council has agreed to proportionately pass through additional funding provided to them from the Scottish Government, this equates to circa £1.3m in 2023-24 and a recurring allocation circa £1.4m for 2024-25.

4.11. **Strathclyde Pension Fund Superannuation**

- 4.11.1. Whilst the current economic situation for public services in Scotland is as highlighted in para 4.2 *“one of the most challenging fiscal backdrops in the history of Scottish devolution,”* high interest rates have resulted in higher-than-expected returns on investment in local government pension funds. The triennial valuation of Strathclyde Pension Fund reported a funding level of 147%, up from 106% in 2020. The result of this is a planned reduction in employer contribution rates from the current 19.3% to 6.5% in 2024-25 and 2025-26, before rising to 17.5% in 2026-27.
- 4.11.2. This reduction in contribution rates in the next two financial years is expected to generate a non-recurring sum of circa £3.585m, all of which will be required to help close the IJB’s projected budget gap. Alongside this, the shift to 17.5% is expected to generate a recurring saving of circa £0.550m. As previously highlighted to members, these amounts have been included within the mitigation of the IJB’s pressures.

5. **Scottish Government Budget 2024-25**

- 5.1. On 19 December 2023, the Scottish Government published their draft budget for 2024-25. Included within the draft budget was a commitment to continued prioritisation of investment and reform to refocus health and social care services.
- 5.2. Following the announcement of the draft budget, the Scottish Government’s Director of Health, and Social Care Finance, Digital and Governance wrote to all NHS Chairs, NHS Directors of Finance, Integration Authority Chief Officers, and Integration Authority Chief Finance Officers, providing details of the funding settlement for Health Boards, which includes Integration Authorities (IJBs). A copy of the letter is attached in Appendix 1.
- 5.3. The letter specifically states the following:

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

The funding allocated to Integration Authorities for Free Personal and Nursing Care and adult social care pay in third and private sectors should be additional and not substitutional to each Council's 2023-24 recurring budgets for adult social care services that are delegated. This means that, when taken together, Local Authority adult social care budgets for allocation to Integration Authorities must be £241.5 million greater than 2023-24 recurring budgets to ensure funding from Health and Social Care Portfolio

contributes to meeting outcomes in this area. Where there is evidence funding is not passed across to be used for the policy intent, the Scottish Government reserves the right to look at reclaiming funding allocated.

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

- 5.4. In addition, in her letter of 19 December 2023 (Appendix 2), Deputy First Minister and Cabinet Secretary for Finance Shona Robison MSP, set out the Scottish Government expectations for IJB budgets for 2024-25.

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

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

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

- 5.5. In summary:

- In 2024-25, NHS payments to Integration Authorities will not include any uplift for non-pays which is a move away from previous years. In terms of pay, funding arrangements will be revisited by the Scottish Government following the outcome of the pay negotiations in the new financial year, pay for NHS staff remains subject to agreement for 2024-25, once the outcome is known the Scottish Government will confirm finalised baseline budgets with the assumption that additional funding will be allocated to support any agreed increases.*
- In 2024-25 Local Authority adult social care budgets for allocation to Integration Authorities must be £241.5 million greater than 2023-24 recurring budgets.*

- 5.6. The above referenced letters of the 19 December 2023 are the basis on which NHSGGC and Renfrewshire Council have made their budget offers to the IJB for 2024-25. The breakdown of the increased recurring allocation is in the following table:

Funding	Scotland (£m)	Renfrewshire (£m)	Distribution Information
Up-rating of Free Personal Care	11.5	0.23	GAE for Personal and Nursing Care
Real Living Wage Adult Social Care	230.0	7.66	GAE for Carer's Services and Respite Care
TOTAL	241.5	7.89	

5.7. In agreeing the 2024-25 budget, members will wish to consider the medium and longer-term financial context for the IJB and the ongoing financial pressures and significant challenges which are detailed in the IJB's MTFP 2022-25.

6. Delegated Adult Social Care Budget 2024-25

6.1. As previously highlighted to the IJB, demographic and socio-economic factors will continue to drive significant demand and cost pressures for 2024-25 in the delegated Adult Social Care budget relating to:

- Funding of pay awards;
- Cost pressures arising from contractual arrangements which are subject to renewal;
- Financial impact of the increased living wage across the sector;
- Increases associated with the National Care Home Contract including the rising costs of energy and insurance costs and the impact of public sector pay awards;
- Ongoing pressure on the Care at Home service in relation to costs associated with shifting the balance of care, by supporting people to live safely at home for as long as possible and facilitating prompt discharge from hospital;
- Increased patient acuity of discharges from hospitals with more complex needs and
- Increasing number and complexity of care packages required to support adult clients to live as independently as possible in the community.

6.2. Members should note that whilst the National Care Home contract has now been accepted, the impact of any Agenda for Change pay increases has not yet been built into the agreed rate. Once the 2024-25 health pay award has been agreed the nursing rate will require to be increased to reflect the percentage increase. The estimated impact of this has been included within the pressures for 2024-25.

6.3. Additionally, as part of the Annual Accounts process for 2023-24 it is likely that a contingent liability will need to be included reflecting current discussions regarding the potential increase to Care at Home staff grades. A range of factors need to be taken into consideration in determining what the final outcome will be, including what if any back pay will be due to be paid. Negotiations are currently in place between the Council and trade unions. Members should be aware that any costs relating to previous years will have an impact on the IJB's financial position and will require to be funded from the IJB's general reserves.

6.4. The CFO, using a range of informed assumptions, has estimated that the demand and cost growth for Adult Social Care in 2024-25, linked to the areas highlighted above and in section 8 of this report, and prior to mitigation, is likely to be in the region of a gross increase of circa £17.2m.

6.5. Members should be aware that the current levels of demand (and associated costs) on a number of services continues to be out with 'normal projected levels of activity' which we would use to assess the future pressure on these budgets. Consequently, our ability to accurately project future demand is complex, and therefore the figures we are currently using are heavily caveated.

6.6. At its meeting of 29 February 2024, Renfrewshire Council, following the Director of Finance and Resources recommendations, approved the delegated Adult Social Care budget for 2024-25.

- 6.7. The Director of Finance and Resources for Renfrewshire Council has since written to the Chief Finance Officer to confirm the Delegated Adult Social Care Budget for 2024-25 (Appendix 3) which is summarised in the following table:

Delegated Adult Social Care Budget 2024/25	Amount in £000's
2023/24 Adult Social Care Recurring Budget	97.501
Adjustments to Current Year:	
Real Living Wage Adult Social Care 23/24 redistributed GAE baseline	(0.328)
Uprating of Free Personal Care	0.234
Real Living Wage Adult Social Care 24/25	7.657
Full year impact of 2023/24 pay settlement	1.426
Total Adult Social Care Recurring Budget 2024/25	106.490

6.8. **The CFO'S recommendation to the IJB is to:**

- Note the delegated Adult Social Health Budget offer from Renfrewshire Council for 2024-25 (Appendix 3). This budget offer is in line with the conditions of the letter of 19 December 2023 from Shona Robison MSP, Deputy First Minister, and Cabinet Secretary for Finance.

7. Delegated Health Budget 2024-25

- 7.1. In addition to the ongoing impact of COVID-19 across all service areas, similar to Adult Social Care, demographic and socio-economic factors continue to drive significant demand and cost pressures for delegated Health services in 2024-25 including:

- Pay Inflation and impact of Agenda for Change;
- Inflationary linked increases on non-pay eligible budgets;
- Prescribing cost / volume / short supply impact;
- Funding shortfall in PCIP; and
- The potential requirement to fund increasing cost pressures in GP premises, GP IT, and other GP service payments, due to locally managed General Medical Service (GMS) components not being uplifted for inflationary pressures, the potential impact of which (on the IJB) is not yet clear.

- 7.2. Using a range of informed assumptions, the CFO has estimated that the demand and cost growth for Delegated Health Services (not including Set Aside) in 2024-25, linked to the areas highlighted above, and in section 8 of this report, prior to mitigation, is likely to be in the region of a gross increase of circa £6.7 million.

- 7.3. As detailed earlier in this report, on 19 December 2023, the Director of Health, and Social Care Finance, Digital and Governance set out the base budget position for Health budgets including IJB's.

- 7.4. In terms of pay, funding arrangements will be revisited by the Scottish Government following the outcome of the pay negotiations in the new financial year with the assumption that additional funding will be allocated to support any agreed increases.

7.5. Whereas in past years the health budget settlement has included a c2% uplift for non-pays budgets, the 2024-25 settlement does not include this provision, further impacting the financial challenge.

7.6. The following table provides a high-level summary of the above:

Delegated Health Budget 2024/25	Amount in £000's
2023/24 Health Recurring Budget	203.733
Set Aside Estimated Value 2023/24	66.577
Total Health Recurring Budget 2024/25	270.310

Note: these figures do not include any final adjustments in relation to recurring budget adjustments at month 12

7.7. **The CFO'S recommendation to the IJB is to:**

- Note the delegated Health Budget offer from NHSGGC for 2024-25 (Appendix 4) which is subject to final adjustments when the out-turn for the 2023-24 financial year has been finalised in relation to recurring budget adjustments at month 12, and any further funding allocated by the Scottish government in respect of the impact of the 2024-25 pay award. This budget offer is in line with the conditions of the letter of the 19 December 2023 from the Director of Health and Social Finance, Digital and Governance.

8. Cost Pressures and Demand

8.1. As we move into 2024-25, Health and Social Care is receiving its worst settlement since devolution. With a flat cash settlement for Local Government, no uplifts for pay inflation and insufficient funding for prescribing, IJBs will need to fund cost and demand pressures themselves. Contingency reserves which have been utilised in previous years are now entirely gone for many and below the minimum desired level for others. This limits the ability of IJBs to manage pressures without significant changes to the way we do things and the services offered.

8.2. The IJB's MTFP reflects the economic outlook to 2024-25, adopting a strategic and sustainable approach linked to the delivery of priorities in the Strategic Plan 2022-2025. These strategic priorities will continue to provide a focus for future budget decisions, where the delivery of core services must be balanced with the resources available. The MTFP focuses on financial sustainability, acknowledging the uncertainty around key elements including the potential scale of savings required, and the need to redirect resources to support the delivery of key priorities.

8.3. In line with the approach taken in the Medium Term Financial Plan, a scenario-based approach continues to be adopted to estimate future cost pressures and demand. Potential outcomes have been considered over: low, medium, high, and worst-case projected positions. The low projection outlines a more optimistic outlook, while the worst-case indicates the position if pressures emerge at the higher end of current projections.

8.4. Over recent months, budget assumptions have been updated to reflect the impact of any new statutory obligations and increasing demographic and demand pressures.

8.5. The projected budget gap is based on a range of demand and cost pressures which could be faced by the IJB over the medium-term. These assumptions are informed by the national context; effect of new statutory obligations; increasing demographic and demand pressures, inflation, as well as the ongoing and legacy impact of COVID-19.

8.6. The financial projections for 2024-25 include a range of key assumptions for which there remains significant and real uncertainty. These include:

- **Prescribing:** In 2023-24, prescribing costs are forecast to be overspent in over 80% of IJBs, changes out with the control of the IJBs have created a challenging cost pressure with few available measures to achieve savings or cost control, which is likely to continue into 2024-25 and beyond. A number of issues are currently impacting on the price of drugs including limitations in manufacturing capacity, staffing shortages, increased costs in production and shipping costs and the War in Ukraine. In Renfrewshire, the unit price has been increasing month on month from £10.70 in April 2023 to £11.46 in December 2023, representing an increase of 7.1%.

The prescribing pressure for 2024-25 is based on previous years costs, available in year data and assumptions around the known challenges and benefits, such as drugs coming off patent, however it should be noted there remains uncertainty over these pressures which means the estimated impact for 2024-25 has the possibility of being over or under stated.

Over the past few months work has been ongoing in respect of a clinically led approach to cost containment and volume control as part of an NHS GGC system wide approach and one that is built up from the prescribing patterns of individual GPs and informed by known costs. This work has identified a programme of prescribing savings which could potentially be delivered in 2024-25.

The budget position included in section 9 of this report includes estimated savings on a number of prescribing items to be achieved in 2024-25 of circa £1.062m.

In addition to the above, a 'stretch target' has been applied against further drugs where it is anticipated further savings are achievable. Given that these are 'stretch targets' these additional savings have not been included as part of the overall mitigation for 2024-25.

Members are asked to note that the delivery of these programmes of prescribing savings are predicated on a number of factors including availability of pharmacy and GP resources. As we progress through 2024-25 updates on the achievement of these savings will be brought to the IJB.

- **The impact of COVID-19 across a range of areas** including backlog of treatment and services contributing to greater demand and increased acuity of need.
- **Future funding allocations from Partner Organisations:** As in previous years, the Scottish Government 2024-25 budget was for one year only. The core local government revenue settlement for 2024-25 reflects a flat cash position, and therefore a real terms reduction meaning their ability to further support the IJB is limited. Questions remain regarding the expected funding and governance arrangements for the National Care Service, and the impact of this on future funding allocations from partners remains unclear. It follows then, that the continuation of single-year settlements at this time is challenging for the IJB and continues the uncertainty for future medium-term financial planning, as well as that of the partner organisations.

- **Demand led Pressures:** demographic and socio-economic demand led cost pressures continue to be a key financial risk moving forward, with increases in the average cost of care and the number of high-cost care packages. IJBs are experiencing increases in the average cost of care and the number of high-cost care packages required. The resource required to support this provision of care in the community limits the ability of the IJB to meet current demand within the existing funding envelope.
- **Inflation and Contractual Commitments:** planning assumptions regarding annual increases to third parties for contracts such as the National Care Home Contract and Supported Living Framework continue to be heavily impacted by the cost-of-living crisis.
- **Living Wage:** As part of its Budget for 2024-25 the Scottish Government approved a £12.00 minimum pay settlement from April 2024, for adult social care workers in commissioned services, to support employee retention and continue to embed improved pay and conditions for care workers.
- **Future Pay Settlements / Staffing Costs:** Employee costs represent circa 34% of the IJB's net budget and any increase in pay awards impacts directly on cost pressures for the IJB. The assumptions for pay reflect the current inflationary assumptions of both Partner bodies. Consideration is also given to the challenges of recruiting and whether pay settlements are keeping pace with industry standards, particularly in light of the considerable burden placed on employees in the health and social care sector throughout the pandemic.

The ability to recruit and retain sufficient staff to meet the needs of those we support is a challenge, which can present in one of two ways, an additional cost pressure or as a temporary in year underspend. Currently there is an overreliance on bank and agency workers to ensure safe staffing, particularly in Mental Health where there has been an increase in the requirement for more 2:1 care as well as challenges in recruiting and retaining staff right across the care sector.

- 8.7. The following table provides a high-level summary of the **gross estimated budget pressures** (based on medium-case scenarios prior to mitigation) in relation to the above for 2024-25. Members should note that these scenarios are regularly updated to ensure that the CFO has early sight of any significant changes:

Type of Pressure	Using Medium Case Scenarios		
	Social Care £000s	Health £000s	Overall Position £000s
Contractual	1,126	107	1,233
Pay	2,187	1,162	3,349
Demand	3,703	-	3,703
Living Wage & NCHC	6,564		6,564
Prescribing		4,791	4,791
23/24 Overspends	3,535	611	4,146
Council Recharge	59		59
Total Pressures	17,174	6,671	23,845

- 8.8. As previously discussed with members, the delegated health budget includes a number of budget areas which cannot be considered for planned savings, including:

- Resource Transfer from the NHS is used to directly fund social care services provided directly through the Council or commissioned from third party organisations;
- Family Health Service budgets directly fund income to contracted services such as GPs;
- Ring fenced allocations such as ADP; Action 15 and PCIP
- Social Care Fund is passed directly through to Renfrewshire Council for allocation to the Adult Social Care Budget;

8.9. As outlined in the MTFP 2022-25, and further described in reports throughout the last financial year, the budget position for IJBs across Scotland is now subject to significant demand and cost led financial pressures.

8.10. In addition, it remains clear from Renfrewshire Council's **Revenue Budget and Council Tax 2024-25 report of 29 February 2024** that it continues to anticipate significant financial pressure over the medium-term with a risk of ongoing constraint and reduction in core funding for local governments in Scotland.

8.11. Over the past few years, the IJB has benefited from resources passed through from Health as part of the local government settlement arrangements. This has been a key factor in maintaining the current financial stability of the Partnership. However, it should be recognised that the Scottish Government is likely over the medium-term to face an increasingly challenging financial position which may place the ability for any future pass through of resources from Health to the IJB 's under increasing pressure.

8.12. On this basis, the IJB should continue to plan for a range of potential outcomes, ensuring sufficient flexibility to manage in a sustainable manner the position which emerges over the next few years. The likely scenario is that a significant level of further recurring savings will be required and the IJB will require to manage this dynamic risk on an ongoing basis by prioritising decisions for investment and disinvestment in order to deliver on the priority of a Sustainable Future.

9. Summary of 2023-24 Budget Position

9.1. The following table, summarises the overall anticipated budget position for the IJB for 2024-25 reflecting:

- The pressures highlighted in Section 8 of this report.
- Savings approved for delivery through phases 1 and 2 of the Sustainable Futures programme.
- Impact of Board wide prescribing initiatives
- Drawdown of earmarked reserves to deliver non-recurring financial balance in 2024-25. The estimated drawdown of earmarked reserves **does not take into account any further savings which may be approved by the IJB for delivery in 2024-25.**
- Increase in Partnership funding in line with the conditions of the Scottish Government Budget for 2024-25.

	Total £000's
2023/24 HSCP Budget Rolled Forward to 2024-25	364,448
Add: HSCP Estimated Budget Pressures for 2024-25	
Contractual	1,233
Pay	3,349
Demand	3,703
Living Wage	6,564
Prescribing	4,791
23/24 recurring pressures	4,146
HSCP support costs to Council	59
	23,845
HSCP Estimated Budget for 2024-25	388,293
Additional Funding Requirement for 2024-25	(23,845)
Funded By:	
Scottish Government Funding	7,891
Recurring superannuation reduction	550
Other (including charges to users 5% uplift)	314
Total increase in Partnership funding	8,755
Remaining Funding Gap 2024-25	(15,090)
Recurring Funds Identified To Mitigate Funding Gap:	
March IJB 2023 Approved Savings	958
November IJB 2023 Approved Savings	2,305
Impact of boardwide prescribing initiatives	1,062
	4,325
Remaining Recurring Funding Gap 2024-25	(10,765)
Non Recurring Funds Identified To Mitigate Funding Gap:	
Non recurring superannuation reduction	3,585
Earmarked reserves	7,180
	10,765
2024-25 HSCP Opening Budget	397,048

9.2. Based on these assumptions, it is the CFO's recommendation that there are sufficient resources within the proposed budgets (including draw down of IJB reserves) set out in this report to meet the current anticipated budget pressures for 2024-25, thereby enabling members to set a balanced budget for 2024-25.

9.3. It is important that members note that the budget assumptions presented within the table at section 9.1 of this report do not account for delivery of the proposed savings being presented in the **Sustainable Futures Programme: Final options for consideration** paper. This reflects the likelihood that any agreed savings will take time to be fully implemented during 2024-25. Members should note that the level of reserves to be drawn down could be less than anticipated depending on when any approved savings are fully delivered.

10. Risks

10.1. The IJB is facing considerable financial and service risks. Short term and one-off measures such as the use of non-recurring funding and the utilisation of reserves to meet

financial deficits will no longer be available in future years. It is important to highlight that the impact of the challenges facing us will not only be felt by the IJB but by the organisations we work with, our Partners and ultimately the people we support.

- 10.2. Externally commissioned providers with financial sustainability issues have in the past worked with us to seek financial support, however going forward due to the lack of funds available we will not be in the position to offer this support.
- 10.3. If the IJB has to take measures to reduce the level or type of services delivered in order to remain a going concern the people we support will be impacted. We know that people without adequate resource in the community will impact the wider health and care system which could potentially increase emergency department presentations, thereby increasing the cost for these services and preventing the delivery of the most appropriate care to those in need.
- 10.4. As highlighted earlier in this report the budget settlement for Health and Social Care for 2024/25 is the worst settlement since devolution. As the IJB needs to fund cost and demand pressures and reserves are rapidly being depleted, this limits the IJB's ability to manage pressures without significant changes to the way we do things and the services offered.
- 10.5. As already highlighted to members the scale of the financial challenge will have a significant impact on services and will limit the IJB's ability to deliver on core services and policy commitments. It is therefore inevitable that future savings proposals will include reduction in care provision which may result in:
 - Increased waiting times to access care required.
 - Delays in hospital discharge
 - Greater risk to those unsupported in the community
 - Additional strain on unpaid carers
 - Inability to respond effectively to winter pressures.

11. Reserves

- 11.1. In line with national guidance and good financial governance, the IJBs Reserves Policy (revised in June 2020) proposes 2% as an optimum level of reserves to drive transformation and, if required, to ensure the IJB has the financial flexibility to draw on non-recurring support to balance the annual revenue budget position each year over the medium-term. At the close of 2023-24 the IJB holds £6.538m, equating to circa 2% of the IJB's net budget (including set aside) in general reserves.
- 11.2. Maintaining sufficient unallocated reserves provides a degree of financial protection and immediate financial resilience moving forward, guided by the risk profile faced by the IJB. Audit Scotland continues to closely monitor the IJB's position in respect of unallocated reserves as part of their wider assessment of the IJB's financial stability and resilience, and to ensure unallocated reserves remain at an appropriately prudent level.
- 11.3. The IJB reserves policy allows for flexibility in terms of potential fluctuations. This allows for the IJB to increase unallocated reserve balances where resources permit, providing future financial resilience for those years where the level of resources available to the IJB may be significantly constrained and will require a draw down from unallocated reserves in order to deliver financial balance.
- 11.4. As highlighted to Members throughout 2023-24 and subject to decisions taken by the IJB as was the case in 2023-24 in order to deliver a balanced budget for 2024-25 the IJB will need to draw on the financial flexibilities it has available, to provide non-recurring support through the repurposing of earmarked reserves to address the projected budget deficit. However, such reliance on the use of reserves to deliver financial balance must be viewed

as temporary, and the IJB must take urgent action to contain spend within available resources on a recurring basis.

- 11.5. In March 2023, the IJB approved the 2023-24 budget on the basis that it would require to drawdown reserves in order to deliver a breakeven position. The amount to be drawn down will not be clarified until the final outturn position for 2023-24 (which will show a budget deficit) is confirmed. Therefore, the available balances for drawdown in 2024-25 cannot be brought to the IJB for approval until the June 2024 IJB. As part of the revenue monitoring final outturn report to the June IJB the CFO will bring details of the earmarked reserves to be repurposed in order to provide sufficient resource to meet the identified budget gap for 2024-25.
- 11.6. The following table summarises the estimated IJB reserves position at the 1 April 2024 (as highlighted in para 11.5, this position may change depending on the level of reserves required for 2023-24).

Reserves	Projected Opening Balance 2024/25	Scottish Government & Other contractual commitments	Balance Remaining	Estimated drawdown 2024/25	Available balances 2025/26
	£000's	£000's	£000's	£000's	£000's
Earmarked Reserves	15,198	(6,970)	8,228	(7,180)	1,048
General Reserves (maximum currently available)	6,538	-	6,538		6,538
Total Reserves	21,736	(6,970)	14,766	(7,180)	7,586

- 11.7. The commitments in respect of Scottish Government Ringfenced monies and their associated planned spend along with other IJB contractual commitments accounts for £6.97m leaving a residual balance of **£14.766m** available to the IJB to offset budget pressures in future years. Of this residual balance it is estimated that the IJB will require to drawdown **£7.180m** to deliver breakeven for 2024-25. This leaves a balance of **£7.586m** (this does not take account of any potential drawdown in respect of the Care at Home regrade) to offset the estimated budget gap for 2025-26 which is currently **£23.006m**.
- 11.8. Utilising the remaining earmarked reserve balances and the non-recurring superannuation contribution saving of £3.585m leaves a budget shortfall of £11.835m. **This highlights the overall risk to the IJB in terms of its financial resilience in future years.**
- 11.9. As the IJB is relying on the use of reserves to set a balanced budget for 2024-25 this means that overall reserves held by the IJB would be drawn down at an accelerated rate. It is therefore likely that this will impact on the general reserves which may fall below the commitment within the IJB's Reserves Policy to hold reserves amounting to at least 2% of the IJB's budget, reducing the IJB's financial resilience. It is prudent and necessary to hold this level of reserves to account for any unforeseen circumstances which have arisen or will arise such as the current requirement to meet additional pay costs relating to the re-evaluation of frontline staff roles.

12. Cumulative Gap

- 12.1. Although it will be possible to break even in 2024-25 (should the use of reserves be approved) the IJB is no longer in recurring financial balance.

- 12.2. Looking ahead to 2025-26 the **net** projected recurring budget gap (assuming similar levels of funding from the Scottish Government to cover Adult Social Care Living Wage uplifts and funding for free personal care uprating's) is circa £23.006m, rising to circa £34.984m in 2026-27, as illustrated in the following table:

Estimated Funding Gap	24/25 £000's	25/26 £000's	26/27 £000's
Adult Social Care	(7,516)	(5,927)	(5,019)
Health	(3,249)	(6,315)	(6,959)
TOTAL PER ANNUM	(10,765)	(12,241)	(11,977)
Recurring Gap brought forward		(10,765)	(23,006)
= total cumulative recurring gap	(10,765)	(23,006)	(34,984)
<i>Funded on a non recurring basis by:</i>			
Pensions contribution reduction	3,585	3,585	
Earmarked reserves drawdown	7,180	1,048	
General reserves drawdown tbc (maximum currently available)		6,538	
Funding Gap	(0)	(11,835)	(34,984)

- 12.3. As highlighted throughout this report without the benefit of contingency reserves, the IJB's ability to manage pressures going forward will be severely limited without significant changes to the way we do things and the services offered.

13. Financial Recovery Plan

- 13.1. Should it not be possible for a balanced budget to be set, the Chief Officer and Chief Finance Officer will be required to implement a recovery plan from the outset of the financial year. In the event of a financial recovery plan being required the Chief Officer and CFO, working with the HSCP's SMT will require to take the following actions with immediate effect:
- 13.2. The Chief Officer will require to make all discretionary spend decisions in partnership with the relevant Head of Service:
- Suspension, where necessary, of ongoing development initiatives;
 - Waiting lists may require to be established;
 - Overtime restricted to critical cover only;
 - Holding, on a temporary basis, any 'non-frontline' service vacancies. In doing so, only appointing to those posts which the Chief Officer considers to be a service priority. These decisions would be taken on an individual and fully risk-assessed basis; and
 - Reviewing all non-recurring monies and other budgets to determine where these can be used in-year to fund the budget shortfall.
- 13.3. In addition, in line with the terms of the Integration Scheme, should the above measures not be sufficient to deliver financial balance, our Partners could be asked to provide additional financial support at a time when NHS Boards and Local Authorities are experiencing their own financial crisis.
- 13.4. Members should be aware that regardless of whether a balanced budget is set, the IJB is swiftly heading towards having to implement financial recovery measures, if not in 2024-25 then the following year.

14. COVID-19

- 14.1. IJB Members should note that similar to 2023-24, the 2024-25 budget proposals are presented on the basis of “business as usual”, and do not include any assumptions as regards any extraordinary costs which may be incurred in respect of any significant outbreak of COVID-19. In such a case for accounting purposes, these costs would be recorded separately, with the assumption that costs will be covered by partners, and ultimately by government.

Implications of the Report

1. **Financial** – Financial implications are discussed in full in the report above.
2. **HR & Organisational Development** – none
3. **Strategic Plan and Community Planning** – none
4. **Wider Strategic Alignment** – none
5. **Legal** – This is in line with Renfrewshire IJB’s Integration Scheme
6. **Property/Assets** – none.
7. **Information Technology** – none
8. **Equality & Human Rights** – The recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council’s website.
9. **Fairer Duty Scotland** - none
10. **Health & Safety** – none
11. **Procurement** – Implementation of the living wage impact on existing contracts with providers and their ability to deliver within the allocated funding package.
12. **Risk** – Delays in setting the budget may impact on the IJBs ability to achieve financial balance in 2023-24. In addition, as highlighted in Section 10 of this report, the 2023-24 budget proposals assume “business as usual”. The potential financial and economic impacts of COVID-19 represent a significant additional risk to the IJB, and the wider public sector going forward.
13. **Privacy Impact** – none.

List of Background Papers – [Verity House Agreement](#)
[Renfrewshire IJB Medium Term Financial Plan](#)
[Renfrewshire Council Revenue Budget & Council Tax 2024/25](#)

Author: Sarah Lavers, Chief Finance Officer

Any enquiries regarding this report should be directed to Sarah Lavers, Chief Finance Officer (sarah.lavers@renfrewshire.gov.uk / 0141 618 6824)
--

Direction from the Integration Joint Board

1.	Reference Number	220324-11
2.	Date Direction issued by IJB	22 March 2024
3.	Date from which Direction takes effect	22 March 2024
4.	Direction to	Renfrewshire Council and NHS Greater Glasgow & Clyde
5.	Does the Direction supersede, amend, or cancel a previous Direction – if yes include IJB reference number	No.
6.	Functions covered by the Direction	All functions delegated to the IJB from Renfrewshire Council and NHS Greater Glasgow & Clyde
7.	Full text of Direction	Renfrewshire Council and NHS Greater Glasgow & Clyde are jointly directed to deliver services in line with the Integration Joint Board's Strategic Plan (2022-25), as advised and instructed by the Chief Officer and within the budget levels outlined.
8.	Budget allocated by IJB to carry out Direction.	As outlined in Section 6.7 (Renfrewshire Council) and Section 7.6 (NHS Greater Glasgow & Clyde) of this report and within the supporting Appendices attached.
9.	Outcomes	The functions will be carried out in a manner consistent with the Joint Board's Strategic Plan (2022-25), which was considered by the Integration Joint Board on 25 March 2022.
10.	Performance monitoring arrangements	Performance management is monitored and reported to every meeting of the IJB.
11.	Date of review of Direction	March 2025

Directorate for Health and Social Care Finance, Digital and Governance

Richard McCallum, Director



Scottish Government
Riaghaltas na h-Alba
gov.scot

T: 0131-244 3464

E: richard.mccallum@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

19 December 2023

Dear Chief Executives

Scottish Government Budget 2024-25

Following the announcement of the Scottish Government's Budget for 2024-25 by the Deputy First Minister in Parliament today, I am writing to provide details of the indicative funding settlement for Health Boards. A breakdown of the total is provided in **Annex A** to this letter.

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

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

Budget Uplift

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

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

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

Covid-19 Funding

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

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

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

Policy Funding

In addition to the baseline uplift outlined, funding aligned to policy commitments and recovery of health and social care services will be allocated to Boards and Integration Authorities in 2024-25. It is our intention to provide early indication of allocations where possible, and to align this to the planning guidance that will be issued in relation to Annual Delivery Plans, setting out the priorities for health and social care in the coming year.

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

Health and Social Care Integration

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

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

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

Capital

a. Capital Budget

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

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

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

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

b. New Developments and Capital Planning

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

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

c. Small Scale Projects

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

It is clear that there is significant financial challenge in 2024-25 above levels we have seen before and we will continue to work closely with Chief Executives to address this. I thank you again for your support to date and your continued engagement moving into the next financial year.

2024-25 Financial Planning

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

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

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

Financial savings

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

15 box grid

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

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

NHS Scotland Planning and Delivery Board (NHSSP&DB)

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

CHOICES

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

- Workforce
- Innovation
- Service and infrastructure optimisation

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

It is clear that there is significant financial challenge in 2024-25, above levels we have seen before, and we will continue to work closely with Chief Executives and colleagues across the whole system. I thank you again for your support to date and your continued engagement moving into the next financial year.

Yours sincerely,

RICHARD MCCALLUM

Director of Health and Social Finance, Digital and Governance

Annex A – Board Funding Uplifts

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

* Includes recurring allocations from 2022-23

** Includes NRAC parity adjustments.

Deputy First Minister and Cabinet Secretary for Finance
Shona Robison MSP



F/T: 0300 244 4000
E: scottish.ministers@gov.scot

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

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

19 December 2023

LOCAL GOVERNMENT SETTLEMENT 2024-25

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

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

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

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

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

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot

INVESTORS IN PEOPLE™
We invest in people Silver



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

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

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

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

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

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

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

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

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

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

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

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

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

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

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

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

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot



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

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

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

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

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

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

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

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

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

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

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

SHONA ROBISON

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot

INVESTORS IN PEOPLE™
We invest in people Silver



FUNDING BASELINED IN 2024-25

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

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot



Your Ref:
My Ref: AMacA/CB
Contact: Alastair MacArthur
Telephone Number: 0300 300 0285
Email: alastair.macarthur@renfrewshire.gov.uk
Date: 1 March 2024



Ms Sarah Lavers
Chief Financial Officer
Renfrewshire Health & Social Care Partnership
Renfrewshire House
Cotton Street
PAISLEY

Dear Sarah

2024/25 Financial Allocation from Renfrewshire Council

Renfrewshire Council agreed its budget for the financial year 2024/25 on 29 February 2024.

In setting the budget, Council agreed total funding to the Renfrewshire HSCP of £106.490 million.

The above amount reflects:

- The pass through in full to the HSCP of Scottish Government funding received through the local government settlement and as outlined in Finance Circular 02/2024 of £10.926 million, comprising £10.692 million relating to payment of the Adult Social Care Living Wage for commissioned services, and £0.234 million relating to Free Personal and Nursing care; and
- The Council decision to provide a proportionate share of funding relating to the 2023/24 pay award of £1.426 million.

Following the 2023/24 Council decision to reflect the full costs of services provided by the Council in supporting adult social care service delivery through an appropriate level of cross charge; the level of inflationary uplift for 2024/25 has been agreed as £58,940. This will be actioned as a cost recharge rather than a budget transfer.

Yours sincerely,

Alastair MacArthur
Director



Finance and Resources
Director: Alastair MacArthur CPFA
Renfrewshire House, Cotton Street, Paisley, PA1 1JB
www.renfrewshire.gov.uk



Date: 14th March 2024
Our Ref: FMcE

Enquiries to: Fiona McEwan
Direct Line: 07957638165
E-mail: fiona.mcewan@ggc.scot.nhs.uk

Dear Christine

2024/25 Indicative Financial Allocation to Renfrewshire Health and Social Care Partnership

Further to initial informal discussions with Chief Officers and Chief Finance Officers, I am writing to you with an indicative budget proposal for 2024/25. An update to this letter formally confirming your final allocation for 2024/25 will be issued on behalf of the Board after the Board's financial plan has been approved at the April board meeting and when the Board's financial out-turn is confirmed along with further clarification on the totality and distribution of the pay awards have been determined.

Annual uplift to NHSGGC

The Scottish Government's budget letter issued on 19th December 2023 states that "Compared to 2023-24 budgets, territorial NHS Boards will receive a total increase of 4.3% for 2024-25 to cover costs related to the 2023-24 pay deals, as well as the baselining of £100 million sustainability and NRAC funding provided in 2023-24. For clarity, the 4.3% uplift relates to 2023-24 non-recurring funding now being made on a recurring basis." In real terms this means a pay uplift of 3.6% for NHSGGC.

In terms of pay, funding arrangements for Boards will be revisited by the Scottish Government following the outcomes of the pay negotiations in the new financial year. It should be assumed that additional funding will be allocated to support a deal.

The annual general uplift provided by the Scottish Government to support Boards in meeting expected additional costs related to supplies (which includes prescribing growth and utilities charges) and capital charges for 2024/25 is 0%.

The HSCP Settlement

The funding in relation to the pay award for 2023/24 has already been included in the baseline allocations to the HSCP's. Further detail is anticipated to be received with regards to the additional elements in relation to the 2023/24 pay award namely protected learning time, band 5- 6 and reduced working week. When clarity has been provided on funding arrangements for these elements this will be communicated and allocated in due course.

Once the pay deal has been negotiated for 2024/25 and the funding agreed this will be passed over to the HSCP.

Due to no uplift being provided for suppliers and capital charges as noted above there is therefore no further uplift for 2024/25.

An indicative allocation based on Month 11 figures is included in **Appendix 1**.

Set Aside Budget

This is initially based on the estimated set aside budget for 2023/24 and will be revised when the Board's final out-turn is confirmed. This figure represents the estimated actual usage of in scope Acute services. This will continue to be a notional allocation.

Recharges to HSCPs

The following items will continue to be charged to the HSCP during 2024/25:

- The HSCP's proportional share of the Apprenticeship Levy based on your HSCP's payroll cost;
- The HSCP's proportional share of the annual cost arising from the change in accounting treatment of pre 2010 pension costs as the non recurring funding generated from this change was used to provide non recurrent support to all service areas in 2016/17; and
- The HSCP's share of Office 365 costs based on the number of licences in use.

Meetings will be arranged before the end of the financial year to allow us to formalise the funding and processes that are required for 2024/25. In the meantime, this letter enables the HSCP to produce its financial plans for 2024/25.

Yours sincerely

Fiona McEwan

Assistant Director of Finance- Financial Planning & Performance
NHS Greater Glasgow and Clyde

Appendix 1 – Financial Allocation 2024/25 (based on month 11 figures)

Spend Categories		Renfrewshire Hscp
		£000s
Family Health Services		63,626
Fhs Income		(1,873)
Family Health Services Budget (Net)		61,753
Prescribing & Drugs		39,115
Non Pay Supplies		5,322
Pay		59,359
Other Non Pay & Savings		39,838
Other Income		(1,653)
Budget - HCH incl Prescribing		141,980
Total Rollover budget - NET		203,733
Budget Eligible for HCH & Prescribing uplift		141,980
<u>Uplifts</u>		
Scottish Government allocation 24.25	0%	0
Pay uplift - tbd	0%	0
Total Uplift		0
Revised Budget		203,733
<u>Set Aside Budget</u>		
2023.24 Value		66,577
Uplift @ 0%	0%	0
2023/24 Set Aside Value		66,577