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**To:** Renfrewshire Integration Joint Board

**On:** 25 January 2019

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**Report by:** Chief Finance Officer

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**Heading:** Financial Report 1 April 2018 to 30 November 2018

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## 1. Purpose

- 1.1. The purpose of this report is to advise the Integration Joint Board (IJB) of the Revenue Budget position at 30 November 2018 and the projected year end position for the year ended 31 March 2019.
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## 2. Recommendations

- 2.1. It is recommended that the IJB:
- Note the in-year position at 30 November 2018;
  - Note the projected year-end position for 2018/19; and
  - Note the current position as regards the 2019/20 draft Scottish Budget.
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## 3. Summary

- 3.1. As detailed in the table below the IJB year to date position and projected outturn for 2018/19 is an underspend, prior to the transfer of balances to General Reserves at the financial year end.

Division	Year to Date Position	Year End Outturn
Social Work – Adult Services	Breakeven	Breakeven
Renfrewshire Health Services	Underspend £466k	Underspend £700k
<b>Total Renfrewshire HSCP</b>	<b>Underspend £466k</b>	<b>Underspend £700k</b>

- 3.2. The key pressures are highlighted in section 4.
- 3.3. Throughout the financial year, adjustments are made to the original budget as a result of additional funding allocations, service developments and budget transfers reflecting service reconfigurations. Appendices 6 and 7 provide a reconciliation of the main budget adjustments applied this current financial year.

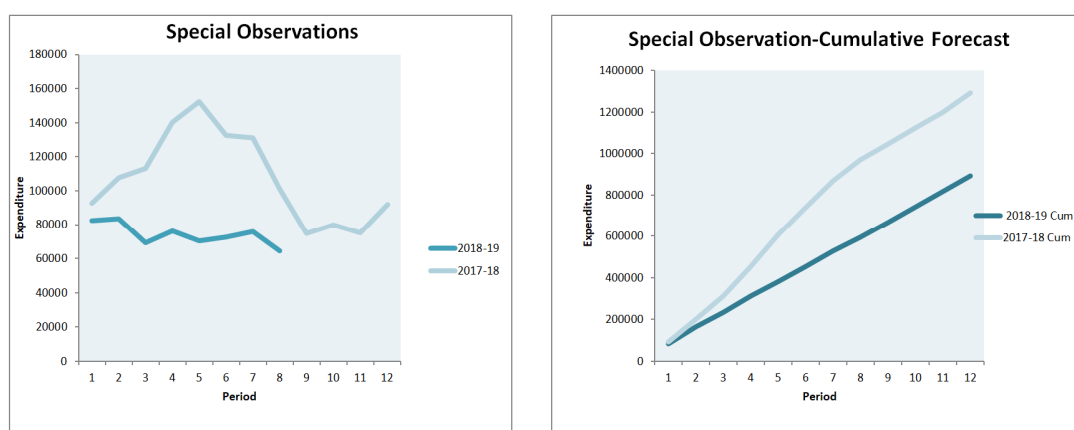
#### 4. **Year to Date and Projected Year End Outturn**

**Year to Date: Underspend £466k**

**Year End Outturn: Underspend £700k**

- 4.1. The overall net underspend for the HSPC at 30 November 2018 is an underspend of £466k, with an anticipated year-end underspend of £700k, assuming that the current trajectory of spend continues throughout this financial year. Members should however note that this projection assumes that both the Action 15, Health Visitors and, Primary Care Improvement Programme monies will be fully spent, with any remaining balances ring fenced and transferred to ear marked reserves to be drawn down in 2019/20.
- 4.2. The current and projected underspend includes the flexible use of the additional resources made available by the Council on a recurring basis to support the financial sustainability of services as well as a draw down from ear marked and general reserves as detailed below and in Appendices 3 and 8.
- 4.3. As detailed in Appendix 3 and 8, the current and projected underspend reflects:
- The drawdown of earmarked reserves to fund short term non-recurring restructuring costs of the Care at Home Service throughout the first quarter of 2018/19 as approved by the IJB at its meeting of 29 June 2018;
  - Proposed non-recurring budget virements from areas of underspend within services to temporarily fund areas of overspend
  - 'Anticipated' draw down of both recurring additional resources made available by the council, and non-recurring monies from the reserves built up over the past 2 years (the level of resource to be drawn down is monitored on a 4-weekly basis).
- 4.4. The main broad themes of the current and projected outturn remain in line with those previously reported and include:
- 4.4.1. ***Adults and Older People - Underspend £314k***
- *Care at Home:*
    - Continued pressures within the care at home service which, as previously highlighted to the IJB are subject to a number of strengthened financial governance arrangements put in place by the Chief Officer and Chief Finance Officer to ensure these pressures are proactively managed.
  - *Employee costs - Adult Social Care*
    - An underspend in employee costs (not including care at home) reflecting vacancies throughout all service areas these underspends are assisting in the funding of the pressures within the Care at Home service.
  - *Addictions (including ADP)*
    - An underspend reflecting the current planned hold on recruitment pending the implementation of the Addictions services review recommendations - these monies will be transferred to an ear marked reserve at the financial year end in order to be reinvested in full in 2019/20,
  - *Adult Community Services*
    - Underspend reflecting both turnover and recruitment issues across the Rehabilitation and District Nursing services

- 4.4.2. **Mental Health - Overspend £99k**
- An overspend in Mental Health Services reflecting pressures in relation to maintaining the recommended safe staffing and skill mix for registered nurse to bed ratios.
- 4.4.3. **Children's Services – Underspend £325k**
- Underspends within Children's Services reflecting vacancies within School Nursing and Health Visiting;
- 4.4.4. **Hosted – Underspend £330k**
- Underspend in Hosted Services reflecting vacant administrative posts in the Primary Care screening service, and a combination of staff turnover and maternity/unpaid leave within Podiatry along with vacancies in relation to the implementation of the new workforce plan;
- 4.5. *Enhanced Observations:*
- As at 30 November 2018 expenditure on enhanced observations is projected to be c£900k. As part of the 2018/19 Financial Plan a £900k budget was created for enhanced observation and a commitment was made by the management team to work towards reducing the cost in line with this budget.
- 4.6. The graphs below show that the spend for month 1-8 of 2018/19 is significantly lower than the same period in 2017/18 with a projected year end reduction in spend in comparison to 2017/18 of c£400k .



## 5. **Prescribing**

- 5.1. With the ending of the risk sharing arrangement across NHSGGC partnerships, prescribing costs represent the greatest financial risk to the HSCP, mainly due to the volatility of global markets and the impact of drug tariffs in relation to contracts with community pharmacy.
- 5.2. The current projected year end position for prescribing is an overspend of £320k. This relates primarily to increased premiums for drugs that are on short supply. It is likely that short supply issues will continue for the remainder of the financial year, therefore, the projected year end position assumes that the current short supply issues will not be resolved and that no further drugs go on short supply. This position is however subject to change. Members should note that as Prescribing is an extremely volatile area, any drug going on short supply can have significant financial consequences.

- 5.3. There is an expectation that some funding will be recoverable from Community Pharmacists (CP) as the nationally set tariffs currently being paid for drugs are estimated to generate profit margins to CPs in excess of the minimum amount agreed. This is based on a survey of the first six months invoices paid by CPs. Should the estimate prove to be accurate and the excess amounts due to HSCPs recovered (both are not guaranteed) this could potentially cover the projected over-spend.

- 5.4. Work continues with the lead pharmacist for NHSGGC to deliver, the ambitious efficiency target of £11.1m for 2018/19 which comprises a number of initiatives including: programmes aimed at reducing waste and the promotion of efficient prescribing.

## **6. Set Aside Budget**

- 6.1. Work continues to be progressed in relation to the sum set aside for hospital services, however arrangements under the control of Integration Authorities are not yet operating as required by the legislation and statutory guidance.

- 6.2. In the meantime, NHSGGC is continuing with the previous transitional arrangements and has identified a notional set aside budget for HSPC's for 2018/19. The 2018/19 Set Aside Budget has been recalculated based on updated information from ISD received in September 2018. For Renfrewshire the notional set-aside budget for 2018/19 is £30.468m.

## **7. Reserves**

- 7.1. As detailed in Appendix 8 the opening reserves position for 2018/19 was £3.442m. This figure comprises £930k of general reserves and £2.512m of earmarked reserves.

- 7.2. Consistent with the IJB's Reserves Policy at its meeting of 29 June 2018, the IJB approved the creation of ear marked reserves for draw down as required in 2018/19. As detailed in section 4 of this report, based on current projections for 2018/19 a total of £422k of ear marked reserves have been 'notionally' drawn down. Members are reminded that this planned draw down of reserves will fluctuate throughout this financial year depending on the trajectory of demand on services.

- 7.3. The table in Appendix 6 provides further details on the remaining balances held in the IJB reserves including an estimated projection of ear marked reserves to be created in respect of: Primary Care Transformation Fund; Health Visitor and Mental Health Action 15 monies. Members are reminded that this does not include the reserves carried forward by Renfrewshire Council on behalf of the IJB.

## **8. Financial Planning 2019/20**

### **Draft Scottish Government Budget 2019/20**

- 8.1. Following the announcement of the Scottish Government's Draft Budget for 2019-20 on 12 December, the Director of Health Finance, Corporate Governance and Value for the Scottish Government 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 (IJB's). A copy of the letter is attached in Appendix 9.

8.2. Members should note that included within the funding settlement for Health and Social Care Integration is an allocation of additional funding to IJBs. The letter specifically states the following:

- In 2019-20, NHS payments to Integration Authorities for delegated health functions must deliver a real terms uplift in baseline funding, before provision of funding for pay awards, over 2018-19 cash levels and,
- In addition to this, and separate from the Board Funding uplift, will be two elements of funding for Social Care:
  - £120 million will be transferred from the Health Portfolio to the Local Authorities in-year for investment in integration, including delivery of the Living Wage and uprating free personal care, and school counselling services; and
  - £40 million has been included directly in the Local Government settlement to support the continued implementation of the Carers (Scotland) Act 2016 and extending free personal care to under 65s, as set out in the Programme for Government.

This funding is to be additional to each Council's 2018-19 recurrent spending on social care and not substitutional. This means that, when taken together, Local Authority social care budgets for allocation to Integration Authorities (plus those retained for non-delegated social care functions) and funding for school counselling services must be £160 million greater than 2018-19 recurrent budgets.

8.3. On the 12 December the Cabinet Secretary for Finance, Economy and Fair Work wrote to the Leaders of all Scottish Local Authorities (a copy of the letter is attached at Appendix 9), setting out the Scottish Government's draft spending and tax plans for 2019/20. Within this letter he confirms that in return for their 2019/20 settlement, Local Authorities will be expected to deliver certain specific commitments, including the commitment that the allocation to Integration Authorities must be £160 million greater than 2018-19 recurrent budgets.

8.4. The allocation of this additional funding to the IJB will form part of the overall Adult Social Care resource assessment currently being discussed with and subject to agreement with Renfrewshire Council as part of their 2019/20 budget setting process.

8.5. Notwithstanding the pass through arrangement of such resources between the Council and the IJB in line with the Scottish Government requirements referred to above, the Council at this stage have indicated that in line with previous years pass through arrangements for such funding, it is anticipated there will continue to be an efficiency and cost mitigation adjustment of approximately 3% forming part of the overall process of moving from 2018/19 to 2019/20. This will be subject to ongoing engagement and discussion with the Council and nationally with the Scottish Government and COSLA to secure full clarity in this regard.

8.6. However, it should be noted that outwith funding linked to new responsibilities covered by the Carers Act, free person care for under 65s and school mental health services, the IJB base budget under the approach currently outlined by the Council would still be subject to a real terms uplift moving from 2018/19 into 2019/20. In this context, addressing the remaining gap to fund emerging pressures for 2019/20 would be contingent upon the IJB delivering efficiency and cost mitigation savings from the current service reviews and ongoing

change programme. The IJB will be kept informed of progress in this regard, specifically the impact emerging from the current service reviews and ongoing change programme as well as the ongoing engagement process with the Council.

## **9. Living Wage Increase 2018/19**

9.1. As highlighted in previous reports to the IJB, implementation of the Living Wage rate of £8.75 for 2018/19 is well underway with the majority of our contracted providers having accepted the offered increase which includes the impact of on-costs.

9.2. The Living Wage for 2019/20 has been agreed at £9 per hour. As in the past 3 years the offer to providers will include the impact of on-costs. Work is already underway to have this in place for 1 May 2019.

### **9.3. *Implementing the Scottish Living Wage in adult social care: An evaluation of the experiences of social care partners, and usefulness of Joint Guidance***

Early in 2018 the Coalition of Care and Support Providers Scotland (CCPS) in response to the Scottish Government's policy (announced in February 2016), that front line workers employed in publicly funded social care services should be paid the living wage, commissioned a review of the implementation of the Scottish living wage in adult social care. The full report can be accessed through the following link:

<http://www.ccpscotland.org/wpcontent/uploads/2018/11/Univ-of-Strathclyde-Living-Wage-implementation-research-November-2018.pdf>

The purpose of the report was to review the experience of implementing the Scottish living wage in adult social care and make recommendations for future implementation. As part of the review the Strategic Procurement Manager for Renfrewshire Council and the IJB's CFO met with the authors of the report to provide an insight into the experience of implementing the Living Wage from a Renfrewshire perspective.

Our response to the recommendations within the report is detailed below:

*"Renfrewshire Council is committed to leading the way for fair pay and to tackling in-work poverty. The Council is a Living Wage accredited employer and works closely with all its providers of adult care and support services to help support them to pay the Living Wage to their care staff. The Council notes the content and recommendations of the joint report produced by the Coalition of Care and Support Providers Scotland and University of Strathclyde "Implementing the Scottish Living Wage in adult social care;" and confirms its ongoing commitment to supporting the Scottish Living Wage."*

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## **Implications of the Report**

1. **Financial** – Financial implications are discussed in full in the report above.
2. **HR & Organisational Development** – none
3. **Community Planning** - none
4. **Legal** – This is in line with Renfrewshire IJB's Integration Scheme

5. **Property/Assets** – none.
  6. **Information Technology** – none
  7. **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.
  8. **Health & Safety** – none.
  9. **Procurement** – Implementation of the living wage impact on existing contracts with providers and their ability to deliver within the allocated funding package.
  10. **Risk** – There are a number of risks which should be considered on an ongoing basis: adequate funding to deliver core services.
  11. **Privacy Impact** – none.
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**List of Background Papers:**

- Scottish Government Medium Term Financial Strategy;
- Scottish Fiscal Commission paper;
- 2018/19 Delegated Health and Social Care Budget (Renfrewshire IJB, 23 March 2018)

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## Appendix 1

### HSCP Revenue Budget Position 1st April 2018 to 31st March 2019

Subjective Heading	Revised Annual Budget (reflecting adjustments to Annual Accounts) £'000	Projected to Year End (reflecting movements to Reserves) £'000	Variance		
			£'000s	%	
Employee Costs	75,422	74,082	1,340	1.8%	underspend
Property Costs	916	955	(39)	-4.3%	underspend
Supplies and Services	8,656	8,885	(229)	-2.6%	Overspend
Contractors	55,228	55,228	-	0.0%	Overspend
Purchase Of Healthcare	2,466	2,502	(36)	-1.5%	Overspend
Transport	804	804	-	0.0%	underspend
Family Health Services	81,779	82,115	(336)	-0.4%	Overspend
Administrative Costs	71	71	-	0.0%	Overspend
Payments to Other Bodies	2,933	2,933	-	0.0%	Overspend
Set Aside	30,468	30,468	-	0.0%	Breakeven
<b>Gross Expenditure</b>	<b>258,743</b>	<b>258,043</b>	<b>700</b>	<b>0.3%</b>	<b>underspend</b>
Income	(27,915)	(27,915)	1	0.0%	underspend
<b>NET EXPENDITURE</b>	<b>230,828</b>	<b>230,128</b>	<b>700</b>	<b>0.30%</b>	<b>underspend</b>

Care Group	Revised Annual Budget £'000	Projected to Year End (reflecting movements to Reserves) £'000	Revised Variance		
			£'000s	%	
Adults & Older People	63,472	63,158	314	0.5%	underspend
Mental Health	20,532	20,631	(99)	-0.5%	Overspend
Learning Disabilities	13,784	13,743	41	0.3%	underspend
Children's Services	5,403	5,078	325	6.0%	underspend
Prescribing	35,302	35,622	(320)	-0.9%	Overspend
Health Improvement & Inequalities	1,014	977	37	3.6%	underspend
FHS	44,224	44,224	(0)	0.0%	underspend
Resources	4,957	4,885	72	1.5%	underspend
Hosted Services	10,806	10,476	330	3.0%	underspend
Set Aside	30,468	30,468	-	0.0%	Breakeven
Delegated Services	866	866	-	0.0%	Breakeven
<b>NET EXPENDITURE</b>	<b>230,828</b>	<b>230,128</b>	<b>700</b>	<b>0.30%</b>	<b>underspend</b>



## Appendix 2

### Adult Social Care Revenue Budget Year to Date Position 1st April 2018 to 9th November 2018

Subjective Heading	Year to Date Budget £000's	Draw Down from Recurring Budget Allocation £000's	Revised Budget £000's	Actual to Date £000's	Variance £000's	Earmarked Reserves £000's	In-Year Non-recurring Budget Virement £000's	Draw Down from General Reserves held by Renfrewshire Council £000's	Adjusted Year to Date Actual £000's	Revised Variance		
										£000's	%	
Employee Costs	17,396	491	17,887	17,744	143	246	(389)	-	17,887	-	0%	breakeven
Property Costs	215	-	215	190	25	-	(25)	-	215	-	0%	breakeven
Supplies and Services	1,086	-	1,086	1,054	32	7	(39)	-	1,086	-	0%	breakeven
Contractors	33,211	775	33,986	34,732	(745)	-	479	266	33,986	-	0%	breakeven
Transport	492	-	492	462	30	-	(30)	-	492	-	0%	breakeven
Administrative Costs	43	-	43	46	(3)	-	3	-	43	-	0%	breakeven
Payments to Other Bodies	1,593	-	1,593	1,596	(3)	-	3	-	1,593	-	0%	breakeven
<b>Gross Expenditure</b>	<b>54,037</b>	<b>1,266</b>	<b>55,303</b>	<b>55,824</b>	<b>(521)</b>	<b>253</b>	<b>1</b>	<b>266</b>	<b>55,303</b>	<b>0</b>	<b>0%</b>	<b>breakeven</b>
			-									
<b>Income</b>	<b>(14,844)</b>		<b>(14,844)</b>	<b>(14,845)</b>	<b>1</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>(14,844)</b>	<b>-</b>	<b>0%</b>	<b>breakeven</b>
<b>NET EXPENDITURE</b>	<b>39,193</b>	<b>1,266</b>	<b>40,460</b>	<b>40,979</b>	<b>(519)</b>	<b>253</b>	<b>(0)</b>	<b>266</b>	<b>40,460</b>	<b>0</b>	<b>0%</b>	<b>breakeven</b>

Client Group	Year to Date Budget £000's	Draw Down from Recurring Budget Allocation £000's	Revised Budget £000's	Actual to Date £000's	Variance £000's	Earmarked Reserves	In-Year Non-recurring Budget Virement £000's	Draw Down from General Reserves held by Renfrewshire Council £000's	Adjusted Year to Date Actual £000's	Revised Variance		
										£000's	%	
Older People	26,065	990	27,054	27,663	(609)	246	97	266	27,054	-	0%	breakeven
Physical or Sensory Difficulties	4,099	138	4,238	4,197	41	-	(41)	-	4,238	-	0%	breakeven
Learning Difficulties	7,676	138	7,815	7,735	79	7	(87)	-	7,815	-	0%	breakeven
Mental Health Needs	936	-	936	984	(48)	-	48	-	936	-	0%	breakeven
Addiction Services	417	-	417	399	18	-	(18)	-	417	-	0%	breakeven
<b>NET EXPENDITURE</b>	<b>39,193</b>	<b>1,266</b>	<b>40,460</b>	<b>40,979</b>	<b>(519)</b>	<b>253</b>	<b>-</b>	<b>266</b>	<b>40,460</b>	<b>0</b>	<b>0%</b>	<b>breakeven</b>



## Appendix 3

### Adult Social Care Revenue Budget Projected Year End Position 1st April 2018 to 31st March 2019

Subjective Heading	Annual Budget £000's	Draw Down from Recurring Budget Allocation £000's	Revised Budget £000's	Projection to Year End £000's	Variance £000's	Earmarked Reserves £000's	In-Year Non- recurring Budget Virement £000's	Draw Down from General Reserves held by Renfrewshire Council £000's	Adjusted Year End Projection £000's	Revised Variance		
										£000's	%	
Employee Costs	28,269	798	29,067	28,834	233	399	(632)		29,067	-	0.0%	breakeven
Property Costs	350		350	309	41	-	(41)		350	-	0.0%	breakeven
Supplies and Services	1,764		1,764	1,712	52	12	(64)		1,764	-	0.0%	breakeven
Contractors	53,968	1,260	55,228	56,439	(1,211)	-	778	433	55,228	-	0.0%	breakeven
Transport	800		800	751	49	-	(49)		800	-	0.0%	breakeven
Administrative Costs	70		70	75	(5)	-	5		70	-	0.0%	breakeven
Payments to Other Bodies	2,589		2,589	2,594	(5)	-	5		2,589	-	0.0%	breakeven
<b>Gross Expenditure</b>	<b>87,810</b>	<b>2,058</b>	<b>89,868</b>	<b>90,714</b>	<b>(846)</b>	<b>411</b>	<b>2</b>	<b>433</b>	<b>89,868</b>	-	-	<b>breakeven</b>
<b>Income</b>	<b>(24,121)</b>		<b>(24,121)</b>	<b>(24,123)</b>	<b>2</b>	<b>-</b>	<b>(2)</b>	<b>-</b>	<b>(24,121)</b>	-	0.0%	breakeven
<b>NET EXPENDITURE</b>	<b>63,689</b>	<b>2,058</b>	<b>65,747</b>	<b>66,591</b>	<b>(844)</b>	<b>411</b>	<b>-</b>	<b>433</b>	<b>65,747</b>	-	-	<b>breakeven</b>

Client Group	Annual Budget £000's	Draw Down from Recurring Budget Allocation £000's	Revised Budget £000's	Projection to Year End £000's	Variance £000's	Earmarked Reserves £000's	In-Year Non- recurring Budget Virement £000's	Draw Down from General Reserves held by Renfrewshire Council £000's	Adjusted Year End Projection £000's	Revised Variance		
										£000's	%	
Older People	42,355	1,608	43,963	44,953	(990)	399	158	433	43,963	-	0.0%	breakeven
Physical or Sensory Difficulties	6,661	225	6,886	6,820	66	-	(66)		6,886	-	0.0%	breakeven
Learning Difficulties	12,474	225	12,699	12,570	129	12	(141)		12,699	-	0.0%	breakeven
Mental Health Needs	1,521		1,521	1,599	(78)	-	78		1,521	-	0.0%	breakeven
Addiction Services	678		678	649	29	-	(29)		678	-	0.0%	breakeven
<b>NET EXPENDITURE</b>	<b>63,689</b>	<b>2,058</b>	<b>65,747</b>	<b>66,591</b>	<b>(844)</b>	<b>411</b>	<b>-</b>	<b>433</b>	<b>65,747</b>	-	-	<b>breakeven</b>

Projected Year End Budget Position is a breakeven

Funding Available to be Drawn Down throughout 2018/19				
Funding Type:	Opening Balance 2018/19	Draw Down 2018/19	Estimated Draw Down 2018/19	Closing Balance 2018/19
Recurring Budget (held by Council)	£1,904,916	-£1,904,860		£56
Earmarked Reserves	£488,000		-£411,000	£77,000
Non-Recurring Reserves held on behalf of IJB	£1,655,916		-£433,478	£1,222,438
Ringfenced Carers Budget	£646,000	-£153,623		£492,377
	<b>£4,694,832</b>	<b>-£2,058,483</b>	<b>-£844,478</b>	<b>£1,791,871</b>



## Appendix 4

### Health Revenue Budget Position 1st April 2018 to 30th November 2018

Subjective Heading	Year to Date Budget £000's	Adjustment to Budget in line with Annual Accounts £'000's	In-year Adjustment to Budget £000's	Revised Year to Date Budget £000's	Year to Date Actual £000's	Year to Date Variance £000's	Adjustment to Reserves £000's	Adjusted Year to Date Actual £000's	Revised Variance		
									£000's	%	
Employee Costs	29,934	-	325	30,259	28,977	1,282	(387)	29,364	895	3.0%	underspend
Property Costs	5	-	5	11	37	(26)	-	37	(26)	-493.8%	overspend
Supplies and Services	13,416	(9,613)	926	4,729	4,806	(78)	(77)	4,883	(155)	-1.2%	overspend
Purchase Of Healthcare	1,644	-	-	1,644	1,668	(24)	-	1,668	(24)	-1.5%	overspend
Resource Transfer	11,248	(11,713)	465	(0)	-	(0)	-	-	(0)	0.0%	breakeven
Family Health Services	52,740	-	1,781	54,521	54,743	(222)	-	54,743	(222)	-0.4%	overspend
Set Aside	19,976	-	336	20,312	20,312	-	-	20,312	-	0.0%	breakeven
<b>Gross Expenditure</b>	<b>128,963</b>	<b>(21,326)</b>	<b>3,838</b>	<b>111,475</b>	<b>110,543</b>	<b>932</b>	<b>(464)</b>	<b>111,007</b>	<b>468</b>	<b>0.4%</b>	<b>underspend</b>
Income	(2,256)	-	(168)	(2,424)	(2,422)	(2)	-	(2,422)	(2)	0.0%	breakeven
<b>NET EXPENDITURE</b>	<b>126,707</b>	<b>(21,326)</b>	<b>3,670</b>	<b>109,051</b>	<b>108,121</b>	<b>930</b>	<b>(464)</b>	<b>108,585</b>	<b>466</b>	<b>0.37%</b>	

Care Group	Year to Date Budget £000's	Adjustment to Budget in line with Annual Accounts £'000's	In-year Adjustment to Budget £000's	Revised Year to Date Budget £000's	Year to Date Actual £000's	Year to Date Variance £000's	Adjustment to Reserves £000's	Adjusted Year to Date Actual £000's	Revised Variance		
									£000's	%	
Addiction Services	1,790	-	13	1,803	1,535	268	-	1,535	268	15.0%	underspend
Adult Community Services	6,566	-	(405)	6,161	6,220	(59)	-	6,220	(59)	-0.9%	Overspend
Children's Services	3,491	-	111	3,602	3,300	302	-	3,300	302	8.7%	underspend
Learning Disabilities	721	-	2	723	696	27	(87)	783	(60)	-8.3%	Overspend
Mental Health	12,371	-	82	12,453	12,518	(65)	-	12,518	(65)	-0.5%	Overspend
Mental Health - Action 15	-	-	47	47	12	35	(35)	47	-	0.0%	Breakeven
Hosted Services	7,148	-	56	7,204	6,984	220	-	6,984	220	3.1%	underspend
Prescribing	23,535	-	-	23,535	23,746	(211)	-	23,746	(211)	-0.9%	Overspend
Gms	13,758	-	1,058	14,816	14,816	-	-	14,816	-	0.0%	Breakeven
Other	13,944	-	722	14,666	14,666	-	-	14,666	-	0.0%	Breakeven
Planning & Health Improvement	711	-	(35)	676	651	25	-	651	25	3.5%	underspend
Administration & Management	1,483	-	1,018	2,501	2,460	41	7	2,453	48	3.2%	underspend
Primary Care Improvement Prog	353	-	199	552	204	348	(349)	553	(1)	0.0%	Breakeven
Resource Transfer	12,577	(13,043)	465	(1)	-	(1)	-	-	(1)	0.0%	Breakeven
Veterans	114	(114)	-	-	-	-	-	-	-	0.0%	Breakeven
Social Care Fund	8,169	(8,169)	-	-	-	-	-	-	-	0.0%	Breakeven
Set Aside	19,976	-	337	20,313	20,313	-	-	20,313	-	0.0%	Breakeven
<b>NET EXPENDITURE</b>	<b>126,707</b>	<b>(21,326)</b>	<b>3,670</b>	<b>109,051</b>	<b>108,121</b>	<b>930</b>	<b>(464)</b>	<b>108,585</b>	<b>466</b>	<b>0.37%</b>	





## Appendix 5

### Health Revenue Budget Position 1st April 2018 to 31st March 2019

Subjective Heading	Annual Budget £'000	Adjustment to Budget in line with Annual Accounts £'000's	In year Adjustments £000's	Revised Budget £'000	Projected to Year End £'000	Variance £'000	Projected	Adjustment to Reserves £'000	Adjusted Projection to Year End £'000	Revised Variance		
										£'000s	%	
Employee Costs	45,758		488	46,246	44,325	1,921		(581)	44,906	1,340	2.9%	underspend
Property Costs	8		8	16	55	(39)		-	55	(39)	-243.8%	Overspend
Supplies and Services	19,906	(14,419)	1,389	6,876	6,990	(114)		(115)	7,105	(229)	-3.3%	Overspend
Purchase Of Healthcare	2,466			2,466	2,502	(36)			2,502	(36)	-1.5%	Overspend
Resource Transfer	16,872	(17,570)	698	-	-	-		-	-	-	0.0%	Breakeven
Family Health Services	79,108		2,671	81,779	82,115	(336)		-	82,115	(336)	-0.4%	Overspend
Set Aside	29,964		504	30,468	30,468	-		-	30,468	-	0.0%	Breakeven
<b>Gross Expenditure</b>	<b>194,082</b>	<b>(31,989)</b>	<b>5,758</b>	<b>167,851</b>	<b>166,455</b>	<b>1,396</b>		<b>(696)</b>	<b>167,151</b>	<b>700</b>	<b>0.4%</b>	<b>underspend</b>
Income	(3,384)		(252)	(3,636)	(3,636)	-			(3,636)	1	0.0%	Breakeven
<b>NET EXPENDITURE</b>	<b>190,698</b>	<b>(31,989)</b>	<b>5,506</b>	<b>164,215</b>	<b>162,819</b>	<b>1,396</b>		<b>(696)</b>	<b>163,515</b>	<b>700</b>	<b>0.37%</b>	

Care Group	Annual Budget £'000	Adjustment to Budget in line with Annual Accounts £'000's	In year Adjustments £000's	Revised Budget £'000	Projected to Year End £'000	Variance £'000	Adjustment to Reserves £'000	Adjusted Projection to Year End £'000	Revised Variance		
									£'000s	%	
Addiction Services	2,684		20	2,704	2,301	403	-	2,301	403	14.9%	underspend
Adult Community Services	9,849		(608)	9,241	9,330	(89)	-	9,330	(89)	-1.0%	Overspend
Children's Services	5,236		167	5,403	4,947	456	(131)	5,078	325	6.0%	underspend
Learning Disabilities	1,082		3	1,085	1,044	41		1,044	41	3.8%	underspend
Mental Health	18,556		123	18,679	18,778	(99)	-	18,778	(99)	-0.5%	Overspend
Mental Health-Action 15	261		71	332	279	53	(53)	332	-	0.0%	Breakeven
Hosted Services	10,722		84	10,806	10,476	330	-	10,476	330	3.0%	underspend
Prescribing	35,302			35,302	35,622	(320)	-	35,622	(320)	-0.9%	Overspend
Gms	20,637		1,587	22,224	22,224	-	-	22,224	-	0.0%	Breakeven
Other	20,916		1,084	22,000	22,000	(0)	-	22,000	(0)	0.0%	Breakeven
Planning & Health Improvement	1,067		(53)	1,014	977	37	-	977	37	3.6%	underspend
Administration & Management	2,225		1,527	3,752	3,690	62	11	3,679	73	2.0%	underspend
Primary Care Improvement Prog	906		299	1,205	683	522	(523)	1,206	(1)	-0.1%	Overspend
Resource Transfer	18,866	(19,564)	698	(0)	-	(0)	-	-	(0)	0.0%	Breakeven
Veterans	171	(171)		0	-	0		-	0	100.0%	Breakeven
Social Care Fund	12,254	(12,254)		-	-	-	-	-	-	0.0%	Breakeven
Set Aside	29,964		504	30,468	30,468	-	-	30,468	-	0.0%	Breakeven
NET EXPENDITURE	190,698	(31,989)	5,506	164,215	162,819	1,396	(696)	163,515	700	1	

**Note 1:** Adjustments to budget to reflect year end accounting treatment whereby expenditure is incurred in Adult Social Budget: Social Care Fund £12.254m; Resource transfer £19.564m; Veterans Monies £0.171m

**Note 2:** Please refer to Budget Reconciliation for in year adjustments

#### For Information

- Adult Community Services includes: District and Out of Hours Nursing; Rehabilitation Services and Equipu
- Children's Services includes: Community Services-School Nursing and Health Visitors; Specialist Services-CAMHS and SLT
- GMS = costs associated with GP services in Renfrewshire
- Other = costs associated with Dentists, Pharmacists, Optometrists
- Hosted Services = board wide responsibility for support to GP's for areas such breast and bowel screening. Also included board wide responsibility for Podiatry
- Other Services = Business Support staff; Admin related costs, hotel services and property related costs such as rent



**2018/19 Adult Social Care Financial Allocation to Renfrewshire HSCP**

	£k
2018/19 Renfrewshire HSCP Opening Budget:	63,690.0
	<b>63,690.0</b>
<b><u>Budget Adjustments Posted in Period 6</u></b>	
18/19 Vehicle Insurance Budget Realignment	-0.8
<b>Adult Social Care Budget as at P8</b>	<b>63,689.2</b>



<b>2018/19 Health Financial Allocation to Renfrewshire HSCP</b>	
	<b>£k</b>
2017/18 Renfrewshire HSCP Closing Budget:	165,010.6
Add: Set Aside	29,964.0
<b>less:</b> non recurring budgets (allocated annually)	-4,046.3
<b>less:</b> Budget Adjustments*	
SCF	-12,254.0
Veterans	-171.0
RT	-18,866.0
= base budget rolled over	<b>159,637.3</b>
<b>Additions:</b>	
1.5% Uplift	1,751.0
Children's Service Collaboration Fees - Fostering Reports	31.9
Podiatry Budgets from Inverclyde	123.5
GP Income Budgets to Facilities	370.0
	<b>2,276.4</b>
<b>Reductions:</b>	
Savings Legacy	-519.0
GMS ADJ 1819 (*GMS = costs associated with GP services in Renfrewshire)	-2,294.4
	<b>-2,813.4</b>
<b>Non-Recurring:</b>	
Consultant Arrears	34.5
Protection Cost - EMI HCA Displaced through redeployment	2.4
	<b>36.9</b>
<b>Budget allocated as per 2018/19 Financial Allocation 31st May 2018</b>	<b>159,137.2</b>
<b>Budget Adjustments posted in month 3</b>	
<b>Additions:</b>	
Income for building maintenance - Accommodation	2.3
	<b>2.3</b>
<b>Non-Recurring:</b>	
Primary Care Improvement Programme	904.6
MH Action 15	261.5
EMIS staff transfer PC Screening from Board	81.0
	<b>1,247.1</b>
<b>Health Budget as reported @ 30th June 18</b>	<b>160,386.5</b>
<b>Budget Adjustments posted in month 4</b>	
<b>Reductions:</b>	
Prescribing	-1,151.4
	<b>-1,151.4</b>
<b>Non-Recurring:</b>	
Veterans	171.4
	<b>171.4</b>
<b>Health Budget as reported @ 31st July 18</b>	<b>159,406.5</b>
<b>Budget Adjustments posted in month 5</b>	
<b>Non-Recurring:</b>	
ADP Funding	577.3
	<b>577.3</b>
<b>Health Budget as reported @ 31st August 18</b>	<b>159,983.8</b>
<b>Budget Adjustments posted in month 6</b>	
<b>Additions:</b>	
Additional Pay Award	640.2
GMS Adjustment	1,587.0
SESP Nurse: Pay award. Post transferred from board	3.2
	<b>2,230.4</b>
<b>Non-Recurring:</b>	
SESP Funding: Posts with Adult comm Care, Hosted services and PHI	338.8
Modern Apprentice	3.6
	<b>342.4</b>
<b>Health Budget as reported @ 30th September 18</b>	<b>162,556.6</b>
<b>Budget Adjustments posted in month 7</b>	
<b>Additions:</b>	
Adjustment to Set Aside Budget	504.0
	<b>504.0</b>
<b>Reductions:</b>	
Smoking Cessation transferred to the Board	-65.2
	<b>-65.2</b>
<b>Non-Recurring:</b>	
Funding for Syrian Refugees	8.1
Adjustment to GMS - Match to Expenditure	1,084.3
Transfer of SESP Budget for East Ren - Service provision ceased	20.2
	<b>1,112.6</b>
<b>Health Budget as reported @ 31st October 2018</b>	<b>164,108.1</b>
<b>Budget Adjustments posted in month 8</b>	
<b>Additions:</b>	
CAMCHP56 PC Medical - To support GP Subcommittees	35.0
	<b>35.0</b>
<b>Reductions:</b>	
Primary Care Support - Transfer of budget for Nurses -Rent of Rooms	-26.8
	<b>-26.8</b>
<b>Non-Recurring:</b>	
Transfer to Resource Transfer Budget - To fund inflationary Rise	-698.2
Primary Care Support - Transfer of budget for Nurses -Rent of Rooms	-2.3
PCIP Tranche 2 Funding	299.0
Action 15 - Mental Health	71.0
Mental Health Bundle Funding - CAMHS Innovation Fund	290.0
Funding for Syrian Refugees	7.2
Funding for September 2018 Health Visiting intake	131.0
	<b>97.7</b>
<b>Health Budget as reported @ 30th November 2018</b>	<b>164,214.0</b>



**Projected Movement in Reserves**

<b>Earmarked Reserves</b>	<b>Opening Position 2018/19 £000's</b>	<b>Amounts Drawn Down in 2018/19</b>	<b>Projected New Reserves</b>	<b>Closing Position 2018/19 £000's</b>	<b>Movement in Reserves in 2018/19</b>
PCTF Monies Allocated in 16/17 and 17/18 for Tests of Change and GP Support	438	-11	523	950	512
GP Premises Fund - Renfrewshire share of NHSGGC funding for GP premises improvement	414			414	0
Primary Care Transformation Fund Monies	39			39	0
District Nurse 3 year Recruitment Programme	150			150	0
Prescribing	450			450	0
Funding to Mitigate Any Shortfalls in Delivery of Approved Savings in 18/19	339			339	0
Health Visiting	181		131	312	131
Tannahill Diet and Diabetes Pilot Project	17			17	0
Mental Health Action 15			53	53	53
<b>TOTAL Delegated Health Ear Marked Reserves</b>	<b>2,028</b>	<b>-11</b>	<b>707</b>	<b>2,724</b>	<b>696</b>
Care @ Home Redesign/Locality Services Redesign Associated Costs	399	-399		0	-399
Costs Associated With Additional Set Up Costs For Specific Planned Placement	35			35	0
ICT Swift Update Costs	50	-12		38	-12
<b>TOTAL Adult Social Care Ear Marked Reserves</b>	<b>484</b>	<b>-411</b>	<b>0</b>	<b>73</b>	<b>-411</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>2,512</b>	<b>-422</b>	<b>707</b>	<b>2,797</b>	<b>285</b>

<b>General Reserves</b>	<b>Opening Position 2018/19 £000's</b>	<b>Amounts Drawn Down in 2018/19</b>	<b>Projected New Reserves</b>	<b>Closing Position 2018/19 £000's</b>	<b>Movement in Reserves in 2018/19</b>
Renfrewshire HSCP - Health delegated budget under spend carried forward	930			930	0
<b>TOTAL GENERAL RESERVES</b>	<b>930</b>	<b>0</b>	<b>0</b>	<b>930</b>	<b>0</b>

<b>OVERALL RESERVES POSITION</b>	<b>3,442</b>	<b>-422</b>	<b>707</b>	<b>3,727</b>	<b>285</b>
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Chief Executives, NHS Scotland

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

***Issued via email***

Our Ref: A22950623

12 December 2018

Dear Chief Executives

**Budget 2019-20 – Indicative Allocation**

Following the announcement of the Scottish Government's Budget for 2019-20 by the Cabinet Secretary for Finance, Economy and Fair Work in Parliament today, I am writing to provide details of the funding settlement for Health Boards. A breakdown of the total is provided in the annex to this letter.

A central component of the Portfolio settlement and approach taken is that the Budget will support the delivery of the core priorities set out in the Programme for Government, which focus on; waiting times improvement, investment in mental health and delivering greater progress and pace in the integration of health and social care, as well as evidencing a further shift in the balance of spend to mental health and to primary, community and social care.

**Baseline Funding**

Territorial Boards will receive a minimum baseline uplift of 2.5%, which includes funding for the 2019-20 pay award. In addition to this, those Boards furthest from NRAC parity will receive a share of £23 million, which will continue to mean that no Board is further than 0.8% from NRAC parity in 2019-20.

The four patient facing National Boards, (Scottish Ambulance Service, NHS 24, Golden Jubilee Foundation and The State Hospital) will each receive a minimum uplift of 1.7%, including funding for the 2019-20 pay award. In addition, the Scottish Ambulance Service will receive a further £6 million to support the implementation of their strategy. NHS National Services Scotland, Healthcare Improvement Scotland, NHS Education for Scotland and NHS Health Scotland will receive funding for the 2019-20 pay award.

The National Board savings requirement of £15 million is reflected in opening budgets, with final amendments to be agreed before the start of the financial year.

## Investment in Improving Patient Outcomes

In addition to the baseline funding uplift, a total of £392 million will be invested in reforming service delivery in 2019-20, as set out below:

Improving patient outcomes	2018-19 (£m)	2019-20 (£m)	Increase for 2019-20 (£m)
Primary Care	120	155	35
Waiting Times Improvement	56	146	90
Mental Health and CAMHS	47	61	14
Trauma Networks	10	18	8
Cancer	10	12	2
<b>TOTAL</b>	<b>243</b>	<b>392</b>	<b>149</b>

When combining the £149 million increase in investment in reform with an increase of £281 million in baseline funding for frontline NHS Boards, the total additional funding for frontline NHS Boards will amount to £430 million (4.2 per cent) in 2019-20. Further detail is set out in the annex to this letter.

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

### Core Areas of Investment

#### Primary Care

Investment in the Primary Care Fund will increase to £155 million in 2019-20. This will support the transformation of primary care by enabling the expansion of multidisciplinary teams for improved patient care, and a strengthened and clarified role for GPs as expert medical generalists and clinical leaders in the community.

#### Waiting Times Improvement Plan

Investment of £146 million will be provided to support delivery of the trajectories set out in the Waiting Times Improvement Plan. Up to £40 million will be accelerated into 2018-19 to allow Boards to support immediate priorities.

#### Mental Health and CAMHS

To support the mental health strategy, in 2019-20 a further £14 million will be invested which will go towards the commitment to increase the workforce by an extra 800 workers; for transformation of CAMHS; and to support the recent Programme for Government commitments on adult and children's mental health services. In order to maximise the contribution from this direct investment, this funding is provided on the basis that it is in addition to a real terms increase in existing 2018-19 spending levels by NHS Boards and Integration Authorities. This means that funding for 2019-20 must be at least 1.8% greater than the recurrent budgeted allocations in 2018-19 plus £14 million. Directions regarding the use of £14 million will be issued in year.

#### Trauma Networks

This funding will increase by £8 million to £18 million, taking forward the implementation of the major trauma networks.

#### Cancer

This reflects continued investment in the £100 million cancer strategy.

## Health and Social Care Integration

In 2019-20, NHS payments to Integration Authorities for delegated health functions must deliver a real terms uplift in baseline funding, before provision of funding for pay awards, over 2018-19 cash levels.

In addition to this, and separate from the Board Funding uplift, will be two elements of funding for Social Care:

- £120 million will be transferred from the Health Portfolio to the Local Authorities in-year for investment in integration, including delivery of the Living Wage and uprating free personal care, and school counselling services; and
- £40 million has been included directly in the Local Government settlement to support the continued implementation of the Carers (Scotland) Act 2016 and extending free personal care to under 65s, as set out in the Programme for Government.

This funding is to be additional to each Council's 2018-19 recurrent spending on social care and not substitutional. This means that, when taken together, Local Authority social care budgets for allocation to Integration Authorities (plus those retained for non-delegated social care functions) and funding for school counselling services must be £160 million greater than 2018-19 recurrent budgets.

The system reform assumptions in the Health and Social Care Medium Term Financial Framework include material savings to be achieved from reducing variation in hospital utilisation across partnerships. Planning across the whole unplanned care pathway will be key to delivering this objective and partnerships must ensure that by the start of 2019-20, the set aside arrangements are fit for purpose and enable this approach. The Scottish Government will work with Integration Authorities, Health Boards and Local Authorities to ensure the legislation and statutory guidance on hospital specialties delegated to Integration Authorities, particularly in relation to set aside budgets, is put into practice. This does not change the balance of risk and opportunity for this objective, which remains shared between Integration Authorities and Health Boards and can only be delivered in partnership, but it recognises the lead role of the Integration Authority in planning for the unscheduled care pathway set out in the legislation.

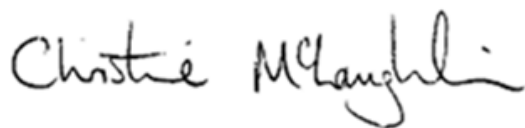
### Capital Funding

We will continue to prioritise funding for existing commitments and Boards should assume an unchanged initial capital formula allocation.

### 3 Year Financial Plan

We will shortly set out the requirements for the three year planning and performance cycle. This will set out a number of principles to be delivered in relation to finance and wider performance.

Yours sincerely



**CHRISTINE MCLAUGHLIN**

Director of Health Finance, Corporate Governance and Value  
Scottish Government



## Annex – Board Funding Uplifts

	Total 2018-19 Allocation £m	Baseline uplift £m	Uplift (exc 18-19 pay) £m	Uplift (exc 18-19 pay) %	NRAC & National Board adjs £m	2019-20 Total allocation £m	Total uplift (exc 18-19 pay) %
<b>NHS Territorial Boards</b>							
Ayrshire and Arran	695.3	24.1	17.8	2.6%	0.6	720.0	2.6%
Borders	200.7	7.0	5.1	2.6%	0.0	207.7	2.6%
Dumfries and Galloway	289.3	9.8	7.3	2.5%	0.0	299.1	2.5%
Fife	637.0	22.2	16.4	2.6%	2.2	661.4	2.9%
Forth Valley	507.1	17.7	13.1	2.6%	2.2	527.0	3.0%
Grampian	921.1	32.6	23.9	2.6%	4.2	957.9	3.1%
Greater Glasgow and Clyde	2,155.7	75.4	55.6	2.6%	0.0	2,231.2	2.6%
Highland	604.7	21.0	15.5	2.6%	1.8	627.5	2.9%
Lanarkshire	1,156.8	40.4	29.8	2.6%	2.2	1,199.3	2.8%
Lothian	1,385.1	48.7	35.8	2.6%	7.7	1,441.5	3.1%
Orkney	48.0	1.6	1.2	2.5%	0.0	49.6	2.5%
Shetland	49.0	1.6	1.2	2.5%	0.0	50.6	2.5%
Tayside	735.2	25.6	18.9	2.6%	2.1	762.9	2.8%
Western Isles	73.4	2.4	1.8	2.5%	0.0	75.7	2.5%
	<b>9,458.4</b>	<b>330.2</b>	<b>243.4</b>	<b>2.6%</b>	<b>22.9</b>	<b>9,811.4</b>	<b>2.8%</b>
<b>NHS National Boards</b>							
National Waiting Times Centre	54.0	2.3	1.3	2.5%	-2.1	54.2	-1.4%
Scottish Ambulance Service	241.0	9.2	4.4	1.8%	9.6	259.9	5.8%
The State Hospital	34.8	0.9	0.6	1.7%	-0.3	35.3	0.7%
NHS 24	66.4	2.4	1.5	2.2%	-0.2	68.6	1.8%
NHS Education for Scotland	423.4	6.5	0.5	0.1%	-4.0	425.9	-0.8%
NHS Health Scotland	18.3	0.4	0.2	1.1%	-0.4	18.3	-1.1%
NHS National Services Scotland	332.3	12.8	10.3	3.1%	-6.7	338.5	1.1%
Healthcare Improvement Scotland	24.7	0.4	0.2	0.8%	-0.3	24.9	-0.3%
	<b>1,194.9</b>	<b>35.1</b>	<b>19.1</b>	<b>1.6%</b>	<b>-4.5</b>	<b>1,225.6</b>	<b>1.2%</b>
<b>Total NHS Boards</b>	<b>10,653.3</b>	<b>365.3</b>	<b>262.5</b>	<b>2.5%</b>	<b>18.4</b>	<b>11,037.0</b>	<b>2.6%</b>
<b>Improving Patient Outcomes</b>	<b>243.0</b>	<b>149.0</b>	<b>149.0</b>	<b>-</b>	<b>-</b>	<b>392.0</b>	<b>-</b>
<b>Total Frontline NHS Boards*</b>	<b>10,097.5</b>	<b>494.0</b>	<b>400.2</b>	<b>3.9%</b>	<b>29.9</b>	<b>10,621.4</b>	<b>4.2%</b>

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





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Appendix 10

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Copy to: The Leaders of all Scottish local  
authorities

12 December 2018

Today I set out the Scottish Government's draft spending and tax plans for 2019-20. Further to my announcement I write now to confirm the details of the local government finance settlement for 2019-20.

As agreed with COSLA, details of the indicative allocations to individual local authorities for 2019-20 will be formally published on 17 December in a Local Government Finance Circular.

This settlement takes into account the fact that the finances I have at my disposal are constrained by continuing UK Government policies that do not meet Scotland's needs. Even after the additional Health consequential and other non-Barnett allocations in 2019-20 announced as part of the 2018 UK Budget, Scotland's fiscal resource block grant is still almost £2.0 billion (6.9%) lower in real terms than it was in 2010-11.

If the consequential for investment in the NHS are excluded, this year's block grant would be £340 million or 1.3% less in real terms than it was last year.

Nobody should understate the real financial challenges that has posed and the tough and difficult decisions that means for us, both collectively and individually. Despite that, I am absolutely clear that the Budget plans I have announced are ambitious for Scotland and continue to be targeted at providing value for tax payers and support our vital public services.

The total revenue funding to be provided through the settlement for 2019-20 will be £9,987 million, which includes distributable non-domestic rates incomes of £2,853 million.

The core Capital funding is set at £759 million but with the inclusion of the continuing expansion of Early Years provision, the addition of an extra £50 million Town Centre Fund and the repayment of the reprofiled capital this increases the Capital funding within the settlement to £1,084 million.





The total funding which the Scottish Government will provide to local government in 2019-20 through the settlement is therefore £11,071 million. This includes;

- Baselining from 2019-20 of the full £170 million additional revenue investment announced earlier this year at Stage 1 of the Budget Bill for 2018-19;
- An additional £210 million revenue and £25 million capital to support the expansion in funded Early Learning and Childcare (ELC) entitlement to 1,140 hours by 2020;
- In addition to the £66 million baselined provision from 2018-19, a further £40 million is included to support expansion of Free Personal and Nursing Care for under 65s, as set out in the Programme for Government, and implementation of the Carers Act;
- £120 million to be transferred from the health portfolio to the Local Authorities in-year for investment in integration, including delivery of the Living Wage and uprating free personal care, and includes £12 million for school counselling services;
- The ongoing additional £88 million to maintain the pupil teacher ratio nationally and secure places for all probationers who require one under the teacher induction scheme;
- An indicative allocation of £3.3 million for Barclay implementation costs;
- Repayment in full of the reprofiled £150 million capital funding; and
- A new £50 million Town Centre Fund to enable local authorities to stimulate and support place-based economic improvements and inclusive growth through a wide range of investments which contribute to the regeneration and sustainability of town centres.

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

For 2019-20, local authorities will continue to have the flexibility to increase Council Tax by up to a maximum of 3%. This local discretion will preserve the financial accountability of local government, whilst also potentially generating around £80 million to support services.

The revenue allocation, including the additional resources to meet our commitments on the expansion of Early Years and support for social care and mental health, delivers a real terms increase for local government for 2019-20 compared to 2018-19. Taken together with the additional spending power that comes with the flexibility to increase Council Tax (worth around £80 million next year) the total funding (revenue and capital) delivers a real-terms increase in the overall resources to support local government services of £289 million or 2.7%.

The total additional funding of £160 million allocated to Health and Social Care and Mental Health is to be additional to each Council's 2018-19 recurrent spending on social care and not substitutional. It means that, when taken together, Local Authority social care budgets for allocation to Integration Authorities (plus those retained for non-delegated social care functions) and funding for school counselling services must be £160 million greater than 2018-19 recurrent budgets.

In addition to this, the Scottish Government will work with Integration Authorities, Health Boards and Local Authorities to ensure the legislation and statutory guidance on hospital specialties delegated to Integration Authorities, particularly in relation to set aside budgets, is put into practice.



We will also continue to take forward our ambitious programme of educational reform that will deliver an education system led by communities, schools and teachers. The Scottish Government, in partnership with local authorities, will empower schools to make key decisions over areas such as the curriculum, budgets and staffing. In recognising that teachers are central to achieving our ambition of delivering excellence and equity in Scottish education we will continue to commit an overall funding package of £88 million in the local government finance settlement to support both maintaining the pupil teacher ratio at a national level and ensuring that places are provided for all probationers who require one under the teacher induction scheme. We recognise that discussions on teachers' pay are on-going through the tri-partite Scottish Negotiating Committee for Teachers and any additional allocation to fund a negotiated agreement will require to be agreed.

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

The Scottish Government remains committed to a competitive non-domestic rates regime, underlined by the proposals outlined in this Scottish Budget. The poundage in Scotland has been capped below inflation at 49 pence, a 2.1 per cent increase, ensuring over 90 per cent of properties in Scotland pay a lower poundage than they would in other parts of the United Kingdom.

I believe that the outcome of the financial settlement for local government, presented in the measures set out in this letter, is the best that could be achieved in the circumstances and continues to provide a fair settlement to enable local authorities to meet our priorities of inclusive economic growth and investment in our vital health and social care and education services.



DEREK MACKAY