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Agenda Item: 9.

## **Integration Joint Board**

Date of Meeting: 9 April 2020.

Subject: Integration Joint Board Budget for 2020/21.

### **1. Summary**

1.1. This report illustrates the funding allocations to the Integration Joint Board (IJB) from NHS Orkney (NHSO) and Orkney Islands Council (OIC) within which the Joint Strategic Commissioning Implementation Plan 2020/21 should be delivered.

### **2. Purpose**

2.1. To present the funding allocation from NHSO and OIC for financial year 2020/21.

### **3. Recommendations**

The Integration Joint Board is invited to:

3.1. Note that, the IJB is hoping to achieve a break-even position for financial year 2019/20 although the year end has not yet been completed so is subject to change.

3.2. Note that a significant savings target, in the sum of £4.2 million, has been applied from both partners, to be achieved within the next three financial years.

3.3. Note the rapidly developing situation in response to the COVID 19 pandemic, which may result in a need to consider emergency budget measures as part of the additional costs this will incur.

3.4. Note that further work is required in respect of unscheduled care, in order to assess compliance with the six steps detailed at section 5.12.2 of this report.

3.5. Determine whether to approve the budget for financial year 2020/21 as illustrated in section 9.1 of this report, taking into consideration the significant savings target applied for financial years 2020/21 to 2022/23.

## **4. Background**

4.1. Within the Integration Scheme it states that OIC and NHSO shall establish a core baseline budget for each function and service that is delegated to the Integration Joint Board (IJB) to form an integrated budget.

4.2. The budgets shall be based on recurring baseline budgets plus anticipated non-recurring funding for which there is a degree of certainty for each of the functions delegated to the IJB and shall take account of any applicable inflationary uplift, planned efficiency savings and financial strategy assumptions.

4.3. Inpatient hospital services/budgets provided within the Balfour Hospital and capacity in the designated specialities used in hospitals located in other Health Boards will form the set-aside portion of the hospital budget.

4.4. The funding available to the IJB shall be dependent on the funding available to NHSO and OIC and the corporate priorities of both.

4.5. The IJB will produce a Strategic Commissioning Implementation Plan (SCIP) for the use of these resources and give direction and payment to NHSO and OIC for delivery of services in line with the SCIP.

4.6. The total budgets for the functions delegated to the IJB should be allocated prior to the start of each financial year, including the budgets for acute services advised as an unplanned admissions sum.

4.7. The Board receives a formal report on a quarterly basis in regard to revenue expenditure monitoring which informs members of the up to date position.

4.8. Any potential deviation from a break even position should be reported to the Board, OIC and NHSO at the earliest opportunity.

4.9. Where it is forecast that an overspend shall arise a financial recovery plan is prepared setting out how a breakeven position will be achieved. This requires to be approved by the Board. Where an in-year recovery cannot be achieved then a recovery plan that extends into the next year should be presented, effectively carrying forward the overspend and setting out how a break-even position will be achieved over a period of time beyond the current year. This requires the approval of OIC and NHSO in addition to the Board.

4.10. Where such recovery plans are unsuccessful and an overspend occurs at the financial year end, and there are insufficient reserves to meet the overspend, then the partners will be required to make additional payments to the Board. Any additional payments by OIC and NHSO may then be deducted from future years funding/payments. OIC and NHSO may opt to make any additional payments to the Board at any time, as they see fit and need not require repayment.

## **5. Current Position**

5.1. This report sets out the implications of the Scottish Government budget for 2020/21, which was approved on 5 March 2020 and provides members with an overview of the IJB's anticipated budget allocation for 2020/21.

5.2. Despite the delay to the UK budget setting, the Scottish Government chose to publish its own draft budget ahead of the UK, based on announcements already made by the UK Government.

5.3. However, as this was in advance of the UK budget there was, therefore, a degree of uncertainty regarding the spending commitments outlined within the Scottish Budget. It was recognised by the Scottish Government, that, if the UK budget announcement differed materially from the assumptions made by the Scottish Government, the funding and spending commitments set out in their budget may have to be reconsidered.

5.4. In 2018, the Scottish Government published its first Medium Term Financial Strategy (MTFS) with a commitment to provide three-year funding settlements from 2020/21 onwards. The MTFS set out the Government's financial assessment of the funding required to deliver on its key policies over this parliamentary period. It also highlighted that the overall outlook is for little growth through to 2022/23. Based on this, it is therefore likely that in the medium term, public finances in Scotland are likely to remain challenging and subject to further year on year reductions.

5.5. However, similar to 2019/20, the Scottish Government has not provided detailed spending plans beyond their budget for 2020/21. Their intention to provide multi-year finance settlements from 2020/21 has been delayed due to the postponement of the UK Government comprehensive spending review, which is unlikely to happen until later this year. It is therefore unlikely that the Scottish Government will commit to multi-year budgets until a similar forecast is provided at a UK level. This clarity would enable the IJB to plan over the medium term with a greater degree of financial certainty in respect of annual uplifts etc. and, adopt a more strategic approach to service re-design and transformation.

5.6. As highlighted in previous budget updates to the IJB, as a large proportion of the Scottish Budget is now driven by devolved tax powers, this brings additional risk to the funding available for public services in Scotland, as the performance of the Scottish economy becomes a key factor in the overall level of resources available to the Scottish Government.

5.7. The economic outlook provided by the Scottish Fiscal Commission (SFC), outlines economic growth in Scotland averaging around 1.0-1.2% over the next 5 years. This anticipated low level of annual growth over a prolonged period, will therefore have a detrimental impact on future tax receipts, which in turn will have an adverse impact on future budget allocations across the public sector in Scotland.

5.8. Demand is rising significantly whilst in real terms, available public spending is reducing. Over the next few years the IJB will require to balance its ambitious commissioning decisions to support change alongside decommissioning decisions that enables NHSO and OIC to deliver year on year efficiencies to sustain priority services.

5.9. Due to financial constraints there is limited scope to try new ways of working or transformation of services without additional investment, whilst still ensuring existing services are maintained. There has been no additional funding in regard to transformation of services whilst maintaining a service for those who would be affected.

5.10. At a meeting with the partners it was agreed that there should be a three-year savings target applied so as this would give the IJB a set figure to work towards over a three-year period. In total there is a savings target of £4.2 million to be achieved by the end of 2022/23. Further details can be found at sections 6.1.9. and 6.2.6.1

5.11. Within the recent Annual Audit Report by Audit Scotland one of the key messages states:

5.11.1. A review of the Integration Scheme was planned for 2018/19 however, it has been delayed. As part of this review the Orkney Integration Joint Board should review section (2.10.7.5) which states that any additional payments paid by partner bodies may be deducted from future years' funding.

There is a risk that this will compound any future funding gap.

5.11.2. Orkney Integration Joint Board's medium-term financial plan 2019-22 identifies a funding gap of approximately £5 million facing the Board by 2022. Work is required to ensure that financial pressures can be addressed. There is a risk that Orkney Integration Joint Board may not be able to deliver the targeted saving in 2019/20 and beyond.

5.11.3. Orkney Integration Joint Board publishes an annual performance report as prescribed by the Public Bodies (Joint Working) (Scotland) Act 2014. The Board also has a duty to make arrangements to secure best value. However, the Orkney Integration Joint Board has not yet reported on its arrangements to secure best value.

5.11.4. NHS Orkney agreed to formally delegate the unscheduled care budget to the Orkney Integration Joint Board in 2018/19. However, to date this has not been undertaken. There is an ongoing risk that set aside in the annual accounts is not being managed by the Orkney Integration Joint Board as expected by legislation.

5.12. Regarding unscheduled care there is an indicative figure received from NHS Orkney of £7.409m. This has not been delegated to the IJB although the IJB must report on the budget and expenditure.

5.12.1. The National Integration Finance Development Group (FDG) has spent time understanding the types of information that is available to enable local systems to manage unscheduled care budgets for planning, monitoring and shifting resources.

5.12.2. The six key steps in the statutory guidance are as follows:

- A group should be established comprising the hospital sector director and finance leads, and the Chief Officers and Chief Finance Officers of the Integration Authorities, whose populations use the hospital services, including those with a material level of cross boundary flow. The purpose of the group is to develop an understanding of the baseline bed capacity used by Integration Authority residents in the delegated specialties and the resource affected; to develop projections and agree a plan for the capacity that will be needed in future; and to monitor implementation of the plan.
- The baseline bed days used by Integration Authority residents in the ten specialties should be quantified and the relevant budgets mapped to the bed capacity. The resulting amounts would then be the baseline sum set aside.
- A method should be agreed for quantifying how the sum set aside will change with projected changes in bed capacity. This should be at two levels of detail: one allowing for the development of outline plans, giving an initial indication of the potential resource implications; and a more comprehensive analysis of agreed changes in capacity, that takes into account cost behaviour and timing of resource changes. Although ultimately left to local decision, the guidance recommends that a similar process to the one successfully used for Learning Disability Same As You (LDSAY) should be used for the more detailed modelling.
- A plan should be developed and agreed that sets out the capacity levels required by each Integration Authority (taking into account both the impact of redesign and of demographic change) and the resource changes entailed by the capacity changes.
- Regular information should be provided to the group to monitor performance against the plan.
- As the plan for hospital capacity is a joint risk held by the Integration Authorities and the Health Board an accountability framework should be agreed that clarifies relevant risk sharing arrangements.

5.12.3 This will need to be progressed within financial year 2020/21 to comply with the legislative requirements.

## **6. Budget Proposals 2020/21**

### **6.1. NHS Orkney**

6.1.1. On 6 February 2020, the Interim Director of Health, Finance and Governance, for the Scottish Government wrote to all NHS Chairs, NHS Directors of Finance, Integration Authority Chief Officers and Integration Authority Chief Finance Officers, setting out the draft budget for 2020/21 for NHS Boards (as attached at Annex 3). This included narrative which set out the expectations that the:

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

6.1.2. The key funding messages outlined in the letter of 6 February 2020 include:

- In 2020/21, NHS payments to Integration Authorities for delegated health functions must deliver an uplift of at least 3% over 2019-20 agreed recurring budgets.
- All Territorial Boards will receive a baseline uplift of 3%.
- Investment in the Primary Care Fund will increase to by £50m to £205 million in 2020/21 to support the implementation of the GP contract and development of new models of primary care, and, includes £10 million to be invested in GP premises.
- Funding of £89 million to be directed to a range of partners for investment to support mental health, and children and young people's mental health.
- Alcohol and drugs: an additional £12.7 million - expected investment by Boards and Integration Authorities to increase by 3% over and above 2019/20 agreed recurring budgets.

6.1.3. The indicative budget from NHS Orkney is based on an 3% uplift on the recurring budget excluding the Cash Limited Dental and Non Cash limited. Further information can be found at Annex 1.

6.1.4. Cash Limited Dental (£1.758m)/ Non Cash Limited (£1.375m) are indicative figures based on the 2019/20 allocation and will be adjusted based on requirements and SG allocations in 2020/21.

6.1.5. Unfortunately, due to the Covid 19 NHSO has been unable to get the budget approved for 2020/21 and therefore the IJB element has not yet been approved by the NHS Board.

6.1.6. At the end of January, it was anticipated that the services commissioned will be in a breakeven position for financial year 2019/20. There is also a holding account/reserves account which at end of Jan had a total of £370,000. Some of this was in relation to earmarked reserves for the Primary Care Improvement Fund and the Alcohol and Drug Partnership. The carry forward figures are unknown at present.

6.1.7. The interim Director of Finance is negotiating with NHS Grampian in regard to the Mental Health Service Level Agreement in regard to the Consultant Psychiatrist.

6.1.8. There will continue to be additional funding received from the Scottish Government to meet various commitments to social and integration needs, including Primary Care improvements plans and Mental Health Action 15. The IJB will need to establish a process to ensure that spending is monitored and in line with the expectations on which the funding was granted. Any additional funding allocations will be transferred once known.

6.1.9. At a budget discussion meeting on 11 December 2019 the interim Director of Finance was tasked to come up with a savings target for OHAC over the three-year period 2020/21 to 2022/23. The assumptions to arrive at the £2.4 million are as follows:

Financial Year.	Amount.
2020/21	£0.8 million
2021/22	£1.2 million.
2022/23	£0.4 million.

6.1.10. There is always a certain amount of uncertainty in regard to allocations due to the fact that financial planning arrangements with Scottish Government are still ongoing nationally.

## 6.2. Orkney Islands Council

6.2.1. OIC presented the Budget and Council Tax Level for 2020/21 to the Policy and Resources Committee on 25 February 2020, which was subsequently approved by Council on 3 March 2020.

6.2.2. The Council's budget uprating assumptions are as follows

<b>Budget Element.</b>	<b>2020 to 2021</b>
Staff Costs.	3.0%
Property Costs.	1.0%
Supplies and Services.	2.0%
Transport Costs.	1.0%
Administration Costs.	1.0%
Third Party Payments.	1.0%
Transfer Payments.	1.0%
Third Sector.	1.0%
Sales.	3.0%
Fees and Charges	3.0%
Other Income	3.0%

6.2.3. The Scottish Government's budget for 2020/21, confirmed that the Health Portfolio will transfer a further £100 million for investment in social care and integration, and for continued support for school counselling services. The additional £100 million for local government includes:

- A contribution to continued delivery of the Living Wage (£25 million).
- Uprating of free personal and nursing care payments (£2.2 million).
- Implementation of the Carers Act in line with the Financial Memorandum of the Carers Bill (£11.6 million).

6.2.4. The cumulative funding gap identified in the Council's Long-Term Financial Plan for the period 2020/21 to 2020/22 is £9,805,000.

6.2.5. The Council accepted an efficiency savings target of £143,700 which was attributed to Social Care. Further information is available at Annex 2.

6.2.6. At a budget discussion meeting on 11 December 2019, the Head of Finance was tasked to come up with a savings target for OHAC over the three-year period 2020/21 to 2022/23.

6.2.6.1. The principal assumptions for the scenario were based on:

- 3% pay award.
- AEF -1% - this is based largely on economic commentaries that suggest that as a non-protected area of the Scottish Government budget, the Local Government settlement will suffer on account of Scottish Government commitments to Police and Fire and NHS.
- If we budget for inflation this has to be paid for through additional savings. Inflation will happen so under this scenario there is a saving required to fund this growth in service budgets.
- The scenario would see the contribution from reserves (Strategic Reserve Fund) reduce from £6.050m by £1.7m to £4.350m.
- Use £0.825M Contingency – the contingency that is available in the 2019/20 financial year would be fed into the base budget in 2020/21.

6.2.6.2. The consequential savings target for the Council under this scenario is £8.946m over the three-year period 2020/21 to 2022/23 with the OHAC share of that being £1.831m. This is equivalent to 20.5% of the saving total which is slightly less than the 23.2% that the OHAC budget of £19.552m makes up of the Council's General Fund budget of £84.1m.

6.2.7. At the end of January, it was anticipated that the services commissioned will have a £29k underspend for financial year 2019/20.

## **7. Covid 19**

7.1. The budget proposals for 2020/21 are presented on the basis of "business as usual", however we now know that this is not the case.

7.2. It must be recognised that extraordinary costs are being incurred and will continue to be incurred for the foreseeable future. For accounting purposes, these costs will be recorded separately, with the assumption that costs will be covered by partners, and ultimately by government.

7.3. A Local Mobilisation Plans Financial Return must be submitted by 11:00 every Thursday to capture the actual and anticipated costs and the interim Director of Finance NHS Orkney is submitting this return.



7.4. COSLA is developing and co-ordinating associated work for its interests. It is therefore important that the “system wide” work being managed via NHS Boards does not overlap, potentially leading to double counting. The social care costs associated with these plans should only include the costs for those services delegated to partnering Integration Authorities.

## 8. Contribution to quality

Please indicate which of the Council Plan 2018 to 2023 and 2020 vision/quality ambitions are supported in this report adding Yes or No to the relevant area(s):

<b>Promoting survival:</b> To support our communities.	Yes.
<b>Promoting sustainability:</b> To make sure economic, environmental and social factors are balanced.	Yes.
<b>Promoting equality:</b> To encourage services to provide equal opportunities for everyone.	No.
<b>Working together:</b> To overcome issues more effectively through partnership working.	Yes.
<b>Working with communities:</b> To involve community councils, community groups, voluntary groups and individuals in the process.	No.
<b>Working to provide better services:</b> To improve the planning and delivery of services.	Yes.
<b>Safe:</b> Avoiding injuries to patients from healthcare that is intended to help them.	Yes.
<b>Effective:</b> Providing services based on scientific knowledge.	Yes.
<b>Efficient:</b> Avoiding waste, including waste of equipment, supplies, ideas, and energy.	Yes.

## 9. Resource implications and identified source of funding

9.1. The proposed budgets for 2020/21 are as follows:

<b>Partner.</b>	<b>Budget. £000.</b>
NHS Orkney.	26,381.
Orkney Islands Council.	20,343.
<b>IJB Baseline Budget 2020/21.</b>	<b>46,724.</b>

9.2. As new allocations become known to Orkney all resources received that relate to the delegated functions will be passed to the IJB as an additional allocation.

## 10. Risk and Equality assessment

10.1. As explained at section 6 there are high financial and economic impacts of COVID-19 which represents a significant additional risk to the IJB, and the wider public sector going forward.

10.2. Demand is rising significantly whilst, in real terms, available public spending is reducing. Within this financial year there have been no decommissioning or transformation of services which will deliver cash savings on a recurring basis.

10.3. Over the next few years the Integration Joint Board will require to balance its ambitious commissioning decisions to support change alongside decommissioning decisions that enables NHSO and OIC to deliver year on year efficiencies to sustain priority services.

10.4. The main “business as usual” significant risk is that there will be a failure to deliver the outcomes of the Strategic Commissioning Implementation Plan in relation to the financial resources that are available. Failure to breakeven within the financial year means the IJB will remain dependent upon additional payments from both partners.

## 11. Direction Required

Please indicate if this report requires a direction to be passed to:

NHS Orkney.	No.
Orkney Islands Council.	No.
Both NHS Orkney and Orkney Islands Council.	No.

## 12. Escalation Required

Please indicate if this report requires escalated to:

NHS Orkney.	No.
Orkney Islands Council.	No.
Both NHS Orkney and Orkney Islands Council.	No.

## 13. Author

13.1. Pat Robinson (Chief Finance Officer), Integration Joint Board.

## 14. Contact details

14.1. Email: [pat.robinson@orkney.gov.uk](mailto:pat.robinson@orkney.gov.uk), telephone: 01856873535 extension 2601.

## **15. Supporting documents**

15.1. Annex 1: NHS Orkney's Budget 2020/21.

15.2. Annex 2: Orkney Islands Council Budget 2020/21.

15.3. Annex 3: £100 million allocation letter 2020/21.

## Annex 1: NHS Orkney's Budget 2020/21

	£000's.	£000's.
Services Budget 2019 to 2020.		21,765.
Cash Limited Dental.		1,758.
Non Cash Limited.		1,404.
<b>Baseline Budget 2019 to 2020.</b>		<b>24,927.</b>
Additional Recurring Budgets	806.	
Reduction in Non Cash Limited Budget	(29).	
		777.
3% Uplift (on services budget and recurring budget)		677.
<b>Unapproved Budget 2020 to 2021.</b>		<b>26,381.</b>

## Annex 2: Orkney Islands Council Budget 2020/21

	£000's.	£000's.
<b>Baseline Budget 2019 to 2020.</b>		<b>19,552.</b>
<b>Baseline Budget Increases.</b>		
Inflation.	574.	
	<hr/>	574.
<b>Financial Settlement.</b>		
Whole System Approach.	-25.	
Continuing Care.	9.	
Appropriate Adults.	4.	
Free Personal Care for Older People.	3.	
Health and Social Care.(£100 million)	430.	
	<hr/>	421.
<b>Baseline Budget Savings.</b>		
Removal of Lunch Club Grants.	-37.	
Removal of Sleep-in Payments at Care Homes	-77.	
Orkney Health and Care Savings.	-30.	
	<hr/>	-144.
<b>Adjustments.</b>		
Realignment of Apportioned Costs.	-60.	
	<hr/>	-60.
<b>Approved Budget 2020 to 2021.</b>		<b><u><u>20,343.</u></u></b>

Directorate for Health Finance and Governance  
Richard McCallum, Interim Director



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Chief Executives, NHS Scotland

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

*Issued via email*

8 February 2020

Dear Chief Executives

#### **Budget 2020-21 – Indicative Allocation**

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

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

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

#### **Baseline Funding**

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

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

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

## Investment in Improving Patient Outcomes

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

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

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

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

### Core Areas of Investment

#### Primary Care

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

#### Waiting Times Improvement Plan

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

#### Mental Health and CAMHS

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

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

#### Trauma Networks

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

#### Alcohol and drugs

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

#### Reform Funding

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

#### Health and Social Care Integration

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

In addition to this, and separate from the Board Funding uplift, the Health Portfolio will invest a further £100 million in Local Authorities for investment in social care and integration, and continued support for school counsellors. This will take the total funding transferred from the health portfolio to £811 million in 2020-21. The additional £100 million for local government includes a contribution to continued delivery of the Living Wage (£25 million), uprating of free personal and nursing care payments (£2.2 million), implementation of the Carers Act in line with the Financial Memorandum of the Carers Bill (£11.8 million), along with further support for school counselling services whether or not delegated under the Public Bodies (Joint Working) (Scotland) Act 2014 (£4 million).

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

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

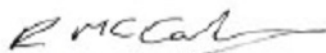
#### Capital Funding

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

#### **Three Year Financial Plan**

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

Yours sincerely



**RICHARD MCCALLUM**  
Interim Director of Health Finance and Governance



## Annex A – Board Funding Uplifts

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

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

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

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