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Agenda Item: 9.

## **Integration Joint Board**

Date of Meeting: 21 April 2021.

Subject: Budget for 2021/22.

### **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 Strategic Commissioning Implementation Plan should be delivered.

### **2. Purpose**

2.1. To present the funding allocation from NHSO and OIC for financial year 2021/22.

### **3. Recommendations**

The Integration Joint Board is invited to note:

3.1. That, although the IJB is anticipating to achieve a break-even position for financial year 2020/21, this is subject to change as the year end processes have not yet been completed.

3.2. That, in relation to the significant three years savings target of £4.2 million, only £259,400 has been identified on a recurring basis within services commissioned to OIC.

3.3. That, as a direct consequence of the COVID-19 pandemic, 2020/21 has represented the most challenging and complex financial year in the history of the public sector. However, all COVID-19 costs submitted within the Mobilisation Plan for financial year 2020/21 have been refunded, in full.

3.4. That, due to pressures within services, further work is still required in respect of unscheduled care, in order to assess compliance with the six steps detailed at section 6.11.2 of this report.

3.5. That work must be undertaken with both partners with the aim of delivering savings in order to deliver a balanced budget.

### **It is recommended:**

3.6. That the budget for financial year 2021/22, as detailed in Annexes 1 to 3 of this report, be approved, noting that the increases are in line with Scottish Government requirements as explained at sections 7.1.2 and 7.2.3.

## **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 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. COVID-19**

5.1. As a direct consequence of the COVID-19 pandemic, 2020/21 has represented the most challenging and complex financial year in the history of the public sector. The impact of COVID-19 on services delivered by Orkney Health and Care (OHAC) has been unprecedented. It has required a significant degree of service change within a short period of time, ultimately having a substantial financial impact, which is likely to continue over the medium term. The continually changing situation, including potential for future spikes in demand for services, could create additional delivery and financial pressures as well as impacting any transformation and savings plans, which will require ongoing review and realignment. However, all costs in relation to COVID-19 submitted within the Mobilisation Plan for financial year 2020/21, were refunded, in full.

5.2. In addition to the normal revenue settlement, the Scottish Government also confirmed non-recurring COVID-19 specific funding as part of their 2021/22 budget settlement. This funding is to provide additional non-recurring resources to fund:

- Provider sustainability payments.
- Ongoing PPE.
- Additional costs.
- Income loss linked to COVID-19 which is expected to continue throughout 2021/22.

5.2.1. As this funding is specifically in relation to COVID-19 associated costs these have not been included as part of the budget details outlined in this report.

5.3. It must be recognised that extraordinary costs are being incurred and will continue to be incurred for the foreseeable future.

5.4. A Local Mobilisation Plan Financial Return in relation to COVID-19 costs is submitted via Health Boards, with the actual and anticipated costs included with a view to reimbursement.

## **6. Current Position**

6.1. This report sets out the implications of the Scottish Government budget for 2021/22, which was approved on 9 March 2021 and provides Members with an overview of the IJB's anticipated budget allocation for 2021/22.

6.2. The Scottish Government has not provided detailed spending plans beyond their draft budget for 2021/22 but, has outlined its ongoing priorities within its annual Medium-Term Financial Strategy, in particular, continued focus on the NHS. The Scottish Government's high-level forecast for the future remains uncertain, reflecting the unparalleled fall in economic output at both Scottish and UK level, and uncertainty over economic recovery for both Scotland and the UK as a whole. In addition, the UK Government's approach to economic and fiscal recovery will have a significant impact on medium to longer-term public-sector spending across the UK.

6.3. As part of the wider economic recovery plan, there is an expectation that there will be a multi-year UK government comprehensive spending review in autumn. This would then enable the Scottish Government to deliver spending plans beyond 2021/22, providing greater certainty over which areas of the budget would be subject to sustained future growth and, if so at what scale, allowing for the potential to agree multi-year pay settlements and for greater clarity over financial planning over the medium term.

6.4. Local Government had been assured, as part of the budget deal for 2019/20, that a three-year settlement for 2020-23 would be provided. The uncertainty from the UK's departure from the European Union and a General Election in December 2019, followed by a delay in setting the UK budget, however resulted in a rethink on the three-year settlement commitment, with single year settlements for 2020/21 and 2021/22.

6.5. 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.

6.6. 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.

6.7. As the Board is aware a three-year savings target was applied so as this would give the IJB a set figure to work towards over a three-year period. In total a savings target of £4.2 million was to be achieved by the end of 2022/23. To date, only £259,400 of recurring savings have been identified.

6.8. Within the Annual Audit Report by Audit Scotland presented to the IJB Audit Committee on 10 March 2021 one of the key messages states:

“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. This will be taken into consideration on the review of the integration scheme which will be submitted to Scottish Government in the next month.”

6.9. Orkney IJB'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 IJB may not be able to deliver the targeted saving in 2019/20 and beyond.

6.10. Orkney IJB 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 IJB has not yet reported on its arrangements to secure best value.

6.11. NHSO formally delegated the unscheduled care budget to the Orkney IJB in 2020/21. However, there is a recognition that much further work must be undertaken to comply with the legislation in regard to the Set Aside budget.

6.11.1. 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.

6.11.2. 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.

6.11.3. This will need to be progressed within financial year 2021/22 to comply with the legislative requirements.

## 7. Budget Proposals 2021/22

### 7.1. NHS Orkney

7.1.1. On 28 January 2021, the Interim Director of Health, Finance and Governance, for the Scottish Government (SG) 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 2021/22 for NHS Boards, as attached at Annex 4.

7.1.2. The key funding messages outlined in the letter of 28 January 2021 include:

- In 2021/22, NHS payments to Integration Authorities for delegated health functions must deliver an uplift of at least 1.5% over 2020/21 agreed recurring budgets.
- Additional funding of £869 million will be provided to support the ongoing response to the pandemic, and Scottish Government will develop its approach to allocating this funding on receipt of remobilisation plans due at the end of February. While the Scottish Government anticipates that further COVID-19 funding will be provided by the UK Government, this tranche of funding should provide sufficient assurance for continuing with key programmes of work, such as vaccinations and Test and Protect.
- Investment in the Primary Care Fund will increase to £250 million in 2021/22. This will support delivery of the new GP contract and wider Primary Care reform and continued development of new models of primary care.
- Funding of £111.1 million will be directed to a range of partners for investment to support mental health, and children and young people's mental health. This funding will underpin Scottish Government's continued approach to improving mental health services and support for children, young people and adults.
- Funding of £15 million to support the continued establishment of new Community Mental Health and Wellbeing Services. While the pandemic has had an impact on the planning and development of those services, Scottish Government is working with local authorities to ensure they are ready to start supporting children, young people and their families as soon as possible, with support available across all 32 local authorities in 2021.
- The Mental Health Transition and Recovery Plan outlines the Scottish Government's response to the mental health impacts of COVID-19 and further funding will be provided from the £869 million COVID-19 funding to support Boards and Integration Authorities in meeting these challenges.
- Trauma Networks funding will increase by £6.8 million, taking forward the implementation of the major trauma networks.
- The 2021/22 Portfolio budget provides an additional £50 million targeted towards reducing drugs deaths. This forms part of a total of funding of £250 million over the next five years and will support further investment in a range of community-based interventions, including primary prevention and expansion of residential rehabilitation.

7.1.3. The indicative budget from NHSO is based on a 1.5% uplift on the recurring budget excluding the Cash Limited Dental and Non Cash limited. Further information can be found at Annex 1.

7.1.4. Cash Limited Dental (£1.747 million) / Non Cash Limited (£1.818 million) are indicative figures based on the 2020/21 allocation and will be adjusted based on requirements and Scottish Government allocations in 2021/22.

7.1.5. The budgets indicated are what is included within the NHS Financial Plans for 2021/22 for the IJB.

7.1.6. It is anticipated that due to NHSO having an overall underspend the services commissioned will be in a break-even position for financial year 2020/21. There is also a holding account / reserves account which, at end of February 2021, had a balance of £978,124. Some of this was in relation to earmarked reserves for the Primary Care Improvement Fund and the Alcohol and Drugs Partnership. The carry forward figures are unknown at present.

7.1.7. There will continue to be additional funding received from the Scottish Government to meet various commitments to social and integration needs. 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.

7.1.8. Within the Annual Operational Plan process for 2020/21 there was a three-year savings target identified of £2.4 million for the IJB. The assumptions to arrive at the £2.4 million are as follows:

<b>Financial Year</b>	<b>Amount</b>
2020/21	£0.8 million
2021/22	£1.0 million
2022/23	£0.6 million

7.1.9. There were no recurring savings found within financial year 2020/21 in regard to services commissioned to NHSO. Therefore, the savings target for 2021/22 is £1.8 million.

7.1.10. There is always uncertainty in regard to allocations due to the fact that financial planning arrangements with Scottish Government are still ongoing nationally.

## **7.2. Orkney Islands Council**

7.2.1. OIC presented proposals for the budget and Council Tax level for 2021/22 to the Policy and Resources Committee on 23 February 2021, which were subsequently approved by Council on 2 March 2021.

7.2.2. The Council's budget uprating assumptions are as follows:

<b>Budget Element</b>	<b>2021 to 2022</b>
Staff Costs	2.0%
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%

7.2.3. The Scottish Government's budget for 2020/21, confirmed that the Health Portfolio will transfer a further £72.6 million for investment in health and social care and mental health services that are delegated to Integration Authorities under the Public Bodies (Joint Working) (Scotland) Act 2014. The additional £72.6 million will support delivery of the Living Wage (£34 million), continued implementation of the Carers Act (£28.5 million) and uprating of free personal care (£10.1 million). The funding allocated to Integration Authorities should be additional and not substitutional to each council's 2020/21 recurring budgets for adult social care services that are delegated. Orkney's Allocation is detailed within Annex 2.

7.2.4. The Scottish Budget allocations are only the first stage in what is likely to be an ongoing process in relation to 2021/22 budget allocations.

7.2.5. 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; a savings target of £1.8 million was identified.

7.2.5.1. The principal assumptions in reaching the identified savings target of £1.8 million were based on the following:

- 3% pay award.
- Aggregate External Finance -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, 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 £1.7 million to £4.350 million.
- Use £0.825 million Contingency – the contingency that is available in the 2019/20 financial year would be fed into the base budget in 2020/21.

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

7.2.5.3. The Council accepted an efficiency savings target of £114,400 for 2021/22 which was attributed to Social Care. Further information is available at Annex 2.

7.3. At the end of February 2021, it is anticipated that the services commissioned will be in a break-even position for financial year 2020/21.

## 8. Contribution to quality

Please indicate which of the Orkney Community Plan 2019 to 2022 visions are supported in this report adding Yes or No to the relevant area(s):

<b>Resilience:</b> To support and promote our strong communities.	Yes.
<b>Enterprise:</b> To tackle crosscutting issues such as digital connectivity, transport, housing and fuel poverty.	Yes.
<b>Equality:</b> To encourage services to provide equal opportunities for everyone.	No.
<b>Fairness:</b> To make sure socio-economic and social factors are balanced.	Yes.
<b>Innovation:</b> To overcome issues more effectively through partnership working.	No.
<b>Leadership:</b> To involve partners such as community councils, community groups, voluntary groups and individuals in the process.	No.
<b>Sustainability:</b> To make sure economic and environmental factors are balanced.	No.

## 9. Resource implications and identified source of funding

9.1. The proposed budgets for 2021/22 are detailed at Annexes 1, 2 and 3, summarised as follows:

<b>Partner</b>	<b>Budget £000</b>
NHS Orkney	26,760
NHS Orkney Set Aside	7,435
Orkney Islands Council	20,699
<b>IJB Baseline Budget 2021/22</b>	<b>54,894</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 5 there are high financial and economic impacts of COVID-19 which represents a significant additional risk to the IJB if not fully funded, 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 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.

10.4. The main “business as usual” significant risk is that there will be a failure to deliver the outcomes of the SCIP in relation to the financial resources that are available. Failure to break-even 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).

## **15. Supporting documents**

15.1. Annex 1: NHS Orkney's Budget 2021/22.

15.2. Annex 2: Orkney Islands Council's Budget 2021/22.

15.3. Annex 3: Set Aside Budget 2021/22

15.4. Annex 4: Indicative Allocation letter.

## Annex 1: NHS Orkney's Budget 2021/22

	£000's	£000's
Service Budget 2020/21	22,852	
1.5% Uplift (on services budget and recurring budget)	343	
Recurring Baseline Budget		23,195
Cash Limited Dental		1,747
Non Cash Limited		1,818
<b>Budget 2021/22</b>		<b>26,760</b>

## Annex 2: Orkney Islands Council's Budget 2021/22

	£000's	£000's
<b>Baseline Budget 2020/21</b>		<b>20,342</b>
<b>Baseline Budget Increases</b>		
Inflation.	154	
	<hr/>	154
<b>Financial Settlement (£72.6 million)</b>		
Carers and respite	129	
Living Wage	155	
Free Personal Care	20	
	<hr/>	304
<b>Baseline Budget Savings</b>		
Reduction in Unutilised Budget	-25	
Increase in Residential Care Income	-37	
Increase in Very Sheltered Care Income	-32	
Additional Income to IJB Budget	-20	
	<hr/>	-114
<b>Adjustments</b>		
Criminal Justice	13	
	<hr/>	13
<b>Budget 2021/22</b>		<b>20,699</b>

## Annex 3: Aside Budget 2021/22

	£000's	£000's
<b>Baseline Budget 2020/21</b>		<b>7,777</b>
<b>Inflation</b>		
1.5% Inflationary Uplift	95	
	<hr/>	95
<b>Baseline Budget Increases</b>		
Medical Pay Awards	34	
Staff Mix Redesign	3	
Full Year Effect of Incremental Drift	21	
	<hr/>	58
<b>Baseline Budget Reductions</b>		
Locum Cost Pressure Funding (non-recurring)	-444	
Open University	-51	
	<hr/>	-495
		<hr/>
		<b>7,435</b>
		<hr/> <hr/>

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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***

9 December 2021

Dear Chief Executives

**Scottish Government Budget 2022-23**

Following the announcement of the Scottish Government's Budget for 2022-23 by the Cabinet Secretary for Finance and the Economy in Parliament today, I am writing to provide details of the funding settlement for Health Boards. A breakdown of the total is provided in **Annex A** to this letter.

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

**Baseline Funding**

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

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

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

**Covid-19 Funding**

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

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

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

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

### Investment in Improving Patient Outcomes

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

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

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

### Core Areas of Investment

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

#### Primary Care

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

#### Waiting Times Recovery

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

#### Mental Health and CAMHS

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

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

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

### Trauma Networks

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

### Alcohol and drugs

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

### Health and Social Care Integration

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

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

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

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

### Capital Funding

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

### **2022-23 Financial Planning**

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

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

Yours sincerely



**RICHARD MCCALLUM**

Director of Health Finance and Governance

## Annex A – Board Funding Uplifts

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

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

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

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

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