

Meeting of South Ayrshire Health and Social Care Partnership	Integration Joint Board	
Held on:	14th February 2024	
Agenda Item:	11	
Title:	Scottish Government Budget Summary 2024-25	
Summary:		
<p>The purpose of this report is to present to the Integrated Joint Board a summary of the Scottish Government budget position for 2024-25 including the financial challenges facing public sector bodies.</p>		
Author:	Lisa Duncan, Chief Finance Officer	
Recommendations:		
<p>It is recommended that the Integration Joint Board</p> <ol style="list-style-type: none"> I. Note the Scottish Government Budget proposal to Local Authorities and NHS Boards for 2024-25 II. Note the current financial challenges facing the public sector. III. Note the two Audit Scotland reports due to be published later this year on NHS and IJB's finance and performance, findings of which will be presented to the IJB in due course. 		
Route to meeting:		
IJB Budget Working Group – 6 th February 2024.		
Directions:		Implications:
1. No Directions Required <input type="checkbox"/>		Financial <input type="checkbox"/>
2. Directions to NHS Ayrshire & Arran <input type="checkbox"/>		HR <input type="checkbox"/>
3. Directions to South Ayrshire Council <input type="checkbox"/>		Legal <input type="checkbox"/>
4. Directions to both SAC & NHS <input type="checkbox"/>		Equalities <input type="checkbox"/>
		Sustainability <input type="checkbox"/>
		Policy <input type="checkbox"/>
		ICT <input type="checkbox"/>

SCOTTISH GOVERNMENT BUDGET SUMMARY 2024-25

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present to the Integrated Joint Board a summary of the Scottish Government budget position for 2024-25 including the financial challenges facing public sector bodies.

2. RECOMMENDATION

2.1 It is recommended that the Integration Joint Board

- i. Note the Scottish Government Budget Proposal to Local Authorities and NHS Boards for 2024-25**
- ii. Note the current financial challenges facing the public sector bodies.**
- iii. Note the two Audit Scotland reports due to be published later this year on NHS and IJB's finance and performance, findings of which will be presented to the IJB in due course.**

3. BACKGROUND INFORMATION

- 3.1 The Scottish Government announce a proposed budget to Scottish Parliament for approval in December of each year prior to the commencement of the new financial year in the following April. The proposed budget is subject to any amendments agreed through the Scottish Parliament's Budget Bill Process, that takes place during January and February with the aim to have the bill passed by the end of February.
- 3.2 The Scottish Government budget funding includes allocation of a block grant from UK Government and from taxes raised in Scotland.
- 3.3 Each committee at the Scottish Parliament prepares a pre-budget report between summer and October, recommending how the Scottish Government should spend money in the coming financial year. These reports are sent to the relevant Scottish Government ministers at least six weeks before the Scottish Budget is published.
- 3.4 The Scottish Government considers and decides how the pre-budget reports will influence its spending plans set out in the Scottish Budget. The Scottish Budget is published detailing spend per portfolio budgets.
- 3.5 Following the publication of the Scottish Budget, funding for local authorities is provided through the local government finance settlement and funding for National Health Service is based on allocations during the financial year.

4. REPORT

- 4.1 The current fiscal and economic conditions remain challenging with inflationary and pay pressures impacting households, business, and public bodies. Consumer Price Inflation (CPI) was 6.7% at September 2023, this is the rate used when the budget statement was prepared. The most recent CPI rate published by Office of National Statistics on the 17th of Jan 24, is 4% based on data to December 2023.

- 4.2 The [Scottish Government Budget for 2024-25](#) published on the 19th of December, was a one-year proposal. With a plan to revisit the multi-year outlook in the next Medium-Term Financial Strategy, due for publication in May 2024. The Budget for 2024-25 focussed on three missions: -
- Equality – Tackling poverty and protecting people from harm.
 - Opportunity – Building a fair, sustainable, and growing economy.
 - Community – Delivering efficient and effective public services.
- 4.3 The Deputy First Minister and Cabinet Secretary wrote to Local Authorities on the 19th of December to confirm the local government financial settlement for 2024-25. The letter advised that the funding provided by UK Government in the Autumn Statement fell short of what was needed. Scotland needed more money for infrastructure, public services, and fair pay deals. Instead, the Autumn Statement delivered a real terms reduction in the total block grant. The UK Government have not inflation-proofed their Capital Budget which is forecast to result in 9.8% real terms cut in our UK capital funding over the medium term between 2023-24 and 2027-28.
- 4.3 The total additional funding the Scottish Government will make available to local government in 2024-25 through the settlement includes:
- An additional £6m to support the expansion of Free School Meals.
 - An additional £11.5m to support the uprating of Free Personal and Nursing rates.
 - Additional funding of £230m to deliver a £12 per hour minimum pay settlement for adult social care workers in commissioned services via agreed contract uplifts.
 - An additional £6.8m for Discretionary Housing Payments and
 - £145.5m to continue to maintain teachers and support staff as well as £242m to support teacher pay uplifts.
- 4.4 Further funding allocations will be made for teacher pension contributions and the £12 per hour minimum pay commitment for private, voluntary, and independent providers delivering children’s social care.
- 4.5 Funding of £144m has been set aside to fund a freeze on Council Tax across Scotland, the funding earmarked is equivalent to a 5% increase in Council Tax nationally, taking into account the average rise to Council Tax in 2023-24, whilst recognising that inflationary pressures have eased in the last 12 months.
- 4.6 The letter stated “Should all councils agree to freeze Council Tax, the 2024-25 Local Government Settlement of over £14 billion offers an increase equivalent to 6.0% in cash terms since the 2023-24 budget. It continues to provide local government with a funding settlement that is both fair and affordable, under the most challenging of circumstances.”
- 4.7 Following the budget publication, COSLA (Convention of Scottish Local Authorities) issued a [Budget Reality](#) document on the 19th of December, then a revised document on the 21st of December. The reality of the budget proposal is a reduction in local government revenue funding for 2024-25 of £62.7m, not including the impact of inflation. The Council Tax Freeze funding announced of £144m is short by £156m required to implement the freeze, and capital funding for 2024-25 has been cut by £54.9m, not including the impact of inflation.

- 4.8 The funding settlement for Health Boards was outlined in a letter to NHS Boards from The Scottish Government's Director of Health and Social Finance. The letter stated that territorial NHS Boards will receive a total increase of 4.3% for 2024-25 to cover costs related to the 2023-24 pay deals as well as baselining £100m sustainability and NRAC (National Resource Allocation formula) funding provided in 2023-24. The 4.3% uplift relates to non-recurring funding now being made on a recurring basis.
- 4.9 No Budget uplifts have been made to NHS Boards in respect of financial pressures for 2024-25. In relation to pay funding arrangements will be revised by the Scottish Government following outcome of the pay negotiations in the new financial year. Board budgets should assume that additional funding will be allocated to support pay deal in 2024-25.
- 4.10 The Capital Budget within NHS will allow for all major projects in construction to be completed. There is no funding available for new projects over the next two years at least, with NHS Boards advised to immediately stop any project development spend.
- 4.11 NHS Financial Planning for 2024-25 also asks Boards to provide clear programme of work and supporting actions to achieve recurring 3% savings on baseline budgets. It is recognised this may not be enough to achieve break even, however there is no central budget available for brokerage.
- 4.12 Nationally the Financial Delivery Unit is working with and assisting NHS Boards to support savings delivery through various national programmes of work.
- 4.13 The financial position in both NHS and Local Authorities is at its most challenging with no additional funding provided to meet ongoing demographic and demand pressures. Funding announced to date for Local Authorities is ring fenced for specific policy commitments, limiting funding available for local priorities. Reserves and savings have been used to balance local authority budgets over the years, hard decisions will need to be made with prioritisations of service delivery including reducing or stopping services to balance budgets.
- 4.14 Audit Scotland published [Local Government in Scotland: Financial Bulletin 2022-23](#) on the 16th of January 2024. The report is based on 2022-23 annual accounts and presents the financial challenges facing local government with recommendations provided to assure ongoing financial sustainability. Both the challenges and recommendations are relevant to the IJB financial challenges and financial planning for IJB budget 2024-25 and refresh of the Medium-Term Financial Forecast.
- 4.15 The financial challenges for local government were noted in the report as follows:
- **Finances** – challenging to deliver all existing services with money available.
 - **Local Needs** – Changes in our population, inflation and the increased cost of living mean more demand for services, but with less money.
 - **National Policies** – Increasing amounts of money given to councils must be spend on specific services and policies.
 - **Capital Spending** – there's less money to spend improving things like roads, libraries, and schools.
- 4.16 Recommendations in the report included:
- **Work with local communities** – decide together how services can be delivered in the future.

- **Save** – the need to reduce reliance on one-off savings or using money in reserves.
- **Be Clear** – the need to be clear about how much money is in reserves and how they will use this money.
- **Look to the Future** – ensure can deliver services now and in the future, whilst delivering on national priorities.
- **Budgets** – need for greater certainty in how much money will be allocated from Scottish Government to plan ahead.

4.17 Audit Scotland have committed to publish an [NHS in Scotland 2023](#) report in February 2024, this will provide an analysis of financial performance and an update on recovery and will assess longer-term sustainability by looking at how services are being reformed to meet longer-term challenges and ensure sustainability.

4.18 Audit Scotland are also aiming to publish a report in [June 2024 IJB Finance And Performance Report 2024](#), this will provide an assessment of how effective IJB's are performing and how well IJB's are responding to the challenges they face and planning for the future. The report will also highlight good practice and help identify improvements to commissioning and procurement.

5. [STRATEGIC CONTEXT](#)

5.1 This report is for information and to provide context to the current public sector financial environment prior to the IJB's annual budget setting in March 24, aligning to the strategic objective. "We are an ambitious and effective partnership.

6. [IMPLICATIONS](#)

6.1 **Financial Implications**

6.1.1 This report has no specific financial implications and is presented as a summary of the current financial outlook facing public sector.

6.2 **Human Resource Implications**

6.2.1 There are no human resource implications within this report.

6.3 **Legal Implications**

6.3.1 There are no legal implications within this report.

6.4 **Equalities implications**

6.4.1 There are no equality implications within this report.

6.5 **Sustainability implications**

6.5.1 There are no environmental sustainability implications within this report.

6.6 **Clinical/professional assessment**

6.6.1 This report has been prepared by the Chief Finance Officer with reference to publications from Scottish Government, COSLA and Audit Scotland.

7. [CONSULTATION AND PARTNERSHIP WORKING](#)

7.1 No consultation or partnership working was required to prepare this report.

8. RISK ASSESSMENT

- 8.1 The IJB's Strategic Risk Register has Financial Position as high risk, current mitigations include the approved Medium Term Financial Forecast, and the Improvement and Innovation Fund utilised to transform and improve services.

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BACKGROUND PAPERS

All links to background papers are included within the report.

30.01.2024