Health, Social Care and Sport Committee

26th Meeting, 2022 (Session 6), Tuesday, 20 September 2022

Pre-Budget Scrutiny 2023-24

Note by the clerk

Introduction

1. At its meeting today, the Health, Social Care and Sport Committee will take evidence as part of its pre-budget scrutiny for 2023-24.

2. The Committee will take evidence from:

   - Professor David Bell, The University of Stirling
   - Leigh Johnston, Audit Scotland
   - Professor Alistair McGuire, London School of Economics and Political Science
   - Raphael Wittenberg, London School of Economics and Political Science

Background

3. All Scottish Parliament committees now undertake pre-budget scrutiny in advance of the publication of the Scottish Government's budget, in line with the recommendations of the Budget Process Review Group (BPRG) report.

4. The intention is that committees will use pre-budget reports to influence the formulation of spending proposals while they are still in development. In order to facilitate this, committees are required to publish pre-budget reports (or letters) at least six weeks prior to publication of the Scottish budget.

5. The date of the Scottish budget has not yet been confirmed, as it will depend on the timing of the UK budget (which has not yet been announced). The Scottish budget is normally in December, following an Autumn UK budget, although timings have been different in recent years due to the timing of UK elections and the pandemic. For now, the working assumption is that pre-budget reports/letters will be required to be published by the end of October.

Call for views

6. To inform the Committee's consideration, it issued a call for views from 29 June to 24 August. Published responses are available on the Citizen Space platform.

7. A summary of the call for views is available at **Annexe A**.

8. A briefing paper from Professor David Bell is included at **Annexe B**.

Clerks to the Committee
September 2022

Annexe A

Health, Social Care and Sport Committee

2023-24 Pre-Budget scrutiny: Summary of Call for Views

Background

In order to inform its 2023-24 pre-budget scrutiny, the Health, Social Care and Sport Committee issued a call for views. The questions included in the call for views are included in this paper at Annex A.

The call for views was issued on 29 June and closed on 24 August. In total, 20 responses were received and are published on the Parliament website. The respondents included:

- 7 Health Boards or Health and Social Care Partnerships
- 6 third sector organisations
- 4 bodies representing employers or staff in health and social care
- Audit Scotland
- One think tank (The Health Foundation)
- One private individual

The call for views asked for views on a range of themes:

- Budget context
- Health and social care sustainability
- Preventative spend
- Health and social care outcomes

This paper summarises the responses received under each of these headings.

Budget context

The call for views noted that the Scottish Government's Resource Spending Review identifies planned increases of 0.6% in real terms for health and social care over the next four years. Respondents were asked how they would see these planned budget increases meeting the various challenges facing health and social care over that period, including specifically:

- recovering from Covid-19 and addressing the treatment backlog
- the planned creation of a National Care Service
- cost and demand pressures in areas such as NHS pay, drug costs and demographic pressures.

A total of 19 responses were received in relation to this question.

A significant number of respondents noted that the planned 0.6% real terms increase did not reflect the pressures on health and social care, particularly in the context of much higher inflation compared to when these plans had been set out. Around half of respondents explicitly stated that they considered that the previously stated plans were not likely to be sufficient in the face of the range of pressures currently faced by the sector. This included responses from the Royal College of Nursing (RCN), COSLA, the Royal College of GPs (RCGP), UNISON and several Health and Social Care Partnerships.

In relation to health services in England, the Health Foundation noted that:

> "For health care, stabilisation would require average real-terms annual increases of 3.2%, with 3.5% for recovery…. For social care, both the recovery and stabilisation scenarios would mean much higher growth than in recent years."

Several respondents also commented on the challenges for longer term financial planning that single year budgets present and argued for **multi-year budgeting**.

Both Glasgow and Aberdeenshire Health and Social Care Partnerships commented that multi-year settlements would support planning and investment and help ensure that maximum impact is secured in terms of delivery of priorities.

Audit Scotland noted:

> "The current lack of multi-year budgeting has made managing costs and potential funding shortfalls more difficult in the medium to longer term."

East Ayrshire Health and Social Care Partnership commented on the lack of an up-to-date Health and Social Care Medium Term Financial Framework (MTFF) and the lack of consistency between plans set out in the 2018 MTFF and the latest Resource Spending Review:

> "The Resource Spending Review announcement by the Cabinet Secretary for Finance and the Economy - which sets out plans for the next 4 years - at the end of May this year, highlighted that current funding plans are insufficient to meet SG commitments and underlying spending priorities. Even prior to the recent surge in inflation, the combination of underlying service pressures, income tax revenue shortfalls and expensive policy commitments, imply that the SG is faced with a significant funding gap over the next few years. The most recent Health and Social Care Medium Term Financial Framework (published 2018) assumes, under its medium planning scenario, that health expenditure will need to grow by 3.5% per year in cash terms. A key requirement within the budget process will be to align MTFF and Resource Spending Review to ensure consistency."

Also in terms of the broader approach to financial planning in the health and social care sector, a number of respondents highlighted that a **"whole system approach"** should be taken, recognising that spending in a wide range of other areas, such as education and housing, will impact on health outcomes.

Public Health Scotland said:

> "…we need to collectively ensure that everyone has access to the building blocks of health i.e., housing, employment, and economic security. Investing in these areas means investing in resource beyond the NHS. Continuing to fund social security and local authority services is therefore vital. This wider investment brings with it the significant potential to help Scotland begin to realise tangible improvements in healthy life expectancy and health equity."

COSLA stressed the need for:

> "…whole-system thinking that recognises the key social determinants of health and wellbeing – education, housing and employment – and invests in these services to improve health outcomes and address health inequality."

COSLA went on to say:

> "Simply putting more resources into health is not the answer, especially when that comes at the expense of other services – social determinants such as education, housing and employment are all significant long-term drivers of health, and Local Government services play a key role in preventing poor health outcomes and reducing demand on more costly health services, as well as helping to enhance Covid recovery and improve people's quality of life.
>
> ….recent analysis of the National Performance Framework (NPF) outcomes shows that key indicators such as healthy life expectancy, drug and alcohol use and premature mortality are not improving, and several official measures of health inequality are worsening.

> There needs to be 'whole system' thinking about health and wellbeing across the public sector, with greater investment upstream to reduce demand rather than just increasing funding for the NHS; prevention is key. The main social determinants of health – education, housing, employment – are all long-term drivers which must be invested in to improve health outcomes and address health inequality.
>
> Local Government services like housing, education, childcare, employability, and leisure and culture play a significant role in preventing poor health outcomes and reducing demand for healthcare services, as well as supporting people into employment and helping to reduce dependence on the welfare system."

The Royal College of GPs (RCGP) argued for greater investment in general practice to enable an increase of 800 in the GP headcount:

> "To unlock the full potential of an integrated Health and Social Care system, we call for general practice to receive at least 11% of the total NHS budget by the end of this parliamentary session, and we would ask that this budget sets us on the path towards that aim. Adequately resourcing general practice will bring benefits to patients, secure the future of the profession and improve the efficiency of the health service as a whole."

There were a number of respondents representing specific stakeholders and arguing for greater investment in particular areas:

- Scottish Health Action on Alcohol Problems and Alcohol Focus Scotland arguing for greater investment in measures to reduce alcohol harm (including potentially a levy on alcohol retailers to fund such measures)

- Paths for All supporting greater investment in active travel measures (although areas of this spending might fall outwith the health, social care and sport budget)

- Volunteer Scotland pushing for investment in volunteer-led services, particularly at a time when energy costs for these organisations are increasing, while donations might also be falling due to cost of living pressures

- Cristina Richie, responding in a personal capacity, argued for greater investment in non-drug mental health interventions (which also have no environmental impact).

In terms of the specific factors mentioned in the call for views:

On **recovering from Covid-19 and addressing the treatment backlog**, many respondents noted that designated Covid-19 funding is ending in 2022-23, but that many ongoing Covid-19 costs still exist and that there are additional costs associated with measures introduced during the pandemic that will be retained.

NHS Ayrshire and Arran said:

> "The removal of COVID investment when COVID is directly impacting the system's ability to recover is not helpful nor supportive of delivering ambitions. Infection Prevention and Control regulations, COVID outbreaks and staff absence remains a significant limiting factor and there are no financial mitigations for areas dedicated to supporting care for COVID patients. Recurring covid related costs include the vaccination programme, point of care testing and laboratory testing."

NHS 24 said:

> "Covid-19 additional spend across the country was significant. A number of initiatives put in place have a recurring tail, such as additional vaccination programmes, backlogs of activity, Covid absence on staff and patients, to name a few. As Covid-19 funding ends these costs require to be reviewed and ceased or reviewed nationally in terms of greatest priorities for ongoing investment."

East Ayrshire Health and Social Care Partnership commented:

> "Although costs have reduced, the effect of Covid is still very much with us and certain costs are likely to continue beyond 31/3/22. Any real terms reduction in funding will exacerbate current challenges and will impact adversely on Covid recovery, including the treatment backlog."

UNISON said:

> "We do not believe NHS funding is being protected. Indeed, there is still a massive and ongoing impact from COVID on top of other pressures on beds, with a number of health boards, including the biggest, NHS Greater Glasgow and Clyde, recently again issuing warnings such as that people should not attend accident and emergency unless for very urgent or life threatening conditions."

On the **plans for a National Care Service (NCS)**, respondents were mixed in terms of their views on whether this was a positive step forwards, especially at the current time when health and social care services are still recovering from the pandemic. Even for respondents who welcomed the NCS initiative, many highlighted the lack of clarity in relation to the plans and the uncertainty that this is creating within the health service, local government and among social care providers. Several respondents commented that they would prefer to see resources invested in service delivery rather than restructuring and were concerned about scarce resources being spent on bureaucracy.

NHS 24, while also welcoming the principle of the NCS, cautioned:

> "…there is a risk that organisations will not be able to give this work the attention it requires while dealing with the aftermath of the pandemic. There is also a risk that the majority of the 0.6% real terms growth could be spent in

> this area without fixing some of the historic baseline funding deficits that a number of Boards are facing."

Voicing similar concerns, Argyll & Bute Health and Social Care Partnership said:

> "The funding for the establishment of the NCS and the associated structural change should not come from core resources. It must be recognised that this priority presents a potential risk of attention and resource being diverted from transforming the way services are delivered, remobilisation and capital investment. The HSCP is supportive of the objectives of the NCS and is keen to quickly progress work to ensure that the model for Argyll and Bute is the most appropriate one available for the rural and island communities which make up the region. However, the implementation of the new organisational and governance structure should be resourced separately and in addition."

East Ayrshire Health and Social Care Partnership commented:

> "We strongly believe that additional resources should be directed towards delivering personalised, early intervention and prevention approaches in local communities, not towards structural change."

COSLA, who have voiced strong opposition to the plans for the NCS said:

> "The planned creation of a National Care Service has a potential destabilising effect on current services and the workforce who deliver them. This creates uncertainty and diverts attention and resources away from addressing the challenges currently being faced – including recruitment and retention and the effects of demographic trends and other demand pressures. There is a real lack of clarity as to how the National Care Service will be financed, and no guarantee that it will achieve the intended aims."

UNISON also voiced opposition to the proposals:

> "The [NCS] Bill…confirms that what the Scottish Government calls a 'National Care Service' is the current system with added ministerial oversight and some national standard setting. We are deeply opposed to it locking in social care as a commodity in a market rather than a public service for citizens."

The Health and Social Care Alliance Scotland (the ALLIANCE) were supportive of the plans for a NCS and the opportunities it could bring, but wanted to be confident that spending should reflect the principles of human rights budgeting and involve third sector and independent delivery partners in their formulation:

> "Allocation of funding should be human rights based, with a focus on ensuring human rights are upheld and that individuals can access essential care. The planned creation of a National Care Service during this parliamentary term offers an opportunity to improve the lives and experiences of disabled people, people living with long term conditions, and unpaid carers. It will also

> be one of the biggest public sector reforms taken in recent decades, with significant financial implications. In moving forward with a National Care Service, spending plans must be human rights based and recognise third and independent health and social care organisations as equal and valued delivery partners, resourced by additional, sustainable, ongoing, and secure funding."

East Ayrshire HSCP also supported a focus on human rights in budgeting decisions:

> "Human rights legislation stipulates our obligations to respect, protect, and fulfil human rights and this also relates to how resources are raised and allocated. Fairness and equality are fundamental human rights and these principles should be central to the budget setting process."

The ALLIANCE also noted the importance of focusing on outcomes:

> "Whatever structure is finally settled upon for delivery of services matters far less than that those services are effective, person centred, and deliver improved outcomes for the people using them."

Volunteer Scotland said:

> "The Scottish Government must ensure that the budget to support the new National Care Service acknowledges the vital role of volunteering, both in the delivery of social care services and in preventing/delaying the need for social care services."

In relation to **cost and demand pressures**, pay, demographics and the impact of higher inflation were frequently referred to as creating significant pressures for both health and social care. Many felt that the budget plans (in cash terms) needed to be re-visited to reflect the higher inflation now being faced. Energy costs and pay pressures presented particular concerns.

NHS 24 said:

> "With inflation forecast to be an issue for the next couple of years it is highly likely that there will be pay uplift pressures to deal with, along with higher energy prices. These costs will quickly eat into any new funding. It is key that Boards are not left to deal with these increased pressures on base services while new services are announced from new funding as this could potentially destabilise organisations. To truly invest in change across the system requires pump priming so it would be beneficial if the 0.6% funding increase could be used to prioritise and reward system wide efficiencies from technology that can then be invested in the areas of development that the politicians taken forward."

East Ayrshire Health and Social Care Partnership commented:

> "On the basis that inflationary pressures are likely to continue in the short to medium term, anything other than a real terms increase in funding will require us to consider how services are delivered, potentially reduce services, and ultimately may require us to focus on statutory service delivery, at the expense of innovation and early intervention. Based on inflation projections, as well as additional demand pressures, it is our view that an annual uplift of 0.6% effectively equates to a funding cut, which will require to be balanced by cost reductions to ensure that the IJB is able to achieve financial balance in line with statutory obligations."

NHS Ayrshire and Arran commented:

> "The rate of inflation is currently and is projected to remain over 10% for the next year or so which makes a real terms funding increase for health and social care unlikely. NHS costs for energy, drugs increases and pay awards are rising significantly and will require funding."

The Royal College of Nursing Scotland stressed the need for improved pay for nurses in order to tackle the workforce challenges:

> "Without enough nursing staff with the right mix of skills to treat patients in every setting, we will continue to see spiralling backlogs and increasing pressure on services created by record nursing vacancies. The link between low pay, staff shortages and patient safety is clear and nursing staff are already exhausted and are leaving the profession in large numbers. To recruit and retain enough staff to deliver safe and effective care to patients, the Scottish government must pay nurses what they deserve."

Prescribing costs were also mentioned by a number of respondents as a major area of cost pressure.

Glasgow City Health and Social Care Partnership said:

> "Prescribing represents a significant cost pressure for IJB's and in 21/22 IJB's in Greater Glasgow and Clyde experienced a 4.1% increase in volume and a 0.7% increase in price. Data is not currently available for 2022-23, however our planning assumption is that there is a potential financial pressure on this budget of 20% over the next four years."

NHS Ayrshire and Arran commented:

> "The disconnect between new medicine approval by Scottish Medicines Consortium and Scottish Government policy of releasing access to drugs results in cost pressures that are unbalanced and unfunded. A new process is required to align clinical and cost effectiveness of drugs compared to other priorities within the funding envelope."

Health and social care sustainability

The Call for Views noted that NHS Scotland's stated ambition is "to become a service which is both environmentally and socially sustainable". Respondents were asked for their views on how the Scottish Government can use its resources to ensure health and social care services are delivered in a way that is consistent with achieving net zero ambitions, in respect of both physical assets (hospitals and other facilities) and service delivery.

Fewer respondents (13) offered views on health and social care sustainability. Of those who responded, a number of common themes emerged.

The potential contribution of **digital services** was mentioned by a number of respondents, and the growth in this form of delivery through the pandemic.

Audit Scotland noted that:

> "rapid rollout of NHS Near Me and other non-face-to-face consultations helped to maintain some access to healthcare services during the early stages of the pandemic and reduced the need for physical attendance at a hospital or GP practice. There are obviously environmental benefits to this with reduced travel and PPE usage."

East Ayrshire HSCP expressed similar views in relation to digital services:

> "Technology enabled care supports the ambitions for services to be environmentally and socially sustainable by using digital technology for prevention and self-management. Digital solutions provide the scope for whole system transformation by developing preventative and digitally enabled services that reduce travel and energy consumption costs."

However, COSLA noted the need for upfront funding and a longer budgeting timeframe to support development of these services and achievement of net zero ambitions, along with a cross-sectoral approach:

> "Many of these and other digital enhancements require investment up-front to realise much greater benefits in subsequent years, but this forward-planning approach is greatly hindered by single-year budgets and other uncertainties regarding budget allocations. A longer-term view, including multi-year settlements, is essential to allow local authorities and the wider public sector to make the substantial changes needed to contribute to achieving net zero.
>
> Progress towards the ambitious net zero targets will best be achieved through co-ordinated, cross-sector action, rather than each area of the public sector implementing measures in isolation."

The **NHS estate** was mentioned by a number of respondents as potentially playing a role in achieving net zero ambitions.

NHS 24 said:

> "NHS 24 are currently reviewing usage of all its estate. While we have moved from being an out of hours service to a 24/7 service the majority of activity is still out of hours. The expansion of our sites to meet this increased demand has resulted in spare capacity in daytime hours which has also been impacted by hybrid working. As such, NHS 24 could be in a good position to provide daytime office space for neighbouring boards to help maximise the use of estate and also to minimise the energy costs and carbon footprint across boards."

The Royal College of GPs noted:

> "Premises drive a large portion of general practice's emissions, and increased funding to address this issue would go far to addressing the need to ensure general practice is able to operate in an environmentally sustainable manner and achieving the NHS Scotland target of net zero."

East Ayrshire HSCP highlighted the potential value in **delivering services locally**:

> "Accessible, community-based services can contribute to net zero targets by delivering services at home or as close to home as possible, reducing the need for travel. This also provides scope for estate rationalisation by decommissioning buildings that are no longer required, contributing to carbon footprint reduction."

Promotion of **active travel** and similar initiatives were also mentioned as both reducing emissions and promoting good health:

Generations Working Together highlighted the potential role of sustainable initiatives:

> "Other proactive measures, such as encouraging active travel - and ensuring accessibility and inclusivity in this so that it benefits everyone, not just those willing to adopt new behaviours - will improve health, which takes pressure off NHS, whilst simultaneously reducing carbon emissions. We see this to be consistent with the NHS ambition to be 'socially', as well as 'environmentally' sustainable.
>
> In terms of service delivery, intergenerational initiatives, active lifestyle initiatives and proactive community engagement can be done with minimal environmental impact, whilst the resultant improvements to health wellbeing will reduce pressures placed on national services. By accounting for intergenerational practice, cycling schemes/infrastructure etc. in planning processes, we can ensure that the services/initiatives are optimised to ensure benefits to those of all ages, and are consistent with net-zero ambitions."

Audit Scotland cautioned that "meeting net zero targets could make the recovery process more challenging".

Preventative spend

The call for views noted that the Scottish Government has established a Preventative and Proactive Care Programme to shape its approach to preventative care and inform spending decisions. Respondents were asked for views on the Scottish Government's actions in respect of preventative care and how it might address the challenge of investing in preventative care while maintaining existing services within a tight budget framework. Fifteen respondents replied to this question.

Audit Scotland noted that this issue has been on the policy agenda for many years, without significant progress being achieved:

> "In previous reports we have commented on the lack of progress in shifting resources from acute to community settings and preventative approaches. A preventative, person-centred approach, as set out by Christie ten years ago, is key for improving outcomes and reducing inequalities. However, the Auditor General's Christie: 10-years on blog highlights that this is not being achieved consistently or at scale. Christie stated that one of the major barriers to preventative action was the extent to which resources are currently tied up in dealing with short-term problems. His report warned that without a shift to preventative action, increasing demand would swamp public services' capacity to achieve outcomes.
>
> We have found that moving resources towards prevention is challenging and often requires a significant change in how services are delivered. It may involve reducing some budgets and increasing others and targeting resources more effectively at specific groups of people. CPPs and IAs are exploring small-scale preventative projects but a significant scaling up of activity will be needed to promote early intervention and prevention approaches and reduce inequalities. This would involve difficult local choices about how resources are to be used and stronger shared strategic planning for prevention."

Argyll and Bute HSCP highlighted the challenges in funding such an approach when budgets are constrained:

> "We recognise the requirement for transformational change as services cannot be delivered as they are at present on a sustainable basis…. We are commencing our action plan and innovation process and are in the early stages of developing business cases to support this transition and transformation. However, this is constrained by a lack of resources and the reactive nature of managing health and care pressures over the last 2-3 years in particular."

Volunteer Scotland noted:

> "…the Scottish Government must acknowledge the vital role of volunteers in supporting health and social care services – both in treatment and prevention - within relevant policy and allocate sufficient funding to sustain this.

> Volunteers can have a valuable role to play in the provision of health and social care services, but it is vital that this is not a replacement for duties previously performed by paid staff."

Glasgow HSCP referred to the challenge of identifying benefits from preventative spend and the fact that preventative spend was unlikely to reduce the need for funding in other areas. They also noted the need for transition funding, clear evidence to support investment and the need for a "whole system" approach:

> "The increasing demand being experienced across the system also makes it difficult to identify the specific benefits, with in many cases the investment simply reducing existing demand pressures rather than releasing funding in the system.
>
> This will require transition funding to support investment, with decisions on where to invest being supported by value for money assessments including an assessment of where the biggest impact can be made with the limited funds available.
>
> Another challenge around this approach is that the benefit to the wider system of preventative spend will not always lie with the organisation responsible for delivery of the programme, and we need to get smarter about how we take a wider system view of our approach to this."

East Ayrshire HSCP noted that they had invested in preventative spend:

> "Through our innovative use of financial reserves and our transformation programme we have invested in early intervention and prevention across sectors to manage demand.
>
> Preventative and proactive care is based on the understanding that these interventions can reduce the demand for expensive, intensive support, with fewer unscheduled admissions into acute settings."

COSLA noted that, while supportive of preventative spending, the short-term nature of funding made this difficult to achieve in practice:

> "Within Local Government, there has been a will to move towards preventative practice since the Christie Commission, but this has not been easy to do within cycles of short-term funding where agreement of repeat funding is based on evidence of short-term results.
>
> …
>
> Overall, there remains a continued focus on input and output measures rather than outcomes when it comes to public spending. This drives behaviour and spending in ways that are not necessarily best value. Depending on its intended outcome, it may take years to demonstrate the effectiveness of preventative work and this needs to be accepted within planning and budgeting if progress is to be made."

Generations Working Together said:

Scottish Government has to prioritise preventative care programmes if it is to seriously plan for the future. If that means increasing budgets, so as to maximise preventative care in the present, as well as maintain existing services adequately, then we believe that is what ought to be done.

Several respondents highlighted the need for an **evidence base and a longer-term horizon** to support investment in preventative spend.

UNISON said:

> "We urge that proper assessments are made of minimum alcohol pricing and drug policies to assess both the impact on health and on demand for health services. It has to be recognised in budgeting that there may be years of an impact for the benefits to actually lead to reduced pressures on the NHS."

NHS 24 argued that:

> "…funding should only be set aside for evidence based items that have been proved elsewhere in the world to be successful."

Paths for All highlighted that:

> "Investment (SROI) evidence shows a return of approximately £8 for every £1 invested in health walk projects. These benefits can deliver cost savings for health and social care services."

Alcohol Focus Scotland advocated a levy on licensed retailers to address the harm caused by alcohol:

> "An alcohol harm prevention levy could be applied to retailers licensed to sell alcohol via a supplement on non-domestic business rates. The funds raised would help offset the significant costs to the public sector of dealing with the consequences of alcohol harm."

UNISON argued for a broader view of what constitutes preventative spend:

> "Tackling the emergency cost of living needs is preventative spending in a crisis – lifesaving and essential - energy price freezes, rent freezes and free school meals, free period products and much more.
>
> …
>
> The extent to which providing decent work with decent pay and conditions in public services IS preventative spend is often overlooked."

Health and social care outcomes

Finally, the call for view asked for views in relation to health and social care outcomes. It highlighted that, in relation to health and social care, a range of different

performance frameworks and targets exist, including the National Performance Framework, Local Delivery Plan (LDP) standards, and the 'National health and wellbeing outcomes'. In this context, respondents were asked for views on how health and social care budgets should be prioritised and which targets or outcomes should take precedence. A total of 12 responses were received to this question.

Audit Scotland said:

> "…monitoring and public reporting on the impact of health and social care needs to improve.
>
> We have consistently commented in several reports about the lack of reliable and robust data and information available to measure performance and outcomes in a number of health-related areas (i.e. community, primary care and social care services) and there have been significant delays in improving this situation.
>
> The challenge is to be clear about the intended impact and gather the evidence to support and measure this effectively. It takes time to see the impact for people and communities. Where finances and public services are under pressure, the temptation to resort to short-term measures in place of a long-term focus is understandably strong. And outcomes are more difficult to measure than short-term targets or outputs, which again may put long-term objectives at risk if appropriate measurement criteria and a strong evidence base is not put in place."

Glasgow HSCP noted the benefits of locally determined performance frameworks:

> "Each Integration Joint Board (IJB) will be in the best position to determine their priorities, based upon local intelligence and their analysis of needs in their respective areas and we would not, therefore, wish to highlight any specific targets or outcomes as requiring to be prioritised."

East Ayrshire HSCP highlighted the need for an approach based around human rights:

> "Budgets need to be prioritised within the context of a person-centred, human rights-based system of health and social care, recognising that services will need adapt to an ageing population with more complex health and care needs. This includes the role of statutory services but also of non-formal supports and pathways. The focus should be less on re-designing services 'for' and more on 'with' the people who use our services and their carers."

NHS Ayrshire and Arran noted the challenges around existing targets given the current pressure in the system, and argued for a review of the targets:

> "The backlog of elective care following the pandemic makes many of the current access targets unrealistic without an unaffordable level of investment, therefore adjustments to the targets is needed to make them achievable."

COSLA said that the National Performance Framework (NPF) and a focus on human rights should have greater prominence in budget-setting:

> "The Scottish Government should align budgets to the NPF and the realisation of rights, with analysis included in all future Programmes for Government as well as the budget process to ensure new policies, legislation and budgets deliver in this way.
>
> Consideration should be given as to how the Scottish Government, Local Government and the wider public sector can measure improvements in the realisation of rights to provide evidence to inform future policy and service design."

Nicola Hudson, Senior Analyst, Financial Scrutiny Unit, SPICe Research

September 2022

Questions for call for evidence

The Committee might want to consider the following range of questions for inclusion in the call for evidence that will be issued over the summer. The questions link to the themes identified in the paper, extracts from which will be included in the call for evidence to give context for the questions.

Budget context

The Scottish Government's Resource Spending Review identifies planned increases of 0.6% in real terms for health and social care over the next four years:

- How would you see these planned budget increases meeting the various challenges facing health and social care over the next four years, including:
    - Recovering from Covid-19 and addressing the treatment backlog
    - The planned creation of a National Care Service
    - Cost and demand pressures in areas such as NHS pay, drug costs and demographic pressures?

Health and Social Care Sustainability

NHS Scotland's stated ambition is "to become a service which is both environmentally and socially sustainable".

- How can the Scottish Government use its resources to ensure health and social care services are delivered in a way that is consistent with achieving net zero ambitions, in respect of both physical assets (hospitals and other facilities) and service delivery?

Preventative spend

The Scottish Government has established a Preventative and Proactive Care Programme to shape its approach to preventative care and inform spending decisions.

- What are your views on the Scottish Government's actions in respect of preventative care and how should it address the challenge of investing in preventative care while maintaining existing services within a tight budget framework?

Health and social care outcomes

In relation to health and social care, a range of different performance frameworks and targets exist, including the National Performance Framework, Local Delivery Plan (LDP) standards, and the 'National health and wellbeing outcomes'

- How should health and social care budgets be prioritised in this landscape and which targets or outcomes should take precedence?

Annexe B

Note for Health and Social Care Committee

David Bell, University of Stirling

Health Economics

The term “health economics” is a misnomer. Economics is generally concerned with markets where goods or services are bought and sold. It is generally not possible to buy or sell “health”. But it is possible to buy or sell “healthcare”. Health economics is mainly focused on the many and complex markets that exist for different forms of healthcare.

The market for healthcare is different from most other markets in a number of ways.

- Healthcare comprises a diverse mixture of goods and services as well as labour input (nurses, doctors etc). Some health care interventions are low tech, while others require very sophisticated equipment and/or drugs.

- Most types of healthcare intervention are bought or sold. Doctors and nurses are paid wages. Drugs and medical equipment are bought from suppliers. One important exception to these market mechanisms is unpaid care from friends and family, which is particularly important for social care – care that is necessary, but does not require medical intervention.

- In most markets buyers know what they want to buy. Those who wish to purchase healthcare often do not know what they require, since they do not have the knowledge to diagnose themselves. This places the seller of healthcare in a more powerful position

- The need for health care is mainly unpredictable or “risky”. We face other risks in our lives. People generally wish to avoid risks and as a result markets for insurance have been developed so that those who suffer an adverse event do not suffer (financially or in kind) as a consequence.

- Many countries therefore use an insurance model to support health care. But a pure insurance model has some disadvantages: poorer people may not be able to afford the insurance premiums; those with chronic illnesses may not be able to find a willing insurer. These issues are often remedied by the state stepping in to provide support for those who cannot afford the cost of insurance.

- The UK is unusual in that the state provides health insurance for everyone through the tax system, resulting in healthcare being “free at the point of need” through the National Health Service. Individuals do not have to have arrange their own insurance. This insurance is not complete: some services are still charged “out-of-pocket”. For example, prescriptions are still charged for in England.

- This means that the various governments in the UK (health is a devolved issue) have the responsibility to meet the demand for healthcare. And since the resources for providing healthcare cannot be created instantaneously, the state also has to predict future demand. This means planning for the unexpected, such as a pandemic, but also, importantly, for the nurses and doctors required to meet future levels of demand

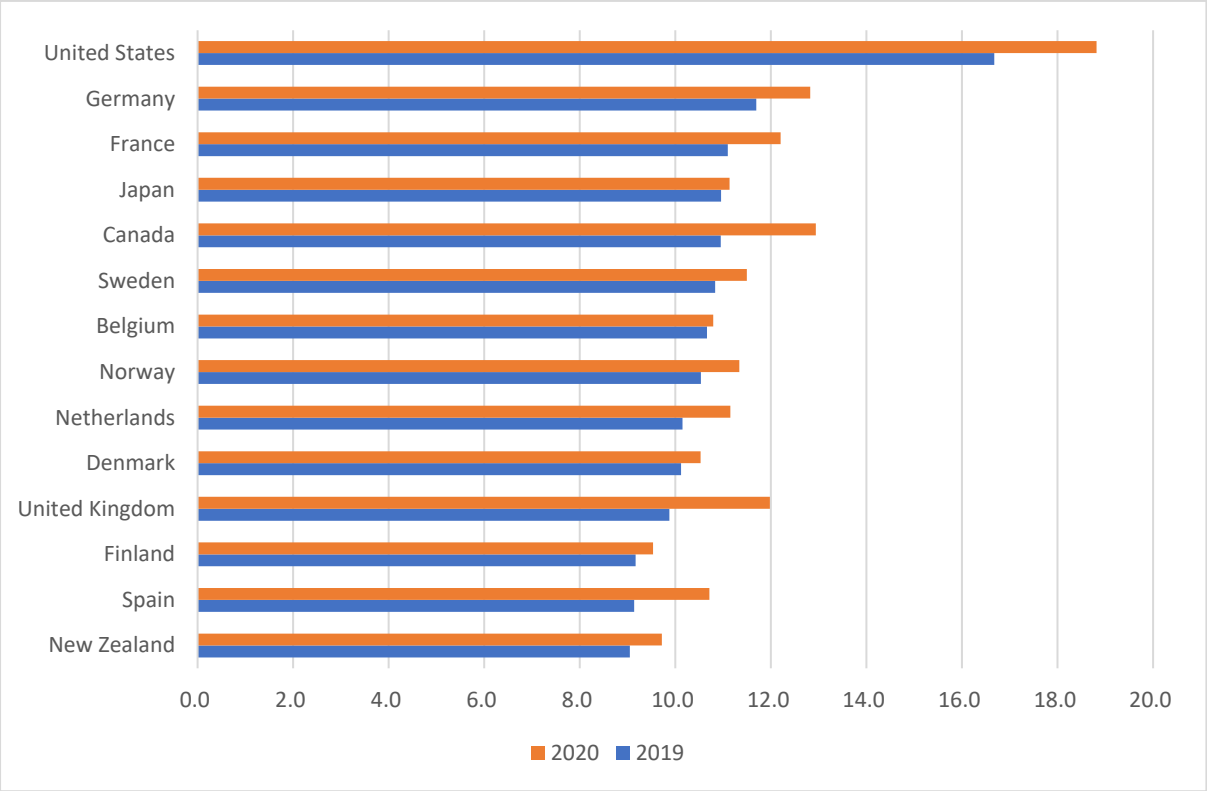
Spending on Health in Scotland

To gain some perspective on health spend in Scotland we begin by looking at international levels of spending on healthcare. Does Scotland spend more or less than other countries on providing health care? Working this out is a two-stage process. We first look at how the UK compares with other countries and then look at how Scotland compares with other parts of the UK.

Figure 1 shows recent data from the OECD on healthcare spend as a share of Gross Domestic Product (GDP) in 2019 and 2020. In the UK, around 10 per cent on annual output was directed to healthcare in 2019. The vast bulk of these costs are met from tax and therefore increasing resources directed to healthcare can only come from increasing tax rates (which may only yield a temporary boost to spending) or economic growth.

UK spend on health care was lower than most major OECD countries in 2019, but interestingly the UK experienced one of the largest increases in spend during 2020, which will have largely been a response to policy measures relating to the pandemic.

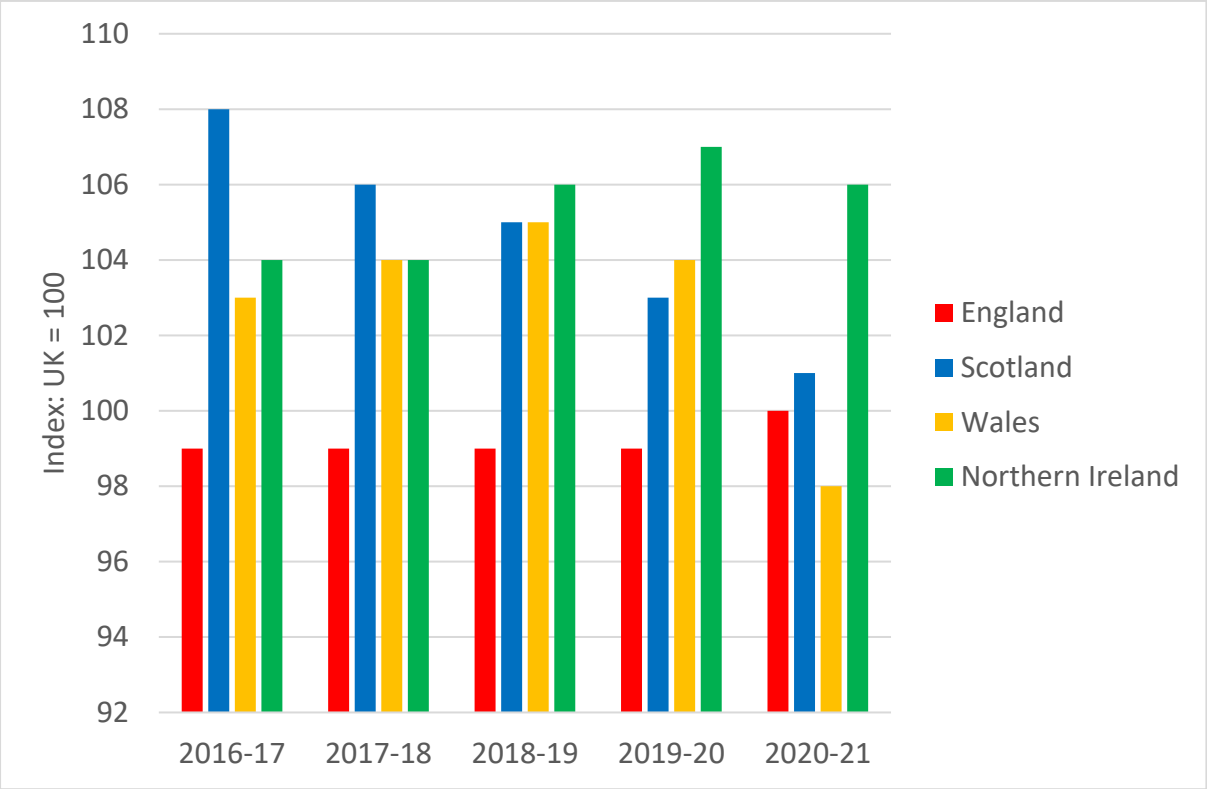
Figure 1: Health Expenditure as Share of GDP, OECD Countries



Within the UK, Scotland's spending on healthcare per person has generally been above the UK average but the gap between Scotland and England fell quite sharply between 2016/17 and 2020/21: by 2020/21 spend per head in Scotland was only 1% above that in England[1]. Spending on health care is determined by the Scottish Government and one might expect that, other things being equal, spending per head would be greater in Scotland than in England due to its more dispersed and older population. Whether the narrowing gap suggests a more efficient use of resource in Scotland or, for example, greater levels of unmet need is beyond the scope of this paper but would be an interesting area to investigate further. Comparing levels of unmet need, such as waiting times, is quite difficult because each country collects the data in different ways.

[1] **Source: HM Treasury (2022) "Public Expenditure Statistical Accounts 2022". Accessed at: https://www.gov.uk/government/statistics/public-expenditure-statistical-analyses-2022**

Figure 2: Health Spending Per Head 2016/17 to 2020/21 (UK=100)

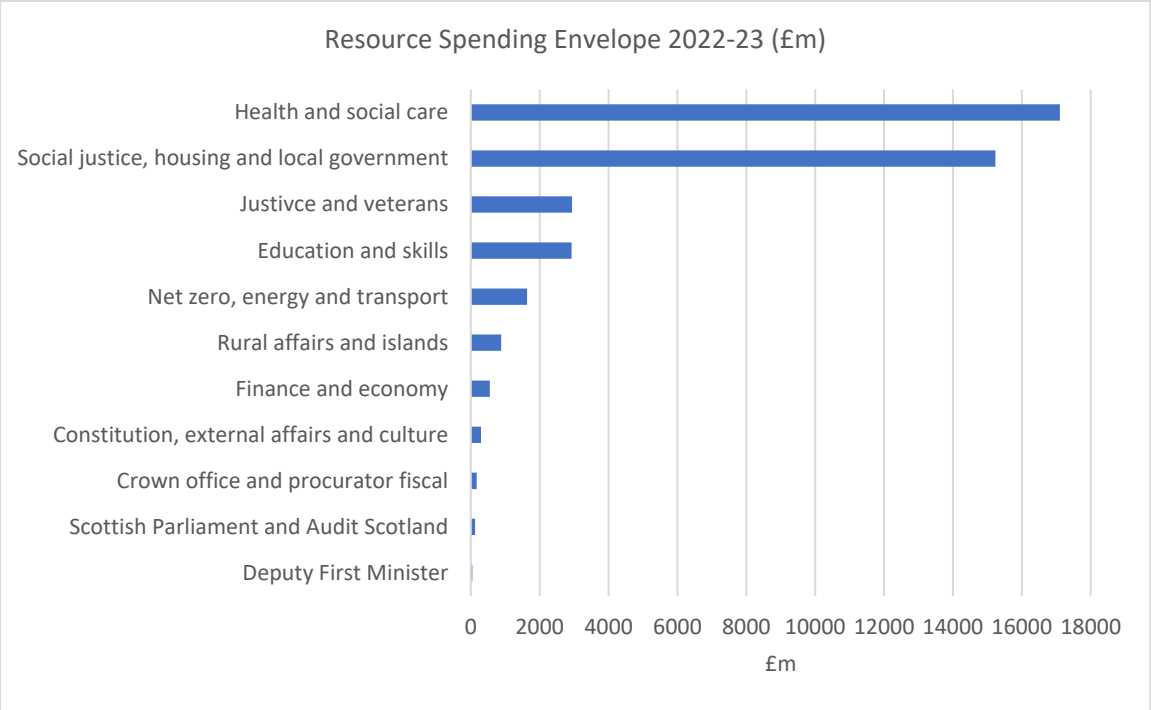


Scotland's Healthcare Budget

As already mentioned, the Scottish Government has autonomy over how much resource to allocate to healthcare. Within a limited budget, it must compete against other priorities for Scottish government support such as social security, education, justice transport etc. Figure 3 shows the Scottish Government resource spending estimates for 2022-23[2]. Spending on health and social care exceeds that of any other major Scottish Government responsibility. This partly reflects long-term trends such as the ageing population, but also more short-term concerns such as the COVID pandemic.

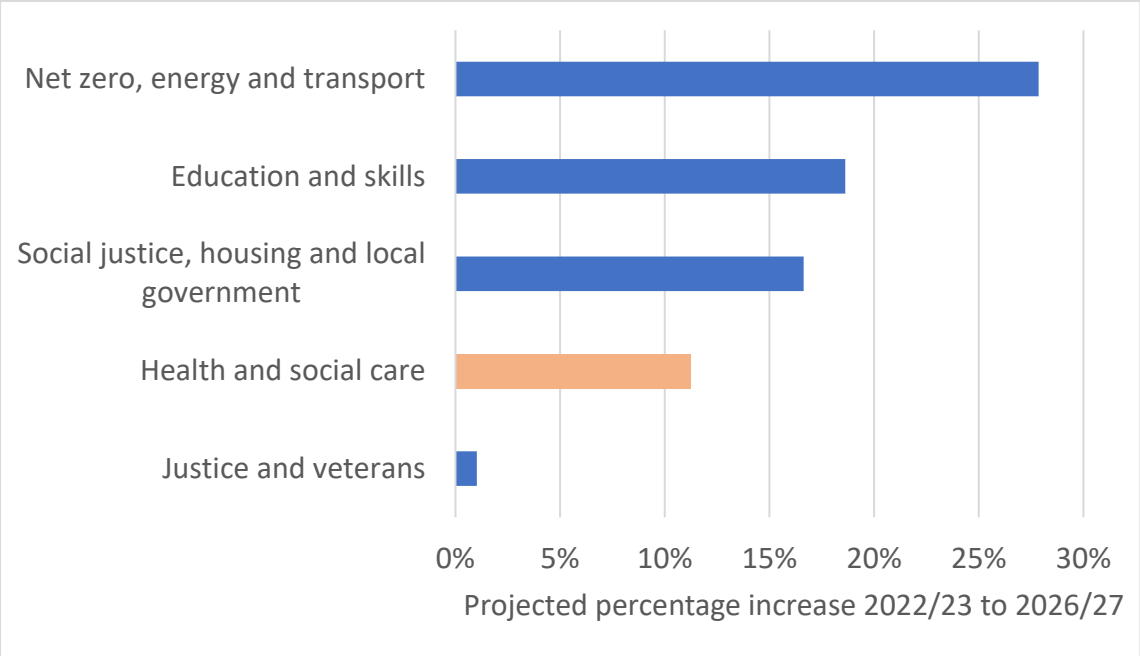
[2] Scottish Government (May 2022) "Scotland's Fiscal Outlook: The Scottish Governments Medium Term Financial Strategy". Accessed at: https://www.gov.scot/publications/scotlands-fiscal-outlook-scottish-governments-medium-term-financial-strategy-2/

Figure 3: Resource Spending Envelope 2022-23 (£m)



However, the health budget is expected to grow more slowly over the next four years than other areas of Scottish government responsibilities such as social justice, education and net zero, energy and transport.. Figure 4 shows overall growth in resource spending for major Scottish Government responsibilities over the period 2022/23 to 2026/27.

Figure 4: Projected growth in major Scottish budgets 2022/23 to 2026/27[3]



The NRAC Formula

The NRAC formula is the Scottish government's mechanism for allocating to Scotland's health boards, specifically to cover hospital and community health services and GP prescribing. This covers around 70% of the total healthcare budget. General medical services and capital spend are allocated by other methods.

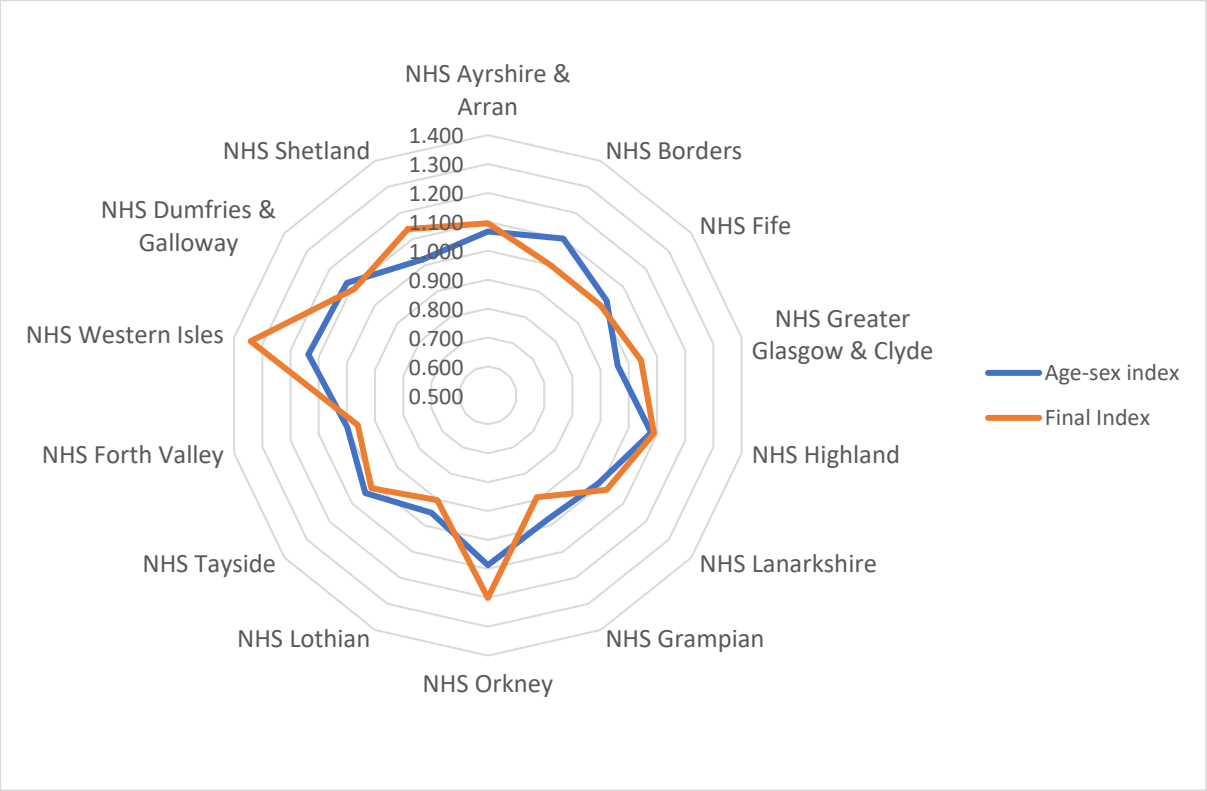
The underlying principle of the NRAC formula is that it allocates funding based on "relative need". It uses a number of indicators to determine such relative need. The principal one is population. More populous health boards receive more money. The formula is further adjusted to take account of other influences on the demand for healthcare:

- the age and gender composition of the population also influences the outcome of the formula. It is generally more expensive to provide health care for older people than for the young.
- geographic patterns of mortality and morbidity vary across the country and are highly correlated with deprivation. The formula is adjusted to take account of such factors
- there are also clearly geographic differences in the cost of delivering healthcare. Providing GP services in the islands is much more expensive than it is in the central belt. These geographic variations are known as "excess costs".

[3] **Scottish Government (May 2022) "Scotland's Fiscal Outlook: The Scottish Governments Medium Term Financial Strategy". Accessed at: https://www.gov.scot/publications/scotlands-fiscal-outlook-scottish-governments-medium-term-financial-strategy-2/**

The allocations for 2020/21 by board are shown in Figure 5. These show allocations per person after adjusting for (1) age and sex and then (2) excess costs with the value for Scotland as a whole set at 1. Thus NHS Borders has a value of 1.1 for its age-sex composition, probably reflecting its older population, which would, with a value of 1.1, generate an allocation 10% above the Scottish average. But because it is relatively cheap to provide health care in the Borders, its final allocation is closer to 1, the Scottish average. It is noticeable that the "excess costs" factor has a marked effect on allocations to the island boards.

Figure 5: Resource Allocation Formula: Age Sex and Final Indices 2020/21 (Scotland = 1)



Similarly, though NHS Greater Glasgow & Clyde has a relatively low score when adjusted for the age and sex composition of its population, due to their its relative youth, the final index, which also reflects morbidity and mortality patterns, results in an allocation slightly above the Scottish average.

Audit Scotland's 2021 report on the NHS in Scotland reports on the upcoming review of the NRAC formula:

> *"The Programme for Government 2021-22 sets out the Scottish Government's intention to increase funding for frontline healthcare services by at least £2.5 billion by 2026/27.57 It also commits to increasing primary care funding by 25 per cent, and to reviewing the NHS funding formula to ensure that the funds*

are distributed equitably. The Scottish Government has not yet set a date for this review to be completed."[4]

The review was urged to consider:

- why some NHS Boards require Scottish Government help to achieve budgetary balance
- extending the use of data to better understand patterns of demand for healthcare and so modify the formula in a way that improves patient outcomes
- understanding how differences in the labour market for healthcare professionals may be affecting healthcare costs and how these differ geographically

Hopefully an improved approach to funding allocations with reduce the needs identified by Audit Scotland to improve efficiency and thus keep their budget within the allocation set by the formula. Thus, for example, in 2019/20 four NHS boards required additional financial support from the Scottish Government to break even. The total cost was £41 million, a relatively small amount given the overall budget. The four boards that required additional financial support NHS Ayrshire and Arran, NHS Borders, NHS Highland and NHS Tayside with Audit Scotland making specific proposals to each.

Funding to bodies other than Health Boards

Not all of the healthcare budget goes on the territorial boards. The "Level 3" breakdown of the total health budget is shown in Table 1 for fiscal years 2020/21 and 2021/22. The 2020/21 figures were revised to take account of the additional funding associated with the pandemic.

Table 1: Scottish Healthcare Budget 2020/21 to 2022/23

	2020-21 Budget Budget (£m)	Restated 2021-22 Budget (£m)	2022-23 Budget (£m)
NHS Territorial Boards	10,704.00	10,894.40	11,508.60
NHS National Boards	1,312.10	1,345.90	1,422.60
Health Capital Investment	448	549	574
COVID-19 Funding	–	960	–
Workforce and Nursing	262.1	316.8	402.7
General Medical Services	1,035.80	1,116.80	1,162.80
Pharmaceutical Services	198	206.1	216.2
General Dental Services	428.6	431	469

[4] **Source: audit Scotland (2022) "NHS in Scotland 2021". Accessed at: https://www.audit-scotland.gov.uk/uploads/docs/report/2022/nr_220224_nhs_overview.pdf**

General Ophthalmic Services	109.5	111.7	125.5
Outcomes Framework	71.9	74.1	74.1
Health Improvement and Protection	51.6	59.4	85.6
Alcohol and Drugs Policy	34.2	84.2	85.4
Mental Health Services	117.1	273.9	290.2
Quality and Improvement	20.1	37.6	65.9
Digital Health and Care	112.1	112.5	112.9
Early Years	53.4	53.4	58.9
Miscellaneous Other Services	-164.1	-34.5	9.5
Social Care Investment	332.4	395.4	1,137.10
Revenue Consequences of NPD	65	98	75
Sportscotland	32.7	33.7	34.7
Active, Healthy Lives	13.4	15.4	19.4
NHS Impairments (AME)	100	100	100
Financial Transactions	10	–	10
Capital Receipts	-20	-20	-20
Total Health and Social Care	**15,327.90**	**17,214.80**	**18,020.10**

Beyond payments to the territorial boards, the two most important budget elements are: the national special health boards providing national services (some of which have further publicised subdivisions). These comprise:

- The National Boards comprise Public Health Scotland;
- Healthcare Improvement Scotland;
- the Scottish Ambulance Service;
- the Golden Jubilee University National Hospital;
- the State Hospitals Board for Scotland,
- NHS 24,
- NHS Education for Scotland
- NHS National Services Scotland.

The other main budget item in Table 1 is “General Medical Services” comprising mainly GP non-prescribing services. In 2020/21 payments to GP practices for non-dispensing services to 928 General Practices amounted to £950.5 million. This funding stream pays for the new GP contract that was agreed in 2018. An important development for the Committee to monitor.

In 2022/23, investment in the National Care Service will be the main cause of the increase in the budget. It includes a transfer for of £846.6 million to local government for social care support. This will be an important development for the committee to monitor. Understanding how effective it is in improving the situation of those

receiving care requires us to establish some baseline data now so that we can make accurate comparisons of its effects.

Finally, the Committee might wish to inquire how much of the health and social care budget is allocated to “preventative” measures, along the lines recommended by the Christie Commission5. Together, support for “Active, Healthy Lives” and “Sportscotland” comprises approximately 0.3per cent of the total budget.

[5] Christie Commission on the future delivery of public services, Accessed at: https://www.gov.scot/publications/commission-future-delivery-public-services/