Scrutiny of the Draft Budget 2012-13 and Spending Review 2011

Royal College of Nursing (RCN) Scotland

The overall position of the health budget

RCN Scotland acknowledges the relatively strong position of the health portfolio in the light of comparable financial positions for other parts of the public sector. We welcome a clear prioritisation of health and wellbeing by the Scottish Government in ensuring everyone in Scotland can flourish and realise their potential. However, beneath the headline figures within the health portfolio, the RCN would like to make two points.

1. The RCN emphasises that, whilst the relative revenue position of health within the comprehensive spending review is almost certainly as good as could be hoped for, NHS budgets will still be under significant pressure from the absolute pressure on public sector funding. For example, pharmacy comprises the second largest area of revenue expenditure for NHS territorial boards. In 2010-11 NHS territorial boards uplifted their GP prescribing budgets by an average of over 4% and still overspent by around £17m by year end. With cash terms uplifts to territorial boards sitting at 2.5% next year, this gives some indication of the ongoing health cost pressures facing boards, however welcome the budget increase.

2. £76.2m of non-recurring waiting times funding is being “transferred to NHS boards from 2012-13”. As such this is now subsumed into the “NHS and Special Health Boards” line. The result is that £76.2m of the uplift announced to health boards is not ‘new’ money to cope with health cost pressures, general inflation and increased demand, but existing money allocated to boards through a different route. Taking this into account, the cash terms uplift to boards reduces to 1.6%.

Similarly, 2012-13 is the first full year in which NHS Scotland boards will take on full responsibility for delivering prison healthcare. No money has been obviously transferred from justice to health budgets to cover these additional responsibilities, which are estimated to cost over £20m per annum. Removing this additional responsibility from the headline budget reduces next year’s cash uplift to health boards to 1.4%.

Territorial boards will be expected to deliver more services for their increased budgets with little left to cover wider inflationary and health cost pressures.

Of course, the position for special health boards is quite different with many of those boards, including Healthcare Improvement Scotland as the key scrutiny and improvement body for healthcare, facing significant real terms reductions.
Efficiency savings

We note that, at the time of writing, no formal NHS efficiency target had been set out in the budget documents. We hope that this indicates a departure from the precedent of narrow, organisation-specific, annual percentage targets
However, we also note that the Scottish Government has previously committed to a public sector efficiency target of 2% from 2012-13 and the budget commentary implies a target has already been set, as “a differential efficiency target has been set for Special Boards budgets which do not deliver direct patient care”. As such, we would welcome clarification of the cash efficiency pressures that all NHS boards will face from 2012-13.

We also continue to call for clearer reporting and monitoring of efficiency savings to ensure that identified savings are not actually service cuts. This call has previously been supported by others, including the last Health and Sport Committee and Audit Scotland.

Preventative spend

With straitened budgets, obligations to deliver efficiencies, rising inflation, fast increasing health costs, growing demand, and high public and political expectations, boards are being expected to re-prioritise local funding to improve long-term outcomes whilst continuing to treat those patients who have not benefited from a prioritisation of preventative spend. “Failure demand”, as the Christie Commission called it, will not be reversed overnight. As such, the key question is: in the current financial climate, and given Scotland’s current health needs, where is the money for a step change in preventative spend coming from, if healthcare is to be delivered safely and equitably across the whole population?

We welcome the Scottish Government’s recognition of the need to raise additional revenue to front-load the system and support a longer-term shift in resource. However, we also note that the anticipated £110m over three years to be raised from the proposed Public Health Levy is significantly short of the £500m committed to shifting resources to early interventions through the three Change Funds. We assume that the ongoing commitment to the older people’s change fund, at least, has continued to be rolled into the core revenue funding to territorial boards and as such is not ‘new’ money.

If Change Funds can be found to front-load new preventative activity without harming healthcare provision for those in need now, then the RCN is supportive of the Scottish Government’s attempts to lever this significant shift in resource. Clearly the approach is new and all concerned are still learning how best to take things forward, but we would highlight to the Committee two

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1 Further detail of the RCN’s concerns around current approaches to realising efficiencies are available in our budget evidence to the Scottish Parliament Finance Committee, available at: http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/42438.aspx
2 Audit Scotland, Scotland’s Public Finances: addressing the challenges, August 2011, p.4
3 The Scottish Government, Scottish Spending Review 2011 and Draft Budget 2012-13, P.67
particular statements from the Scottish Government’s overview of first year proposals:

The area that is generally weakest across the Plans is with respect to how the Change Fund will enable shifts in core budgets over the next 5 years. In most cases it is not clear to what extent partnerships have associated planned activities with tangible targeted reductions in institutional care, and associated budgets (hospital and long-term residential care) in favour of community based services.

Despite the ambitions laid out in the plans, the aggregate savings identified will not meet either the £70m time-limited investment represented by the Fund, nor the estimated shortfall in resources of £1.1bn by 2016, calculated against current models of service provision. Even with considerable service redesign, overall costs are likely to rise significantly as the older population grows.4

In individual non-recurring budget lines in the health portfolio, we assume the increases in health improvement and health inequalities and in healthy start budgets will support the early funding of more preventative measures. However, other areas such as tobacco control and mental wellbeing – areas in which there is much preventative work needed to ensure good population health and reduced public sector cost – are flatlined in cash terms (and therefore will reduce in real terms) over the course of this spending period. Without far greater detail on how the Government intends these budgets to be used in practice, it is not possible to be clear how these reductions square with the focus on prevention.

The RCN welcomes the Government’s commitment to the Family Nurse Partnership approach as a means to support to young, first time mothers as an intensive, targeted addition to Scotland’s universal health visiting services. However, it is not clear at this time where the funding for the Family Nurse Partnership expansion sits in the spending review plans. We would welcome clarification on this point.

The eHealth budget for this spending review period will see no cash terms increases and a real terms decrease. The requirement to invest in effective eHealth is widely seen as essential to promote good self-care and therefore support the prevention of unnecessary acute episodes of care. We urge the Committee to consider the findings of the Audit Scotland report on telehealth (published on 13 October 2011) and review the spending review plans in light of its recommendations.

The integration of health and social care

The top line figures in the spending review documents do not offer much detail on the implications of possible integration of budget allocations. Presumably,

4 The Scottish Government, Reshaping Care for Older People Change Plans – National Overview Report, March 2011
and understandably, this is because the decision on the model(s) to be pursued has yet to be decided. However, we would anticipate that the allocations between budget areas during the course of this spending review period could change if financial integration is pursued as part of the Government’s blueprint, as we expect it to be. This could significantly alter the current presentation of spending plans and the monitoring of performance against plans.

In addition we have three specific concerns arising from this budget in relation to integration:

1. The “health” portfolio in the spending review documents includes a new line for self-directed support. We understand that the upcoming legislation on self-directed support will be focused on social care options and we were therefore a little surprised to see this budget allocated to health. As such, it is not wholly clear whether some social care monies have already moved to the “health” portfolio, reflecting new civil service structures which have brought together health and social care.

2. Whilst health revenue budgets have been relatively well protected from public sector cuts, those of the partners expected to engage with the NHS in increased integration (in particular local government, but also the third sector) have not. Given that demand is not reducing, we are concerned that the NHS will be expected to pick up the burden of funding gaps from integration partners to ensure health and social care outcomes are met, particularly given the NHS role of providing services free at the point of need. Scrutiny of the effects of any such additional pressures may be very hard to track.

3. In previous Parliaments, the Health and Sport Committee has repeatedly raised concerns about their ability to satisfactorily fulfil their scrutiny function in relation to even the small proportion of health spending that has been transferred to local authorities through resource transfer arrangements. For example, in their report on the 2010-11 budget, the Committee noted:

   91. Finally, the Committee has concerns about the transparency of funds transferred to local authorities in previous years. These funds cannot be tracked and therefore the Committee has no assurance that these have been spent appropriately.

   Given the scale of transfer of NHS funds that may be possible within the timescale of this spending review, it is hard to envisage how the unresolved issue highlighted above will be addressed.

**Workforce**

Many of the decisions required to allocate proposed funding appropriately to workforce costs and ensuring the workforce is future-proofed to meet a new
emphasis on prevention will either take place at local organisation level or are not possible to extrapolate from the top line budget figures.

There are clearly issues arising here, given the Scottish Parliament’s interest in a shift to preventative action. For example, the Change Fund should be a lever to early intervention, yet the first Change Plan template provided did not require partnerships to explicitly comment on implications of their plans on the local workforce and, other than some mention of training and staff development, workforce implications were not a feature of most of the plans. We have not commented on wider workforce issues as part of this particular evidence submission on the budget, but are happy to provide such detail as required. However, within the scope of the spending review, we would like to raise the following areas of concern:

1. We did expect this budget to confirm the second year of the agreed public sector pay freeze. However, our members face the same increased living costs as everyone else and with inflation running at 5.2% (RPI)\(^5\), a pay freeze is in essence a pay cut. As pay negotiations have not yet concluded for 2013-14 onwards, we appreciate that these documents give no indication of future public sector pay plans, but clearly any new decisions will affect future year allocations. Public sector workers, including our nurse and health care assistant members, cannot be expected to face a continued pay freeze.

2. We acknowledge the strong support the Scottish Government has given to the position of RCN and the other trade unions, that the UK Government’s proposals to increase public sector employee pension contributions is neither needed nor fair. Whilst we understand the predicament faced in Scotland regarding threatened financial penalties to the block grant, the RCN maintains that this additional burden should not be placed on our members anywhere in the UK.

3. The Nursing Workforce Education and Training budget flat-lines in cash terms between this year and 2012-13 and then reduces over the following two years. In real terms, the budget will decrease by 7.9% by 2014-15. We cannot tell from the figures provided whether this is for example a result of unannounced Scottish Government plans to reduce in student numbers in future years or is the result of lower bursary expenditure on fewer current students who will be reaching the final years of the training over the course of this spending review. The RCN has consistently raised concerns year on year that the projections submitted by NHS employers have been significantly influenced by financial concerns. We do not have confidence that the student intake planning process will deliver the true levels of registered nurses needed to deliver quality care for patients.

4. Finally, we highlight that financial plans affecting the workforce are often subject to change in the light of increasing budget pressures

\(^5\) HM Treasury, *Pocket Databank*, 29 September 2011
during the financial year. With staffing the highest individual revenue cost to boards and nursing making up 42% of the NHS workforce, the nursing workforce has become a prime focus of both planned and unplanned ‘savings’. The latest ISD workforce figures show that half of all nursing posts forecast to be lost in this financial year were removed within the first quarter of 2011-12 alone. Already the number of nurses in post in NHS Scotland is at its lowest point since 2006. We are concerned that this acceleration to the loss of nursing posts may be indicative of the financial pressures boards are facing on the ground, despite the comparatively positive NHS position in the Scottish budget.

**Capital spending**

With the Quality Strategy driving NHS policy in Scotland, we would like to take this opportunity to highlight the importance of capital budgets in renovating and upgrading the NHS estate to ensure safe care, particularly given that a third of the Scottish NHS estate is likely to need upgrading soon at a cost of over £500m\(^6\). The significant reduction to the NHS capital budget is a serious concern and we would urge the Committee to monitor the impact of these capital cuts on patient care over the course of this Parliament.

We understand the rationale for re-allocating some revenue funding to capital budgets in the current climate, but we also note that the Cabinet Secretary for Finance and Sustainable Growth has announced a £200m annual transfer in the public sector, with around half of this apparently located in health budgets. This will be a significant additional pressure on NHS resource funds and we cannot be sure that individual boards will not transfer further resource funding within their allocations to cover essential capital costs.

Finally, we would also welcome clarification of the footnote included with the capital resource transfer line in the health portfolio, and in particular what criteria the Scottish Government will apply to ensure this outcome: “This provision will be for capital spend that is necessary to help Boards maximise efficiency in revenue benefits.”

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