Dear Kenneth

Scottish Government Draft Budget 2016-17

To inform the Finance Committee’s current scrutiny of the Scottish Government’s Draft Budget 2016-17 I wrote to you on 8 December 2015 to draw your attention to the Health and Sport Committee’s NHS boards budget scrutiny 2015-16 report and the Scottish Government’s response to this report.

Given the shortened timescales for reporting on the Scottish Budget 2016-17, the Health and Sport Committee agreed that it would provide the Finance Committee with a letter identifying the key aspects arising in written and oral evidence received by the Committee. Please find attached that letter, which I hope will help to inform your Committee’s scrutiny of the draft budget.

The Committee intends to issue this letter to the Cabinet Secretary for Health and Wellbeing for a response on publication of the Finance Committee’s report on the Draft Budget 2016-17.

Yours sincerely

Duncan McNeil MSP
Convener of the Health and Sport Committee
Dear Cabinet Secretary for Health, Wellbeing and Sport

Scottish Government Draft Budget 2016-17

Thank you for providing oral evidence on 5 January 2016 to the Health and Sport Committee on the Scottish Government Draft Budget 2016-17.

As you will be aware in advance of your evidence session the Committee issued a call for written views on both the health and sport budget portfolios. The Committee received 20 responses to its call for views on the health budget and 35 responses to its online survey on the sport budget.

The Committee also held a session on 15 December 2015 with representatives from integrated authorities in Dumfries and Galloway, Glasgow, Highland and West Lothian.

Given the timescales for scrutinising and then reporting on the draft budget 2016-17, the Health and Sport Committee agreed that, as time does not allow for a formal Committee report, it would instead write to you identifying the main themes and issues arising from our scrutiny of the draft budget. It would be much appreciated if you could provide a response to the points raised in this letter in advance of the Stage 1 debate on the Scottish Government’s Draft Budget.

HEALTH BUDGET

In relation to the health budget the Committee welcomes the fact that in real terms NHS boards have not only been protected from cuts but have seen a 3.8% real terms increase in the revenue budget for the NHS Territorial Boards and a 1.6% real terms increase in the revenue budget for Special Health Boards. In cash terms an additional £688.7m has been allocated to health, including £511.3m for health boards taking the total health budget to £12,977.2m.

The Committee recognises that it is not just the health budget which influences the health and wellbeing of the Scottish population but services and activities provided by other areas of the public sector, including local authorities, especially in relation to
the integration of health and social care. The Committee notes that local authority budgets have not been protected in the same way as NHS boards’ budgets. As stated in previous Committee reports on Scottish Government draft budgets the Committee is aware of the risk of imbalanced resource distribution in the public sector and asks the Scottish Government for its comments on this issue. The Committee notes that the integration of health and social care may provide an opportunity to address some of these issues. The Committee welcomes the total of £250m which has been allocated to health boards, to be directed to Health and Social Care Partnerships specifically for social care.

**Capital budget**

The Committee notes that the health capital budget (excluding sport) increases by 140% in real terms, although much of this reflects the impact of accounting changes for NPD projects. If the increases relating to the accounting changes are excluded, the real terms increase in the health capital budget is 35%. The Committee welcomes this increase in the capital budget.

We note the changes the Scottish Government has made to the hub model to allow these to continue to be classified as private sector projects. In evidence to the Committee you explained that the accounting position for a number of larger projects remains unclear as discussions between the Cabinet Secretary for Finance, Employment and Sustainable Growth and the Treasury on the issue are on-going. The Committee would welcome further updates on this issue.

As a Committee we note the approach the Scottish Government is taking in relation to this situation, with larger projects currently being treated as public sector projects, with upfront capital funding to the value of £215m in the budget for 2016-17.

In oral evidence to the Committee Scottish Government officials referred to five NPD projects that fell into this category, however, the Scottish Government Draft Budget document only lists four health projects affected by the accounting changes. The Committee requests clarification from the Scottish Government on whether Ayrshire and Arran’s NPD project is affected by the classification changes.

The Committee wishes to establish with the Scottish Government whether this upfront capital funding for a number of NPD projects has implications for the timing or affordability of other capital projects that had been planning to use traditional capital financing. If the decision reached on the accounting treatment of the larger projects results in this upfront capital funding no longer being required, the Committee asks the Scottish Government to clarify how the £215m will be allocated.

**NRAC formula**

The Committee notes that the Scottish Government has not yet met its commitment to ensure that no NHS board would be more than 1% below their NRAC parity level by 2016-17. In evidence your officials commented that NHS Lothian and NHS Grampian were still 1.4 and 1.5 per cent away from parity and that the Government’s focus going forward would be on these two boards. The Committee would welcome clarification on these figures and the adjustments referred to in the evidence session.

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We would also seek further information on how the Scottish Government will support these and other affected boards in achieving the Government’s commitments on NRAC parity. The Committee also asks the Scottish Government to confirm when it now expects all boards to be no more than 1% below NRAC parity and by what year it expects to achieve NRAC parity across all NHS boards.

The Committee understands that additional allocations are not always made in line with the NRAC formula, and this includes the £250m social care allocation. The Committee asks the Scottish Government why this allocation was not made using the NRAC formula and what alternative formula was used to determine the level of funding awarded to each health board. The Committee would welcome information on the portion of the £250m allocated to each health board.

**Outcomes Framework**

In evidence to the Committee you highlighted the new Outcomes Framework which brings together a number of in-year allocations previously provided to NHS boards. Allocations that were previously shown separately are now combined to form the Outcomes Framework budget. In terms of budget scrutiny the Committee welcomes the fact that the framework is accompanied by a comprehensive set of tools to demonstrate more clearly the linkages between inputs, outputs and outcomes and the contributions of other partners. The Committee considers this to be helpful in clarifying these linkages.

However, the Committee notes that this approach does not help resolve an issue that has been raised on a number of occasions by the Committee regarding linking specific budget lines to outcomes. The Outcomes Framework budget line now incorporates a number of funding streams that were previously shown separately, such as tobacco control and the Family Nurse Partnership. This will make it more difficult for example to identify investment in smoking and alcohol programmes as there is no longer any separate budget line for these areas. The Committee recommends the Scottish Government consider how it could address this issue in its next budget document.

The Outcomes Framework is allocated £216.5m in 2016-17 and this represents a 7.6% real terms reduction on the value of equivalent budgets in 2015-16. The Committee asks the Scottish Government to clarify why there has been this reduction in funding ring-fenced for these purposes.

As you are aware from our previous Scottish Government budget and NHS board budget reports the Committee has encountered similar challenges in identifying total spend in relation to preventative activities, health inequalities and palliative care. The Committee has tried to gather Scotland-wide expenditure data on specific areas through its annual survey of NHS boards, but has found it challenging to gather consistent data across all boards. The Committee welcomes the offer made by the Scottish Government in response to our most recent NHS board budget report that it would undertake an exercise to collate more comprehensive data on palliative care spend and we seek further information on the timescales for completing this exercise. The Committee believes that the Scottish Government has a role to routinely produce more comprehensive national data on spend in priority areas to support more effective budget scrutiny and analysis of performance.
Outcome-based budgeting

As discussed above, in recent years, the Committee has highlighted the lack of any direct link between budget plans and intended outcomes, indicators and/or targets. The Committee believes that the number and range of performance frameworks that exist, including the National Performance Framework, Local Delivery Plan Standards and the set of nine ‘National health and wellbeing outcomes’ can present challenges in assessing whether objectives are being met by the budget allocated. The Committee recommends that the Scottish Government take further steps to improve and present the connections between these various frameworks and the budget allocations.

The Committee found during its NHS boards budget scrutiny that HEAT targets were presented by boards as the performance framework which had the most impact on their LDPs and ultimately their budget decisions. The Committee asks the Scottish Government which framework should take precedence in determining budget allocation or policy decisions.

The Committee notes that of the 23 national indicators that are relevant to the Health and Sport Committee for the purposes of the draft budget, eight were listed as having improved performance, 12 were found to have maintained performance levels, and three were stated as having worsening performance. Whilst we welcome the improved or sustained performance for most indicators, we seek clarification of what actions the Scottish Government plans to take in respect of those indicators where performance has worsened (the proportion of healthy weight children, children’s deprivation and road deaths).

Another recurring issue the Committee has raised is the need for greater transparency in how the Scottish Government assesses the potential impact of spending before taking decisions on prioritising budgets. In written evidence to the Committee the RCN noted the lack of scrutiny of in-year allocations of resources, which can represent a significant element of the health budget. It cited the example of the announcement of £200m funding for six new elective treatment centres and questioned the rationale for this decision and how it linked with stated priorities.

In evidence your officials discussed how the new elective treatment centres were helping to deliver a preventative approach to treatment, with hip, knee and cataract operations leading to potential reductions in trips and falls for individuals. You highlighted that modelling work had been done on how much money is saved as a result of effective preventative measures. The Committee asks for further information on this modelling work and how this work informed the decision to fund the elective treatment centres. The Committee would also welcome further information on the relationship between all staffing levels at existing hospitals and the new elective treatment centres, how workforce recruitment and planning will take account of this and what efficiency savings it expects will be achieved as a result of the provision of the new centres.

Dr Andrew Walker, a former budget adviser to the Committee, raised the issue of evidence based spending in his written submission to the Committee. He suggested that there was merit in using a health outcome measure such as the Quality-Adjusted Life-Year (QALY) to consider different scenarios for spending in health services.
The Committee invites the Scottish Government to comment on the proposal made by Dr Walker and whether it is or could be used as a tool by the Scottish Government to make spending decisions on the health budget. The Committee would welcome greater transparency in respect of the evidence used to support spending decisions.

**Targets**

In written evidence to the Committee, several submissions raised concerns over the effect of targets on clinical prioritisation and delivery of services. Whilst the RCN noted that national targets had initially delivered some real improvements, it argued that they were now impacting on clinical priorities.

Audit Scotland noted in its *NHS in Scotland 2015 Report* that the extensive effort and focus placed by the Scottish Government and NHS boards on meeting performance targets and standards may be detrimental to the longer-term ambitions of redesigning services, focusing more on prevention and moving more care into the community. The BMA also stated in written evidence to the Committee that it supported a review of the current approach to setting and implementing targets.

Similar views were raised in oral evidence to the Committee from Integrated Joint Authorities (IJAs). One of the IJAs suggested that if performance measures continued to focus on a range of indicators relating to acute care, elective care or unscheduled care this would continue to drive investment decisions. They noted that a different range of performance measures is required to affect change in relation to integration of health and social care.

In response to this issue the Committee notes that in oral evidence you agreed that there was scope for discussing what the right targets were but emphasised that these should be discussed “in the round”. The Committee asks the Scottish Government to provide further comment on the range of concerns raised by stakeholders about the costs of meeting the targets and the impact of targets on driving budgetary decision-making in NHS Scotland. The Committee reiterates the recommendation it made in its recent NHS boards budget scrutiny report that the Scottish Government consider whether some flexibility in the targets might be appropriate.²

**Integration of Health and Social Care**

The Committee notes the Scottish Government estimates that the budgets for which integration authorities are responsible will be in excess of £8bn, with the total to be determined by the scope of delegated services. This includes over 60% of current health board expenditure.

The Committee notes that integrated joint authorities are set to become fully operational in April 2016. In its recent report *Health and Social care Integration Audit Scotland* noted that “councils and NHS boards are having great difficulty in agreeing budgets for the IJAs” and that at the time of their report (October 2015) only six of the 31 IJAs has agreed budgets.

One particular challenge for integrated authorities that was highlighted during the Committee’s survey of health boards last year has been determining the ‘set aside’ budget (that proportion of the health board budget that is allocated to the IJA in relation to acute hospital services for unplanned care).

The Committee welcomes your assurances that the Scottish Government expects all IJAs and their budgets to be in place to meet the April 2016 deadline, however the Committee would welcome further updates on progress in agreeing budgets.

In evidence to the Committee you explained that discussions were on-going between the Cabinet Secretary for Finance and COSLA on the detail of the £250m allocation to health boards to be directed to Health and Social Care Partnerships specifically for social care. The Committee asks for further information on the proposed mechanisms for ensuring all this funding is directed towards social care especially as it is health boards that have been allocated this money to be subsequently directed to the partnerships. The Committee also asks for further information on whether the same mechanism might be used in future years to allocate additional resources to IJAs. We welcome the transfer of funding for integration to boards on a recurring basis but we seek clarification of how much funding for integration has now been transferred to the board baselines as referred to in the Scottish Budget Draft Budget 2016-17, page 31 foot note 2.

Taking into account the resource distribution in the public sector the Committee requests further information from the Scottish Government regarding how it will ensure that there are appropriate levels of funding from both local authorities and NHS boards into IJAs.

The Committee recognises that with integration authorities being responsible for over half of the health board budget from April 2016, arrangements for future NHS boards’ budgets will need to change to take account of the new structures.

Several written submissions raised concerns over the accountability for the performance of IJAs. NHS Lothian commented that it was unclear where responsibility and accountability sat between the IJAs and the Scottish Government in relation to the delivery of the agreed performance measures.

The Committee notes that Audit Scotland in its recent report on Health and Social Care Integration considered the proposed governance arrangements to be complex, with some uncertainty about how they would work in practice. The Committee therefore supports the recommendation made by Audit Scotland on the need to set out clearly how governance arrangements will work in practice between partners. Audit Scotland believed this to be particularly important when disagreements arise as it considered there to be potentially confusing lines of accountability and potential conflicts of interest for board members and staff.

As well as internal accountability for integration authorities, consideration needs to be given to how external accountability between the integration authority, NHS board and Parliament will work. The Committee asks the Scottish Government to provide further details on how it expects these lines of accountability to operate. On a practical level we would welcome clarification of the level of detail about IJAs budgets that will appear in future Scottish Government budget documents.
The Committee also explored whether the ambition of shifting the balance of care towards community settings is achievable. Consideration of some of the IJAs strategic plans suggests that whilst changes are proposed to spending within social care and health care services, changes are not being proposed which would significantly shift budgets between council services and NHS services. For example in the case of Dumfries and Galloway its financial plans to 2018-19 show that the balance of expenditure between council services and NHS services remains the same with NHS services representing 79% of planned expenditure at both the start and end of the period. A similar picture emerges for West Lothian.

The Committee asks the Scottish Government to respond to the concern that some integrated authorities’ strategic plans do not appear to be proposing a significant shift in the profile of expenditure to community settings over the next few years. Such a shift is needed to ensure a fundamental change to the balance of care from hospital to community settings is delivered.

**GP budgets**

The Committee welcomes the 3.6 per cent increase in the general medical services budget for GPs. This represents a 1.9 per cent real-terms increase and includes £45m allocated to the new Primary Care Fund. We welcome your recognition of the importance of seeking to address issues relating to recruitment and retention of GPs and health inequalities through the new GP contract and investment in primary care services.

The Committee believes that GPs are central to ensuring the effective delivery of health and social care integration. The Committee is concerned by the evidence it received from representatives from the IJAs which suggested that GPs were not sufficiently involved in the integration planning process and that experiences varied considerably across areas. We welcome your acknowledgement of these challenges and the recognition that GPs are central to decision making on how resources are allocated and how services are delivered and developed. The Committee asks the Scottish Government what steps it is taking to ensure that GPs are represented and involved in the decisions taken by IJAs.

**Other Health budget lines**

The Committee welcomes the 67% real terms increase in relation to investment in Mental Health Improvement and Service Delivery. The Committee notes that this reflects new allocations to mental health announced last year. The Committee notes that in relation to the LDP standard for 90% of young people to commence treatment for specialist CAMHS within 18 weeks of referral in the quarter ending September 2015, 73% of children and young people were seen by specialist CAMHS in 18 weeks. The Committee asks the Scottish Government for further information on how it will ensure the increased investment in mental health services will seek to deliver improvements in relation to the LDP standard in this area.

The Committee also notes that the Scottish Government draft budget contains some new budget lines. This includes two new budget lines for ‘additional programmes’ and ‘board initiatives’. The Committee asks the Scottish Government for further detail on these budget lines.
The Level 4 information accompanying the draft budget shows £78.8m to be delivered through efficiency savings. This represents less than 1% of board budgets and so, would suggest a lower efficiency savings target than the 3% efficiency savings target set out in the draft budget for the public sector as a whole. The Committee would welcome clarification of the efficiency savings that will be expected.

**SPORT BUDGET**

The Committee notes that the total sport budget is being reduced by more than 37% in real terms. However, this is mainly due to the complete removal of capital funding as a result of the completion of the National Performance Centre for Sport and a National Para-Sport Centre which received capital funding in 2015-16. The Committee welcomes the £45.8 million which has been allocated to resource funding, it notes that this is flat in cash terms (a real terms reduction of 1.7%).

In your evidence session with the Committee you highlighted that sportscotland receives additional funding through money from the National Lottery which can be used to continue to invest in sport. As a Committee we recognise the importance of sportscotland being able to undertake long term planning to ensure the delivery of its objectives. The Committee therefore asks the Scottish Government to provide further information on the investment sportscotland receives from the National Lottery including the priorities which sportscotland have agreed with the Scottish Government for how this investment will be spent, what percentage this funding is of sportscotland’s overall budget and how long the current funding received from the National Lottery has been awarded for.

In evidence you also confirmed that a letter will be issued to sportscotland which sets out the Scottish Government’s expectations of what sportscotland should deliver in 2016-17 for its budget. The Committee requests a copy of this letter when it is issued. We also request further information on what mechanisms and measures the Scottish Government uses to determine at the end of the each financial year if the priorities sportscotland has been set have been delivered.

As acknowledged during your evidence session with the Committee the sport budget should not be considered in isolation. As you highlighted there are other budget streams, including health improvement, education and mental health which relate to sport. Investment in one budget stream has the potential to deliver benefits for other portfolio areas. The Committee asks the Scottish Government to consider whether there is scope to better demonstrate this connectivity across funding streams in future budget documents. This may be one mechanism that could be used to foster a closer relationship between sport and health budgets and policies going forward.

**Commonwealth Games Legacy**

The Committee has a long standing interest in ensuring that the Commonwealth Games in 2014 results in a genuine sporting legacy for Scotland. As the Scottish Government acknowledged in its most recent report on the Commonwealth Games Legacy, in July 2015, improving individual’s sports participation and physical activity will not arise automatically as a result of hosting a large sporting event.

The Committee therefore welcomes the interventions made by the Scottish Government to encourage an active legacy in relation to people being more
physically active. This includes the Legacy 2014 £10 million active places fund, the aim to have 150 Community Sports Hubs in place by 2016 and the launch in July 2015 of the £800,000 Legacy Physical Activity Fund which aims to reach those people who are classed as physically inactive.

The Committee believes that it is not just the investment in these initiatives that is important but ensuring that the investment delivers on providing improved active infrastructure and improved rates and frequency in sports participation and physical activity.

The Committee therefore asks the Scottish Government to provide further information on how it will assess the success or otherwise of the active legacy of the games and its plans for further development and monitoring of the legacy programme.

**Legacy Physical Activity Fund**

Some responses to the Committee’s survey on the sport budget commented specifically on the new Legacy Physical Activity Fund and its focus on Community Planning Partnerships, some commenting that the approach taken to awarding funding was “far too top down”. The Committee asks the Scottish Government to respond to these comments and for further information on how it will monitor and evaluate the success of this fund in reaching the physically inactive.

**Volunteers**

In 2013 the Committee concluded in its *Report on Inquiry into Support for Community Sport* that the Scottish Government and all those in the sporting sector should be encouraged to show leadership by supporting volunteers in sport more actively and by promoting a culture of volunteerism.

The Committee continues to believe that central to delivering the games legacy is a strong and sustainable coaching base, particularly in those communities with low physical activity and sport participation rates. The Committee welcomes your confirmation that the on-going reporting on the games’ legacy will include an assessment of the number of volunteers who have remained active. The Committee asks the Scottish Government to confirm what percentage of active volunteers it considers would demonstrate success. The Committee also asks for further information on how the Scottish Government is assessing both the levels of volunteering in different communities across Scotland and access to appropriate training and coaching for volunteers across the different sports. We also request further information on what initiatives it is supporting and funding to give volunteers the appropriate recognition for their role thereby incentivising their continuing engagement.

Yours sincerely

Duncan McNeil MSP,
Convener of the Health and Sport Committee