



The Scottish Parliament
Pàrlamaid na h-Alba

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Scottish Government

COVID-19 Recovery Committee
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By e-mail

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Dear John,

Pre-budget scrutiny: Coronavirus (COVID-19): Scotland's Strategic Framework and Covid Recovery Strategy

I refer to the Committee's pre-budget scrutiny, which undertook evidence on the Coronavirus (COVID-19): Scotland's Strategic Framework and Covid Recovery Strategy.

Given there is no specific Covid budget line as such, the Committee agreed to focus its pre-budget scrutiny on the ongoing costs associated with the pandemic, as set out in the COVID-19 Strategic Framework, and on how the Scottish Government plans to fund its Covid Recovery Strategy. The Committee was interested in the read across between these strategic documents and the Scottish Government's fiscal documents, namely the Resource Spending Review (RSR), Medium-Term Financial Strategy (MTFS) and the Equality and Fairer Scotland Statement (EFSS).

Following evidence, the Committee made a number of observations and recommendations as set out in this letter. It hopes that these will assist the Scottish Government's thinking when preparing its forthcoming budget.

Covid recovery and the cost crisis

The current cost crisis was a recurring theme throughout our evidence sessions, including how this could affect the funding of the Covid Recovery Strategy, with some saying the cost crisis will pose challenges for organisations, service providers and individuals greater than those challenges faced during the pandemic.

The Covid Recovery Strategy sets out the Scottish Government's vision for recovery, focusing on efforts to tackle inequality and disadvantage arising from the COVID-19 pandemic and states that progress towards public service reform and a wellbeing economy is necessary in order to tackle these inequalities.

However, concern was raised by witnesses around the ability for service providers to play the role envisaged for them in the strategy, given the economic outlook and the cost crisis. Witnesses spoke of the additional fiscal challenges including Rob Gowans, representing the Health and Social Care Alliance Scotland (the ALLIANCE), who acknowledged the additional challenges the cost crisis is having on the priorities set out in the strategy of tackling poverty and spending on health and social care.

The Scottish Women's Budget Group (SWBG) said that COVID-19 exacerbated existing inequalities across Scottish society and that the cost crisis is likely to impact and widen these inequalities. It argued that recovery plans should therefore be linked with dealing with the cost crisis.

Sarah Watters, representing the Convention of Scottish Local Authorities (COSLA), highlighted the difficulties faced by service providers due to increased operational costs, such as energy prices and inflationary pay rises. On pay, Professor Mairi Spowage, representing the Fraser of Allander Institute, explained that the RSR did not take into account the effect of inflation on public sector pay, rather it assumed that pay would remain static as the public sector workforce was reduced.

The context of reducing the number of public sector staff to pre-pandemic size, as set out in the RSR, was also highlighted as a challenge by witnesses. Carolyn Low, representing NHS National Services Scotland (NSS), explained that plans were in place to reduce all additional staff employed to deal with the pandemic over this financial year, with the intention of reducing spend and redeploying those staff. The aim would be to retain a core staff to deal with vaccination, surveillance and pandemic preparedness in relation to personal protective equipment (PPE).

In light of current fiscal pressures, Professor Spowage, called for the Scottish Government to set out how its funding priorities would achieve the ambitions as set out in the strategy.

During evidence you confirmed that the current inflationary pressures have meant that the Scottish Government's budget is approximately £1.7 billion less than it was worth in December 2021. You also confirmed that the RSR envisages a reduction in public sector employment over the course of the spending review period.

The Committee notes that the Covid Recovery Strategy was published in October 2021, before the scale of the emerging cost crisis was evident. The Committee is also aware that the Scottish Government set out some initial measures on 7 September 2022 in advance of the Emergency Budget Review being finalised and published in the coming weeks, outlining changes in policy funding in light of the cost crisis and the UK fiscal event and subsequent statements made by the Chancellor of the Exchequer.

The Committee asks the Scottish Government to clarify whether budgetary and inflationary pressures have impacted on its priorities and ability to deliver the outcomes as set out in the Covid Recovery Strategy, and whether it intends to refresh the Covid Recovery Strategy to reflect any policy changes in light of the cost crisis.

The Committee notes that there is no specific budget line for Covid or Covid

recovery. The Committee therefore seeks greater clarity on how much funding the Scottish Government intends to commit to reach the outcomes identified in the Covid Recovery Strategy in the upcoming budget.

Coronavirus (COVID-19): Scotland's Strategic Framework - ongoing COVID-19 costs and pandemic preparedness

The Committee considered the cost of policy measures contained in the Strategic Framework, such as the booster vaccination programme, surveillance and the provision of personal protective equipment (PPE), and the cost associated with future pandemic preparedness.

Pandemic preparedness

Dr Nick Phin, representing Public Health Scotland (PHS), commented on the need to prioritise funding for ongoing COVID-19 costs and pandemic preparedness, such as vaccination and testing and surveillance. He explained that vaccination will be key for both current and future protection and that ongoing surveillance will help give an indication of the potential resurgence of a new variant or a new mutation and allow the Scottish Government to respond appropriately. These points were echoed by Dr Graham Foster, representing Scottish Directors of Public Health Group (SDPHG), who also spoke of the need for robust and resilient front-line public health teams within NHS Boards. The ALLIANCE also said it was important that this year's budget and future budgets include appropriate details on funding for ongoing COVID-19 mitigation and management measures.

The importance of pandemic preparedness was highlighted very starkly by Professor Andrew Morris, Independent Chair of the Standing Committee on Pandemic Preparedness, who told the Committee infectious diseases and pathogens are constant threats and future pandemics are inevitable. He warned of complacency saying it was important that action was taken now on pandemic preparedness whilst the learning from COVID-19 is still fresh in the mind of policy makers and stakeholders.

He explained the work of the Standing Committee which has brought together scientists and technical experts in order to advise on future pandemic risks and how to prepare for them. The Committee considered the budgetary implications of the main recommendations of Standing Committee's interim report.

On the importance of unified scientific advice, Professor Morris highlighted the need to strengthen scientific advisory structures in Scotland and to ensure that they are integrated UK structures. Echoing the points raised by other witnesses, he emphasised that the principles of good pandemic preparedness would involve a robust health and care system and targeted strategic investment in a number of areas (as set out in the interim report) and the integration of behavioral science. However, he did not expect 'a major new budget line for pandemic preparedness' saying it was more important to focus on 'co-ordination and connectivity rather than huge new investment.'

Vaccination

The Strategic Framework sets out the planning assumption that there will be a continued

need for vaccinations in response to COVID-19 in 2022/23 and beyond and that the Scottish Government is preparing for a continued need for some level of ongoing booster vaccination activity. The Committee considered the ongoing costs associated with the vaccination programme including the autumn booster.

NSS explained that, at the outbreak of the COVID-19 pandemic, NSS established a National Contact Centre (NCC), which is now primarily focused on the vaccination programme and has been commissioned by the Scottish Government to deliver a scheduling and helpline service through the 2022/23 financial year covering the autumn/winter and Covid booster activity. It commented that, as the scope of the NCC has reduced, the seasonal peaks and troughs of retained activity have become more prominent and that resource management and financial planning has become more challenging. They explained the resource model within the NCC adopts a blend of core NSS staff and third-party commercial partners.

Carolyn Low also noted that in addition to the staffing costs and costs of the vaccines themselves (which have increased significantly), the administration costs associated with sending vaccination letters were also significant. Moving to a solely digital system for vaccination bookings, she explained, was not however a viable option given it would possibly exclude vulnerable people who are excluded digitally.

Testing and surveillance

NSS noted that at the beginning of the current financial year a number of activities were stood down as part of a managed Test and Protect transition programme. It said that in most cases the digital infrastructure has been retained with a view to reutilisation in the face of any future public health response. It highlighted the core activities being retained and said the current levels of funding for Test and Protect activities for the financial year were appropriate. NSS explained, however, that should any change in testing policy take place in the autumn, or any actions agreed in response to the identification of a variant of concern, that this would require additional funding to implement.

The Committee also received written evidence on surveillance issues from the Office for Statistics Regulation on its review of the COVID-19 Infection Survey, from Scottish Water, SEPA and CREW on the wastewater monitoring programme and from Dr Fletcher regarding her research carried out with Professor Lyall at the University of Edinburgh on the Scottish COVID-19 wastewater testing programme and what lessons could be learned for future pandemics. Professor Morris also highlighted the importance of genomic sequencing as a surveillance tool to help with pandemic preparedness. The Committee expects to consider these surveillance issues in further detail at a future meeting.

Personal protective equipment (PPE)

The Committee considered the Scottish Government's aim to develop a new approach to how the public sector procures and supplies PPE in Scotland, coming into operation next year, as set out in the Strategic Framework.

NSS explained that spend on PPE has decreased year on year, but it is envisaged to remain a material area of future expenditure. It highlighted the following areas to consider—

- The significant economies of scale within procurement of PPE and reduction in volume usage will likely increase unit costs
- Maintaining a Scottish supply of PPE will be predicated on minimum order /usage
- It is still to be clearly established at what level pandemic preparedness stocks are to be maintained

It called for clarification of the policy with regard to PPE across the NHS to allow a greater degree of certainty around the funding requirements.

NSS also highlighted the importance of stock turnover to ensure it does not expire and that the latest PPE is also available, telling the Committee that the key to this was a good supply chain, which requires minimum orders to be placed to maintain that supply chain, thus ensuring the ability to cope with any potential future demand.

You confirmed that the Scottish Government remains prepared to respond appropriately and proportionately to any new wave or variant that could emerge and said that the Strategic Framework ensures that the Scottish Government has the necessary resilience and preparedness to meet any potential challenges. However, it was not clear as to whether the Scottish Government would make additional funds available should another new wave or variant result in any significant change to ongoing COVID-19 measures such as vaccination, surveillance and PPE.

You also confirmed that, as part of formulating the budget, you will consider the recommendations that have been made by the Standing Committee on Pandemic Preparedness. You went on to confirm a forecast expenditure of £485million on all aspects of activity in relation to Covid and that you will reflect on the report's points as you consider the composition of the budget for the next financial year.

The Committee welcomes the interim report from the Standing Committee on Pandemic Preparedness and requests the Scottish Government updates the Committee on its response to this report, including its views specifically on the budgetary implications of its recommendations. In addition, the Committee requests that the Scottish Government updates the Committee on the publication of the final report and its response to that report.

The Committee recognises the importance of funding the ongoing activities in relation to vaccination, surveillance, testing and PPE and is reassured by the Scottish Government's commitment to allocate funds for these measures. The Committee notes the evidence calling for greater clarity on the level of PPE stocks that should be maintained for pandemic preparedness and asks the Scottish Government to respond to this.

Given the current fiscal pressures on public bodies, the Committee also seeks assurance from the Scottish Government that it would commit additional resources to implement the Strategic Framework if this was required to respond to a new variant of concern or mutation in the future.

Covid Recovery Strategy - outcomes based budgeting and policy evaluation

In considering the funded policies contained in the Covid Recovery Strategy, the Committee was interested in how the success, or otherwise, of certain policies can influence future policies and government budgets.

Álfrún Tryggvadóttir representing the Organisation for Economic Co-operation and Development (OECD) told the Committee of alternative approaches to undertaking spending reviews. She highlighted that in Norway and Canada, government policies are evaluated to see if budgets allocated to them resulted in the intended benefits for citizens in the medium and long term. Following this evaluation, budgets are assigned accordingly. She said it was particularly important to do this in times of crisis and suggested Scotland should consider approaching its spending reviews in this way.

The need to evaluate the effectiveness of government policies by measuring evidence-based outcomes was echoed by Professor Spowage, who explained that this would better support the government in choosing which policies to continue to implement, and which ones to stop.

The broad scope of the Recovery Strategy and its links to other strategies within a wide range of portfolio areas was also mentioned by witnesses as adding challenges to measuring and scrutinising outcomes effectively.

Monitoring COVID-19 recovery

Álfrún Tryggvadóttir also highlighted the OECD's COVID-19 Recovery Dashboard, which was developed to monitor how different countries are performing in the context of recovery. She explained that it features twenty indicators to monitor the quality of the recovery and whether it is strong, inclusive, green and resilient, with gender inequalities highlighted throughout. She told the Committee the dashboard was developed by an advisory group, which included representatives of national statistical offices in OECD countries, alongside policy experts and representatives from several OECD committees, and that the indicators were specifically selected through a process of consultation with different ministers across all OECD countries.

You told the Committee that one of the challenges in deciding public expenditure priorities is assessing the most effective use of public expenditure at any given moment. You also said that it is important that public expenditure decisions keep pace with the needs of the time and the agenda that the Government is pursuing.

The Committee notes the Covid Recovery Strategy sets out a number of actions and indicative timescales under the three main outcomes: address the systemic inequalities made worse by Covid; make progress towards a wellbeing economy; and accelerate inclusive person-centred public services. The Committee requests the Scottish Government provides an update on progress on the actions outlined in the Covid Recovery Strategy.

The Committee also requests further information on how the Scottish Government intends to evaluate the effectiveness of its policies and funding allocations in its forthcoming budget documents and asks that the Scottish Government ensures that budget documents make clear the relationship between specific budget lines

and specific outcomes.

The Committee recommends that the Scottish Government considers the OECD COVID-19 Recovery Dashboard and explores whether Scotland could adopt a similar approach to monitoring its recovery from the pandemic.

The Committee notes the evidence that there is insufficient clarity across the Scottish Government's Covid Recovery Strategy and the Scottish Government's fiscal documents on what funds are being allocated to Covid recovery. The Committee therefore requests that the Scottish Government considers the evidence heard by this Committee ensures that future fiscal documents provide more clarity on specific funding directed at achieving the priorities and outcomes set out in the Recovery Strategy.

Wellbeing economy – clarity of aims and outcomes and transparency

The Committee considered the read across between the Scottish Government's strategic documents and how they support the Scottish Government's stated aim of achieving a wellbeing economy.

EIS said the lack of specific detail within the RSR and MTFS means it can be difficult to determine how funding will be provided and then allocated to address inequalities associated with the impact of COVID-19. They said further detail of the application of the Recovery Strategy in a more succinct manner would be welcomed, commenting that the varied number of publications and documents can make it difficult to draw conclusions from the information available.

The Committee also considered the Scottish Government's stated aim of achieving a wellbeing economy and heard a range of views as to what constitutes a wellbeing economy.

Dr Lukas Hardt representing the Wellbeing Economy Alliance Scotland (WEAll) said that a wellbeing economy concerns the process of how budgets are developed and how the rules of the economic system are designed. In his view, there should be a shift towards preventative spending in order to achieve savings in the future and address inequalities.

Dr Hardt argued that in a wellbeing economy, serving these needs and shrinking environmental impacts to within 'planetary boundaries' would take priority over growing the size of the economy, as measured by GDP. In his view, further GDP growth in Scotland would not automatically deliver collective wellbeing.

PHS said a wellbeing economy involves prioritising the improvement of the population's wellbeing instead of purely focusing on Gross Domestic Product (GDP) growth. It also stated that Scotland's National Performance Framework (NPF), as a national wellbeing framework, can support the development of a wellbeing economy, although the NPF could be strengthened by reviewing the indicators it contains.

Professor Spowage noted the differing views as to what a wellbeing economy means and said the NPF aims to deliver that, although she questioned whether the NPF is used as a driver for policy-making, a point also raised by WEAll and Carnegie UK.

The Committee notes the differing views of witnesses on what constitutes a wellbeing economy. The Committee also notes the evidence suggesting it is not clear how the National Performance Framework is used as a policy decision-making tool to help deliver a wellbeing economy. The Committee therefore requests that the Scottish Government clarifies what it means by a wellbeing economy and how progress against this policy ambition is to be measured. In addition, the Committee requests that the Scottish Government provides further information on which indicators within the National Performance Framework are being used to monitor the delivery of a wellbeing economy.

I look forward to your response to this letter, which I expect to receive five days following the publication of the budget in line with the budget process. The Committee will be interested to see in the budget documentation how the Committee's views as set out in this letter have been taken into account when preparing the budget.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Siobhian Brown', with a long horizontal flourish extending to the right.

Siobhian Brown MSP
Convener
COVID-19 Recovery Committee