The Scottish Parliament
Pàrlamaid na h-Alba

Humza Yousaf MSP
Cabinet Secretary for Health and Social Care
The Scottish Government
St Andrew's House
Regent Road
Edinburgh
EH1 3DG

Via email only

Health, Social Care and Sport Committee
The Scottish Parliament
Edinburgh
EH99 1SP
Tel: 0131 348-5224
Calls via RNID Typetalk:
18001 0131 348-5224

Email: HSCS.committee@Parliament.Scot

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Dear Cabinet Secretary,

Health, Social Care and Sport Committee: Pre-budget scrutiny 2023-24

1. I am writing to you further to the evidence we took on health and social care finance at a recent meeting of the Committee and in anticipation of the planned publication of the Scottish budget for 2023-24 on 15 December.

2. In preparation for its pre-budget scrutiny, the Committee launched a call for written submissions which ran from 29 June until 24 August and received 20 responses.

3. On 20 September, we took oral evidence from the following witnesses:
   - Professor David Bell, Professor of Economics at the University of Stirling;
   - Leigh Johnston, Senior Manager, Performance Audit and Best Value at Audit Scotland; and
   - Professor Raphael Wittenberg, Associate Professorial Research Fellow at the London School of Economic and Political Science.

4. This evidence session and the call for written evidence that preceded it have raised a number of important issues which we would like to draw to the Scottish Government's attention and to see addressed in the preparation of the 2023-24 Scottish budget.

Impact of ongoing cost pressures on health and social care spending

5. A significant number of respondents to our call for written evidence argued that the planned 0.6% real terms increase in health and social care spending does not reflect

pressures currently being experienced by health and social care, particularly in the context of much higher inflation compared to when these plans had been set out.

6. In connection with this, pay, demographics and the impact of higher inflation were frequently referred to as creating significant pressures for both health and social care. Many respondents 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 were highlighted as presenting particular concerns.

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

"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."

8. Giving oral evidence to the Committee, Leigh Johnston from Audit Scotland outlined the challenges NHS boards will face over the coming year:

"NHS boards have been fully funded over the past two years to meet their unachieved savings, but that is stopping in 2022-23, when boards will be expected to make their planned savings without additional support from the Scottish Government. That will be very challenging given all the pressures that have been outlined, such as pay costs, inflation and energy costs, as well as on-going operational costs, which have already been an issue."

9. Giving oral evidence to the Committee, Professor David Bell from the University of Stirling, argued that if additional resources were insufficient for salaries in the health sector to keep pace with inflation, more work would be needed to address other working terms and conditions to retain staff:

"If there is increasing disenchantment with the real levels of pay that people are getting, that means almost redoubling the effort to make sure that conditions are suitable and that, even given the cost of living fall, working in the NHS is still sufficiently attractive to keep people in it."

10. Giving oral evidence to the Committee, Professor Raphael Wittenberg from the London School of Economics and Political Science highlighted particular future funding pressures on the social care sector that could be anticipated, arising from the pay and conditions of the social care workforce:

"Wages might have to rise more quickly in the care sector than in the wider economy in order to ensure that we can recruit and retain sufficient staff with the skills and aptitude to work in that sector."

11. **The Committee wishes to highlight to the Scottish Government significant concerns within the health and social care sectors that current funding commitments fall significantly short of what is needed to address the additional cost pressures currently being faced. The Committee seeks reassurances that these concerns will be addressed directly when the Scottish budget for 2023-24 is published.**

Covid-19 recovery

12. 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.

13. In oral evidence, Leigh Johnston also highlighted the ongoing impact the pandemic has had on health outcomes and the need for these impacts to continue to be addressed in future spending:

"We have been clear about the impact that the pandemic has had on inequalities of health, wealth and education. It has had a profound negative impact on physical and mental health. It will also have had an impact on the outcomes that are set out in the national performance framework."

14. Professor David Bell acknowledged the various impacts, both positive and negative, the pandemic has had in changing the way health and social care services are delivered and the impact these might have on future spending:

"…Covid has changed working practices. In some senses, it has made things more efficient: we have heard about how GP practices are using online appointments. Precautions must still be taken, which adds to costs. Long Covid is still an issue that may also add to costs."

15. This view was supported by Leigh Johnston who also outlined what expectations there were on NHS boards to manage ongoing pandemic-related costs in future:

"…on-going costs will be caused by Covid-19 in 2022-23. There are increased infection prevention and control measures, among many other things. It is our understanding that NHS boards have been given an individual funding envelope to cover their Covid-19 costs in 2022-23, but that there is an expectation that they will now begin to manage those down."

16. Professor Wittenberg also highlighted the ongoing impacts long Covid could have on delivery of social care by unpaid carers:

"One of the issues that I think we should be looking at in the study that we are starting is the potential impact of long Covid on unpaid care, in respect of carers who may no longer be able to care so easily, as well as people who need care from their families or others and whose condition may be more complex if they have long Covid alongside other conditions."

17. Our panel of witnesses giving evidence on 20 September were generally agreed that innovation could make an important contribution to improving the financial sustainability of the sector in the future. Leigh Johnston argued:

"We must not lose the innovation and progress that took place during the pandemic, and we must try to advance it."

18. Professor Bell also argued that giving practitioners the freedom to experiment with innovations that may ultimately fail is also important to the process of successful innovation:

"One cannot expect every innovation to result in a successful outcome. Perhaps we should be prepared to allow for something not to work."

19. Professor Bell also highlighted the varying capacities of individual health boards to innovate depending on their size:

"The bigger boards will have extra leeway—there is the economies of scale argument—to move forward with innovations, whereas the smaller ones will not have that freedom."

20. **The Committee highlights evidence that, although designated Covid-19 funding is due to end as part of the overall recovery strategy, there is an expectation within the health and social care sectors that certain additional costs related to the pandemic will persist into the future. Evidence submitted to the Committee also suggests the pandemic will have long-term negative impacts on physical and mental health and health inequalities which will require ongoing interventions to be addressed.**

21. **The Committee calls on the Scottish Government to clarify how it will support the health and social care sectors in meeting those ongoing additional costs as designated Covid-19 funding comes to an end.**

22. **In particular, the Committee highlights the potentially significant impact long Covid could have on available staffing as well as the particularly severe impact it could have on unpaid carers and the recipients of their care. It calls on the Scottish Government, in responding to this letter, to outline what it is doing to assess the precise level of that potential impact and what funding it will put in place during the 2023-24 budget period to mitigate it.**

23. **The Committee further calls on the Scottish Government to set out what it is doing to foster a culture of innovation in the health and social care sectors to ensure the progress made during the pandemic in terms of more efficient and effective service delivery is fully embedded and continues to be built upon as well as providing targeted support to those areas of health and social care that may otherwise struggle to innovate. The Committee would welcome information on any assessment of savings resulting from changed working practices introduced during the pandemic and how these are reflected in the 2023-24 budget.**

NRAC formula

24. During the Committee's meeting on 20 September, Professor David Bell was asked what changes might need to be made to the existing Resource Allocation formula (NRAC) to address the specific circumstances of more remote and rural areas of Scotland. Professor Bell responded:

"Basically, the NRAC formula works to allocate money to territorial boards, which is mainly for hospitalisation and GP prescribing. That is driven primarily by population, then by the age-sex structure, and then by various indicators of morbidity and mortality… …in effect, it is largely about the conditions of demand for health services and how that might be higher in areas where, for example, there are lots of older people. We might need to do some more work on how easy or difficult it is to attract workforce

to different areas. Not all of Scotland is equally attractive to healthcare professionals, and some areas have considerable difficulty in recruitment."

25. In responding to the Committee's 2022-23 pre-budget scrutiny letter on 13 December 2021, the Scottish Government indicated that its aim was "to agree an approach and work plan over the course of the next year" on a future review of the NRAC formula.

26. **The Committee requests an update from the Scottish Government on progress towards agreeing an approach and work plan on a future review of the NRAC formula. In particular, the Committee would welcome insight as to how the specific circumstances of more remote and rural areas of Scotland will be factored into this review.**

Preventative spending and the need for multi-year budgeting

27. Several respondents to the Committee's call for written evidence also commented on the challenges for longer term financial planning that single year budgets present and argued for multi-year budgeting.

28. In its written submission, 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."

29. In this context, many contributors to the call for written evidence recognised the significant challenges associated with investing in preventative care while maintaining existing services within a tight budgetary framework.

30. In its written submission, Argyll and Bute Health and Social Care Partnership (HSCP) outlined 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."

31. In its written submission, 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.

32. In oral evidence, Professor David Bell supported this view, stating:

"It seems to me that preventative strategies have suffered, in relative terms, because it is so difficult to establish how effective they are."

33. While supportive of preventative spending, COSLA's written submission also argued that the current short-term nature of funding makes this difficult to achieve in practice:

"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."

34. Further reinforcing this view, several respondents highlighted the need for a stronger evidence base and a longer-term horizon to support investment in preventative spend.

35. Professor David Bell also supported this view, saying:

"Again, it is the difficulty of short-term budgeting in putting in place long-term strategies... …it is extremely difficult to sell such strategies at the sharp end, when there are real problems about healthcare delivery systems through the NHS and the social care system."

36. In its written submission, COSLA argued that stronger alignment with the National Performance Framework could help to provide the necessary evidence base to support a greater focus on prevention in health and care spending:

"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."

37. In connection with this point, NHS Ayrshire and Arran noted challenges around existing targets given the current pressure in the system, and argued that these targets should be reviewed:

"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."

38. In oral evidence, Leigh Johnston also acknowledged the budgetary challenges associated with shifting strategy towards a preventative approach during Covid recovery:

"We have found that moving resources towards prevention and early intervention often requires a significant change in the way that services are delivered. It may involve reducing budgets in some areas, increasing budgets in other areas and targeting resources at specific groups of people."

39. Asked whether a preventative strategy should focus, in the first instance, on areas with higher excess mortality or where healthy life expectance is lower, Professor David Bell responded:

"There is a case for targeting preventative measures on those areas that have the lowest healthy life expectancy."

40. As part of its 2022-23 pre-budget scrutiny, the Committee requested an update on plans by the Scottish Government to bring forward a medium-term financial framework for health and social care. In responding to the Committee's pre-budget scrutiny letter, the Scottish Government indicated that this would need to be cognisant of "Health Boards' three-year operating plans" to be "developed by the summer of 2022" and further work in early 2022 "to establish our approach to a National Care Service". The Scottish

Government's response also indicated that its Preventative and Proactive Care Programme would inform spending decisions.

41. **The Committee highlights widely expressed views it has heard during its 2023-24 pre-budget scrutiny that single year budgets are a substantial obstacle to prioritising health and social care spending on preventative policies and that this is particularly challenging in the current severely constrained budget environment.**

42. **In this context, the Committee requests the Scottish Government to provide a further update on when it expects to bring forward an updated medium-term financial framework for health and social care and how, in the absence of this framework, it plans to continue to prioritise prevention as part of its Covid recovery strategy.**

43. **The Committee further asks the Scottish Government to address whether, in the context of other short-term demands on health and social care budgets, it would, in the first instance, consider focusing its preventative strategy towards areas of the country identified as having lower healthy life expectancy. The Committee would also welcome an update on how the Preventative and Proactive Care Programme has informed spending decisions.**

Measuring the health impact of non-health spending: A "whole system" approach

44. A number of respondents to our call for written views 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.

45. Some respondents also argued that such an approach is key to refocusing spending towards preventative measures. Glasgow HSCP noted 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."

46. **The Committee is of the view that the health impact of spending across all areas of the Scottish budget needs to be more systematically measured and assessed. The Committee calls on the Scottish Government to set out what it is currently doing to measure and assess the health impact of all relevant areas of the Scottish budget beyond health and social care and what it will do to further improve this situation in the future, for instance via the systematic application of health impact assessments as part of the budget process.**

Data and measuring outcomes

47. In its written submission to the Committee, Audit Scotland again highlighted unavailability of data as a key barrier to measuring the effectiveness of specific policies, arguing:

"…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."

48. Giving oral evidence to the Committee, Professor David Bell also argued there is a need for improved data to enable better measurement of outcomes:

"A key Scottish Government objective is to raise activity levels, but whether that is being achieved with the resource that has been allocated to that end is a question on which we need better data."

49. Professor Bell also suggested that there is potentially an excess focus on measuring short-term outcomes which could be detrimental to measuring performance against, and achieving, long-term outcomes:

"The trouble is that there is a tendency to measure what we can measure, which is not necessarily the right thing to measure. Waiting times are possibly an example of that."

50. In oral evidence, Leigh Johnston of Audit Scotland also highlighted a failure to measure outcomes properly as hampering efforts to prioritise spending effectively:

"There is a need to move towards looking at what outcomes are being achieved through the money that we are spending. A number of our studies—for example, our "Children and young people's mental health" study in 2018—have found that we could not track the spending or tell what difference any of it was making because the outcomes were simply not being measured. That is repeated across health and social care."

51. In response to a later question, Leigh Johnston concluded:

"Sometimes, I would question whether there is sufficient data for planning to be done and for good decisions to be made."

52. Leigh Johnston went on to speak about what has been done to address gaps in available workforce data in particular:

"The Scottish Government has published its health and social care workforce strategy, and it has made lots of commitments around improving the data that is available to help to plan our workforce. However, it promised that in the 2018 workforce plan, and we have seen very little progress. It is the same with the GP data. Over the years, there have been lots of commitments to improve that situation, but progress has been slow."

53. Elaborating on the lack of suitable data about GP demand and activity, Leigh Johnston said:

"Our point is that there is no nationally available data to give us a good insight into activity and demand in GP practices. However… …Public Health Scotland is, as far as we are aware, working on that, and it is due to publish data early to mid next year."

54. Professor David Bell argued that, to maximise its usefulness, data should be anonymised and made more widely accessible to practitioners within the health and social care sectors:

"…if the data is made accessible in an anonymised way, lots of people can look at it and try to come to conclusions about how efficiently the service is run."

55. This Committee (and its predecessor Committee in Session 5) has repeatedly called for better information on spending on mental health and alcohol and drug services. Despite these being important policy priorities for the Scottish Government, the Committee has highlighted that it is challenging to monitor overall levels of spending in these areas. The Scottish Government has committed to providing improved information in these areas (including in its response to the Committee's 2022-23 pre-budget letter).

56. **Notwithstanding the update provided by the Scottish Government in response to the Committee's 2022-23 pre-budget scrutiny letter, evidence submitted to the Committee this year has highlighted persistent significant gaps in available data related to workforce, GP demand and activity, community care, primary care and social care. Those contributing evidence to the Committee's 2023-24 pre-budget scrutiny have argued this is impeding budget tracking and the assessment of spending against defined outcomes or may mean certain outcomes are simply not being measured at all.**

57. **The Committee calls on the Scottish Government to explain why progress towards addressing these issues has been apparently so slow and to set out what it intends to do to accelerate progress towards remedying this situation so that the effectiveness of budget allocations can be systematically measured against defined outcomes across the health and social care sectors.**

58. **The Committee further calls on the Scottish Government to address the suggestion that the usefulness of available data could be further enhanced by anonymising it and making it more widely available to practitioners across the health and social care sectors.**

59. **The Committee continues to call for improved data on spending on mental health and alcohol and drug services, and would welcome an update on progress in monitoring spending in these areas.**

Sustainability

60. An additional focus for the Committee's pre-budget scrutiny this year has been on progress towards meeting NHS Scotland's stated ambition "to become a service which is both environmentally and socially sustainable".

61. From the responses to our call for written evidence that addressed this issue, a number of common themes emerged.

62. The potential contribution of digital services was mentioned by a number of respondents and the growth in this form of service delivery through the pandemic, with Audit Scotland commenting:

"…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."

63. At the same time, 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."

64. Certain respondents highlighted opportunities for the NHS estate to play a role in achieving net zero ambitions. NHS 24 explained that, as a result of changing working practices in response to the pandemic:

"…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."

65. At the same time, some respondents also emphasised the need for additional funding to improve the sustainability of the NHS estate. The Royal College of General Practitioners argued:

"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."

66. Recognising the challenges associated with upgrading the NHS estate to help meet net zero ambitions, Professor David Bell said:

"…much of the estate is not efficient in its annual usage of CO_2. Transport is important, but the issue is the physical buildings and the level of investment that is needed to convert them to being more sustainable. For some—hospitals, for example—that will be a big challenge."

67. Leigh Johnston emphasised the additional challenge commitments on net zero could create for NHS finances during Covid recovery:

"We identified the net zero requirements as adding a challenge to the NHS recovery process. Achieving them will require additional investment in the already pressured budget."

68. East Ayrshire HSCP highlighted the contribution delivering services locally could make towards improved sustainability:

"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."

69. Generations Work Together also drew attention to the duel benefits of promoting active travel and similar 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."

70. **The Committee calls on the Scottish Government to set out what financial support it will provide as part of the 2023-24 budget and future budgets to enable the NHS estate to make a positive contribution towards meeting NHS Scotland's stated ambition "to become a service which is both environmentally and socially sustainable".**

71. **The Committee further calls on the Scottish Government to set out what support it will provide to public sector organisations to enable a properly coordinated, cross-sector approach towards achieving Scotland's net zero ambitions and to disseminate best practice throughout health and social care aimed at maximising the sustainability benefits of changes to service delivery introduced during the course of the pandemic.**

In conclusion, the Committee looks forward to receiving a detailed response to the points raised in this letter in due course and to working with you constructively as you continue to develop the health, social care and sport budget for 2023-24.

Yours sincerely,

Gillian Martin MSP
Convener, Health, Social Care and Sport Committee